Annual Report

For the year ended
31 March 2015

PayPoint

Simplifying payments
for everyone

Contents

OUR BUSINESS

Today, with an ever expanding number of ways to pay, customers increasingly expect to pay the way they want, wherever they are and at any time. PayPoint answers that demand by taking the complexity of multi-channel payments and translating it into convenient, simple, value-added solutions.

We are an international leader in our field, and a pioneer of a range of payment technologies. We handle over £14 billion in payments annually, for 5,500 clients and merchants. Our solutions transform payments for everyone from consumers to retailers and our clients in utilities, telcos, media, gaming, government and other sectors. Our services are delivered through our unique combination of local shops, mobile and online distribution channels, both delivered through the businesses we own and by integrating the best services from more specialised suppliers.

Retail networks

We operate branded retail networks across the UK, Ireland and Romania.

In the UK, our growing network already includes terminals in over 27,800 local shops including Co-operative, Spar, McColls, Costcutter, Sainsbury's Local, Tesco Express, One Stop, Asda, Londis and thousands of independent stores. These stores are quick and convenient places to make energy meter prepayments, bill payments, benefit payments, mobile phone top-ups, transport tickets, BBC TV licences, cash withdrawals and a range of other transactions. They are made available to customers by most leading utilities and a range of telecoms and consumer service companies.

Our Romanian network continues to grow profitably. We have more than 9,200 terminals in local shops across the country, helping people make cash bill payments, money transfers, road tax payments and mobile phone top-ups.

In the Republic of Ireland, people use our 500 terminal sites in shops and Credit Unions for mobile top-ups and bill payments.

In the UK, Collect+, our joint venture with Yodel, offers parcel drop-off and pick-up services in 5,800 convenience stores. Customers use Collect+ to handle parcels from major retailers including Amazon, eBay, ASOS, New Look, Boden, John Lewis, House of Fraser, M&S, Asda Direct and Very.

The UK network also includes over 4,000 LINK branded ATMs, and 9,800 of our terminals enable retailers to accept credit and debit cards.

Mobile and Online

Our unique mix of digital payments solutions helps maximise success in a complex and rapidly changing world. Every year, PayPoint Mobile and Online handles over 145 million payments for parking, payments and consumer services. In the UK, Canada, USA, France, Switzerland and Australia, our parking solutions make it easy for people to pay for parking by mobile – increasingly through our own app. We also provide electronic parking permits, automatic number plate recognition systems for car parks, and penalty charge notices.

Our online payments platform is linked to 16 acquiring banks in the UK, Europe and North America. It delivers secure credit and debit card payments for over 4,600 online merchants, including Moonpig, WHSmith, London and Zurich Insurance, Moneysupermarket.com, Severn Trent and British Gas. Our comprehensive suite of products ranges from our transaction gateway to a bureau service, in which we take the merchants' credit risk and manage settlement for them. We also offer a variety of value-added services such as FraudGuard, an advanced service that mitigates the risk of fraud in card not present transactions, Cardlock, an innovative solution for PCI compliance, PayCash through the PayPoint network and Cashier, one of the most advanced hosted digital payment solutions.

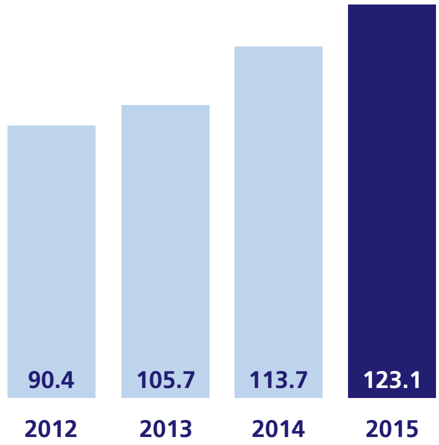
As well as this extensive range of services and solutions, we provide the backing of our 24/7 operations centres, with dual site processing to ensure business continuity. Little wonder then, that PayPoint is so widely renowned for leadership in payment systems, smart technology and service.

Our history is one of anticipating clients' needs and pioneering solutions to meet them ahead of demand. Our future will be no different. Every day, we reinforce our competitive edge by developing our range of payments, products and services across the growing multitude of channels delivering best of breed services through our own and our expert supplier capabilities.

HIGHLIGHTS

	Year ended 31 March 2015	Year ended 31 March 2014	Increase
Revenue	**£218.5m**	£212.2m	3.0%
Net revenue[1]	**£123.1m**	£113.7m	8.3%
Gross margin	**48.1%**	45.7%	2.4ppts
Operating profit[2]	**£49.5m**	£45.4m	9.1%
Profit before tax	**£49.6m**	£46.0m	7.7%
Diluted earnings per share	**57.4p**	52.6p	9.1%
Dividend per share	**38.5p**	35.3p	9.1%

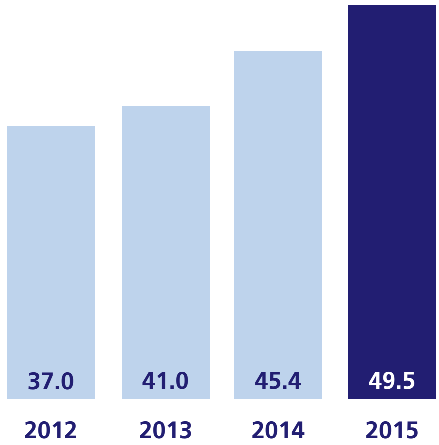
Net revenue[1]



Operating highlights

- Retail networks performed well, with net revenue up 10.1% including retail services up 19.9%
- Romanian bill payment transactions grew 36.8%, increasing profitability and market share
- Collect+ transactions up 38.7% to 18.8 million. Available in over 5,800 sites
- New multi-channel capability launched for energy sector smart meter payments and first sale achieved
- Mobile and Online[4] transactions up 10.0% to 145.3 million, with strong parking transaction growth
- Announced sale process for our parking and online payment processing companies to realise their value

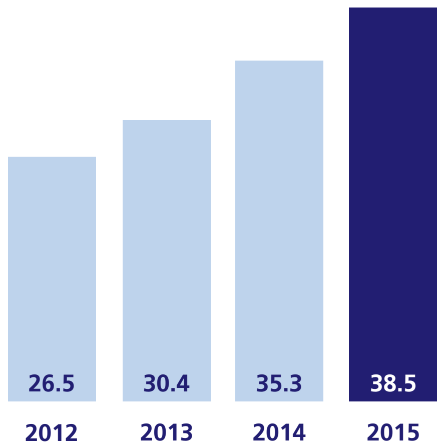
Operating profit[2]



Financial highlights

- Record group transaction volumes at 812.7 million, up 5.9%
- Operating profits[2] up 9.1% with improved margin
- Robust balance sheet with cash of £43.9 million[5]
- Increase in final dividend by 9.2% to 26.1p

Dividend per share[3]



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 mobile parking clients. Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group.
2. Operating profit including our share of joint venture results and excluding the £0.2 million costs associated with the acquisition of Adaptis Solutions Limited in the previous year.
3. Excludes special dividend in 2013.
4. Mobile and Online comprises our parking and online payment processing companies.
5. Excludes £3.3 million for Mobile and Online included in assets held for sale.

CHAIRMAN'S STATEMENT

I am privileged to have been asked to serve the company and its board as Chairman, having been appointed as a non-executive director in 2009.

We are pleased to report strong growth in net revenue with operating profits up 9.1% for the year under review. Our retail networks performed well and we have continued to make progress in Mobile and Online. We are proposing a final dividend of 26.1p per share, an increase of 9.2% on the final dividend last year, and our cash position remains strong.

Following a review of the Mobile and Online businesses, the board has decided to sell our parking and online payment processing companies to refocus on multi-channel payments and services, where we have retail networks. This will allow us to realise the value of the businesses we propose to sell. Further details of the proposed sale can be found in the Chief Executive's statement.

We are committed to best-in-class governance for the board and processes that support the executives' strong record on controls, ethics, risk and management.

We are delighted that Neil Carson has joined the board as Senior Independent Director and remuneration committee Chairman. I am also delighted to welcome Gill Barr, who has agreed to join our board on 1 June 2015. We would like to thank David Newlands for his contribution as Chairman over many years and Eric Anstee, who has served as audit committee Chairman for the last seven years. We would also like to thank Warren Tucker for his contribution. Full details of the current directors are set out on page 23.

We have already reorganised the continuing business to focus on developing multi-channel payments and services for the blue chip clients of our retail networks, following the decision to sell the parking and online payment processing businesses. We have developed and sold the first multi-channel product and will look to extend the application across our varied client base. Our new terminal, now under development, will be piloted this year and will bring with it wider opportunities for new products for clients, retailers and consumers. We will also be continuing the search for retail expansion in new geographies.

The board is excited by the long term potential for profitable growth and development as we capitalise on our competitive advantages and market opportunities.

Nick Wiles
Chairman
28 May 2015

PayPoint gains Approved Payment Institution status

Payment Institution status further enhances our position as one of the leading non-bank payment companies and authorises us to develop new product capability in regulated areas to bring schemes to market quicker and operate them more efficiently.

It also means that we are able to develop digital and electronic versions of our successful CashOut service. CashOut reverses the traditional flow of cash from customer to retailer by enabling retailers to make certain payments to customers. Existing services include energy dual fuel rebates, Warm Home Discount, the Simple Payment service for benefits and pensions and Quick Credit Vouchers (QCV) for emergency payments.

Multi-channel payment system for energy payments

Independent energy supplier Utilita has become the first user of PayPoint's new integrated, multi-channel payment solution for smart meter customers.

PayPoint has developed an innovative solution for energy suppliers and other consumer service organisations to manage their relationships with their customers, giving them an improved experience when choosing where, when and how they pay for their energy.

Utilita's customers now have complete flexibility to pay using whichever method is most convenient for them at the time – in cash at any of the stores in PayPoint's retail network or by credit and debit card using their mobile phone, tablet or personal computer.

"Utilita's customer base is growing rapidly and our aim is to offer our customers the best possible payment experience. PayPoint's unique multi-channel solution is integral to meeting that challenge and will help us to achieve our ambitious growth targets."

Bill Bullen, founder and Managing Director of Utilita Energy

CHIEF EXECUTIVE'S REVIEW

Proposed sale of Mobile and Online businesses

We have built our Mobile and Online business organically and by acquisitions since 2006 to provide clients with a complete payment solution, gain access to fast growing markets and provide a migration path from cash in the event of decline. Notwithstanding predictions to the contrary, during our ownership of these businesses, cash use has remained robust and we have been able to improve our retail differentiation. Technology and changing consumer trends are also giving rise to new opportunities for future growth centred around our retail proposition. At the same time, the mobile and online market has attracted a substantial amount of new investment, particularly last year. This investment has changed the competitive landscape, bringing pressure for both faster development and larger scale to support lower margins. The need for greater pace and scale has increased the execution risk and extended the timetable for returns for PayPoint. Positioned against the opportunities centred around our retail proposition, the board believes that there are likely better owners for these businesses and as a consequence has decided to sell the parking and online payment processing companies to realise their value.

We will continue with our strategy to develop a multi-channel payments company, but refocused on our retail network clients, retailers and consumers. We have built the capability to develop these products within the retained group. The focus on our retail network will further improve our differentiation and growth opportunities, without the need to own all the constituent processing infrastructure.

Review of performance

We have made good progress in all of our businesses in the financial year just completed. We have again been able to increase net revenue and profits, building on our near 20 year track record of success.

Retail payments and services

Our UK and Romanian retail networks continued to perform strongly, with net revenue growth of 10.1%. PayPoint's market leadership in retail payments and services remains the driving force behind our success. We continue to be strongly differentiated through the unique quality and breadth of our client base and retail coverage. As a consequence, we contract with the best convenience retailers and are able 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.

In the UK and Ireland, convenience retailing continues to grow as busy consumers demand quality products and services on their doorstep. This evolution continues to drive investment by convenience retailers in their stores and improved product ranges. PayPoint sits in a unique position at the centre of this change as a leading innovator of in-store payments and services for consumers. Coupled with the growth of our retail network, we have continued to improve technology in store by rolling out PayPoint Point of Sale (PPOS), the software version of our terminal on retailers' till systems and by placing broadband connected terminals, which process transactions more quickly. The benefits of our focus on retail services are demonstrated by strong transaction growth of 28.8% in the year, as well as the increase in our overall average retail yield per site[1]. This growth has helped to mitigate a small decline of 0.7% in UK prepaid energy transactions, caused by reduced domestic gas consumption, and the continued decline in mobile top-up transaction volumes. We are excited by the new products and services which will drive our growth, with the launch of our third generation terminal providing the platform for retail innovation. We have developed a multi-channel product in UK retail, to address the payment challenges faced by utilities, as a result of the UK Government mandated change to smart meters by 2020, building on our existing online payment solutions for prepayment meters. This product has been sold into the energy sector and is attracting interest from other sectors. It will be available outside the UK in due course.

Romania has made good progress with strong transaction growth, as we increase our share of over the counter bill payment, driving increased profitability. We continue to roll out further sites to get ever closer to where consumers live and work. With a network of over 9,000 sites, we already have the prime technology enabled network providing the platform to develop our payments and services offering. Bill payment transactions have grown 36.8%, as we continued to grow market share and add new clients and outlets. Contrary to the UK, mobile top-up transaction volumes have increased in Romania. We are evaluating new retail services to complement our international money transfer proposition, which has shown strong growth in the year. The prospects for Romania continue to be excellent, with the opportunity to extend our share of payments, develop our retail services proposition and to start to introduce the group's new multi-channel payment capability to our Romanian client base.

1. Average retail yield per site is retail network net revenue, excluding Simple Payment service set up, divided by the average number of retail sites in the period.

PayPoint rolls out ITSO smart ticketing

PayPoint's new ITSO-compliant smart ticketing system has been rolled out with Cardiff Bus in Cardiff and the Vale of Glamorgan and with Merseytravel on Merseyside. ITSO ticketing enables transport companies and authorities to allow customers to buy tickets and load smart cards for use on multiple transport modes, including buses, underground rail and ferries.

The new service makes it much easier for customers to top up their smartcards with a range of ticket and value options each time they top up at PayPoint retailers, who benefit from extra footfall as well as other payments and purchases customers make while in the store.

"Partnering with PayPoint is the start of the journey in getting our tickets and the way people buy them fit for the 21st century. PayPoint shops are mostly near to where our customers live so they will be able easily to load their transport smart card when buying a newspaper or a meal-to-go."

Cllr Liam Robinson, Chair of Merseytravel

PayByPhone app features on Apple Watch

PayByPhone, which allows drivers to use an innovative mobile payment app for parking, was chosen by Apple to be one of the first apps to launch on Apple Watch. The app uses the glance feature on the face of Apple Watch to display discretely how much time is left in drivers' parking sessions at any given moment. As with the existing phone app, the watch allows drivers instantly to extend the parking time without returning to their cars or searching for the exact change.

PayByPhone has millions of users globally paying for parking, bike hire, taxis or parking permits in over 300 locations worldwide, including San Francisco, Seattle, Miami, Vancouver, London, Paris and the Melbourne area in Australia.

Digital services, like PayByPhone's mobile parking payment app, cater to increasingly connected communities and can provide cities with impressive cost savings on new meter hardware, maintenance and data charges. They can also avoid the high cost of cash collection, which, in the USA can be as high as 35% of parking revenues.

CHIEF EXECUTIVE'S REVIEW *continued*

Collect+

In Collect+, our joint venture with Yodel, transactions increased by 38.7% to 18.8 million as the service continues to attract consumers and the best online retailers. The company has grown profit in the year, although logistics costs have increased. We have started to re-organise the network of Collect+ stores to ensure optimum coverage for consumers and the number of sites has increased to over 5,800. We continue to invest in service improvements to encourage growth and maintain our strong position in a developing market landscape. As the service grows, Collect+ is becoming a significantly larger part of the logistics landscape. We are in discussion with Yodel concerning proposed further increases in charges and capacity constraints for the logistics services provided to Collect+.

Mobile and Online

Transaction growth in our Mobile and Online channels in the year was 10.0%, although net revenue declined by 3.8%. Transaction growth was mainly from larger merchants, or newer parking clients, which have lower than average net revenues per transaction. Few businesses can match our nine million customer parking registrations and activity levels. We have also made excellent progress in introducing a new advanced payments platform for our online payment processing company, as well as innovative products, which are showing promise and should increase recurring service revenues going forward. Recent parking client wins have included Paris as well as many other long term renewals.

Opportunities beyond multi-channel

We have already made significant progress towards our multi-channel ambitions in our core retail client base and this can be continued and accelerated. The refocused strategy is evident in our new smart metering platforms, which provide broad multi-channel payments capability and draw on our payments experience as a specialised supplier.

In addition to our multi-channel payment services for clients, we are excited by the prospects for continued retail services success. Our major new initiative in this area will be our new tablet based terminal with integrated EPoS capability. We anticipate that this will enhance significantly our retail offer over the next few years, helping us to generate new sources of direct and third party revenues. As retailers adopt our EPoS capability, we should move even closer to the heart of retail operations, further increasing our yield per store, particularly in the independent and symbol sectors.

We have also been reviewing our international development options, building on our British, Irish and Romanian successes. We expect to move selectively into new territories organically and by acquisition, both in developing economies where cash dominates and in more advanced economies, which are already open to multi-channel service delivery.

Technology

Our businesses depend on technology. As a leading supplier of retail technology, we are designing our next generation of point of sale infrastructure which, in due course, will replace existing terminals and provide much richer functionality for retailers. This will integrate our technology deeper into our retail networks, providing the potential for offering new and enhanced services. We are completing the new storage network for our two new data centres which will be commissioned this year. We plan to close our other data centres after we have moved all systems and transaction processing.

Summary

We are invigorated by the opportunities ahead and continuing the momentum in our businesses. We are restructuring to gain efficiencies between group and our retail businesses, whilst realising the value of our parking and online payment processing businesses in the near future. Our strategy for continuing success is set out on the pages that follow.

Dominic Taylor
Chief Executive
28 May 2015

Utilities issue Government's electricity rebate through PayPoint

Most of the UK's leading electricity suppliers issued the Government electricity rebate to around three million customers using PayPoint's CashOut scheme. Each recipient received a voucher, which they were only able to redeem at PayPoint as a top-up on their electricity meters.

The energy suppliers involved were British Gas, SSE, Scottish Power, EDF Energy, Utilita, Economy Energy, Utility Warehouse, Epower and Co-operative Energy. The rebate was ordered by the Government to provide eligible domestic electricity customers with a rebate as a key element of its policies to help reduce domestic energy bills.

Several energy companies also used PayPoint to deliver other discounts and rebates to customers. British Gas issued dual fuel discount vouchers to almost one million customers and Warm Home Discount vouchers to a further 197,000 customers for electricity meter top-ups, which could only be redeemed at PayPoint. EDF Energy also issued vouchers under the Warm Home Discount scheme to 75,000 customers, for redemption against gas and electricity top-ups only at PayPoint.

STRATEGY AND BUSINESS MODEL

PayPoint's business success over 19 years has been achieved through excellence in serving the needs of three distinct but closely linked groups, namely our clients, retailers and consumers. Our achievement with each contributes opportunity – the best clients drive millions of consumers to use our services, which helps us to attract the best network of retailers and this in turn grows consumer demand and reinforces the loyalty of our clients. Our strategy is to extend our services to, and returns from, each group. Given the decision to sell the parking and online payment processing businesses, our focus is on retail as set out below.

Clients

Our client base includes many blue chip utility and consumer service organisations in both the commercial and public sectors. Building from our unique strength in over the counter cash payments, we have continued to develop a broader range of payment methods and channels to serve our clients' needs. This enables us to deepen and extend our client relationships and provides the bedrock of our success. Many of our major client relationships extend back to the early days of our business and this longevity is based on their trust in our ability to serve their consumers uniquely well. We will continue to promote a broad range of payments to clients across our multi-channel platform, drawing on the best of our own capability and integrating selected expert suppliers.

In delivering this vision, it is the overall integrated solution that is at the heart of our offer going forward, rather than, necessarily, the direct ownership of all aspects of service delivery. Following the proposed sale of our parking and online payment processing companies, we will retain their service delivery capabilities through our in-house expertise and through continuing supplier contracts, but will focus more strongly on our blue chip retail client base.

Recent progress illustrates the potential for a multi-channel payments capability in our core billing world. For example, to address the structural change in energy with the introduction of smart metering in the next decade, we have launched our new multi-channel payment solution to our first client, Utilita, and have other energy companies ready to take the service. Through this solution, consumers make payments and prepayments to utilities by electronic payment methods, online and by mobile, in addition to their traditional cash options. Industry opinion is that the availability of digital payment options will increase the number of consumers opting for pre-pay tariffs. We have also had success in selling our multi-channel capability into the social housing sector.

A major factor in building our credentials with our blue chip billing clients has been our ability to target verticals and develop an in depth understanding of client needs, based on which we design and deliver our services. Verticals where we have demonstrated our ability to deliver value added, rather than commoditised services, are energy, water, local and central government, telecoms, media, gaming, financial services, transport ticketing and eMoney. We will continue to focus on these sectors and prospect for others which show potential for value added solutions. Increasingly, our role will be to become our major clients' payments partner across their wide-ranging needs.

The payments industry continues to be particularly vibrant and innovative, presenting many opportunities, but also causing untold complexity for consumer service organisations for which payments are a necessity, but not their core business expertise. PayPoint provides solutions aimed at the challenges businesses face, to help them find the optimum path offering traditional and new payments methods, providing consumers with payment choices that are seamlessly integrated to service delivery. This approach applies to money in and out; by cash, card, bank or alternative wallet; and by retail, online, mobile or other channel, thereby facilitating consumer demand to be able to pay when, where and how best suits their circumstances.

Retailers

By pioneering payment service delivery in convenient retail stores, PayPoint has established a uniquely strong position at the heart of neighbourhood retailing, one of the few areas of retailing which has been resilient and complementary to the online shopping boom. Our 37,500 outlets across the UK, Ireland and Romania provide full national footprints for service delivery and also a community of successful local entrepreneurs and more substantial retailer businesses, which are both distributors of, and customers for, our services.

The depth of our retail offer allows us to layer on more services for increasing retail yield, by selling additional value added services and footfall drivers to our retail partners. In the earlier days of PayPoint, retailer interest was more limited to the traditional convenience store and newsagents sector, but in recent years there has been increasing demand from all sizes of retailer, including the big grocers, as they seek to secure more reasons for customers to visit for their valuable regular grocery shopping. PayPoint has proven its ability to deliver footfall, more than any other service provider and continues to focus on securing the strongest product and service portfolio to deliver competitive advantage to our retail partners.

T3 – third generation PayPoint terminal

PayPoint is preparing to launch the sector's most technically advanced terminal – to be known as T3. Tablet-based with an Android operating system, it will be an all-in package, comprising an EPoS system and PayPoint's complete range of services, card payments, scanner, a cash drawer and fingerprint security. Retailers will be able to replace their existing EPoS tills with the T3 terminal, which will be available with a range of options designed to meet their different requirements.

Just as the current terminal was built to accommodate future technology and requirements, T3 has been designed so that it will be able to incorporate many services and functions that retailers use on a daily basis to run their business, such as stock ordering and price checking. As these developments are rolled out, they have the potential to replace retailers' existing EPoS till and other back office systems, further embedding the PayPoint terminal at the heart of their operation.

Derby City Council opts exclusively for PayPoint

Derby City Council has become the first local authority in the country to contract exclusively with PayPoint for cash payments by residents. Previously, the council worked with a third party to offer payments through PayPoint and post offices. After reviewing coverage, opening hours and the costs involved in collecting payments through two networks, the council concluded that, with more than 150 local shops with a PayPoint terminal (and only 20 post offices) close to where they live, work and go shopping, the PayPoint network provides excellent opportunity throughout the city for residents to pay their bills to Derby City Council, including Council Tax and rent to Derby Homes.

"As many residents will already be paying other bills, such as their utilities, at PayPoint, we believe the move will be welcomed by residents as being convenient and suited to their lifestyles. The new payment contract with PayPoint potentially will save the council around 25% annually."

John Massey, Head of Benefits and Exchequer Services at Derby City Council

STRATEGY AND BUSINESS MODEL *continued*

As mobile prepay volumes have declined and general payments growth rates have matured, PayPoint has been able to sustain growth through exceptionally strong retail services sales. We have introduced new services that many retailers want to offer and many consumers want to use to the benefit of our business and our retail partners. We will continue to drive retail services growth deeper into our network, including our established successful products such as ATMs, card payments, money transfer, SIM cards, broadband connectivity and parcels. We will add further products to bring new sources of revenue, new sources of commission and footfall to our retailers.

A particular focus in the next few years will be the third generation evolution of our terminal platform. Our existing terminal is still by some margin the best in our sector and in recent years, we have also enjoyed success with our EPoS integrated solution for multiple and symbol retailers. However, this is an opportune time for a further step change in our retail platform capability to provide an even better terminal for future product delivery, deepening and expanding our ability to serve retailers.

The new terminal, which we aim to pilot in this financial year, will include a much larger tablet-like screen and an Android operating system that will enable us to launch and support our own app store. One of the most important new applications is a multi-level EPoS capability targeted at independent retailers and small chains helping them to run their stores more efficiently and to control better their stocks and promotions. A range of other added value applications will also be introduced with potential to generate direct and third party revenues. We will also be building in the capability to support beacons and other physical and wireless connectivity to support consumer apps and promotions.

Just as our EPoS integrated solutions have transformed our major multiple propositions, we anticipate that the availability of high quality and attractively priced EPoS directly through the PayPoint terminal will prove attractive to our retailers and will further embed us into their businesses for mutual benefit and as such we view this as one of our most important new strategic initiatives. In time, our new EPoS capability may take us into other retail sectors as a lead offer in its own right, rather than solely serving retailers in PayPoint's traditional convenience heartland.

A further attraction of EPoS is the purchasing and behavioural data to which it gives access, which we would seek to monetise.

Consumers

PayPoint's past and continuing success is in no small part due to our ability to deliver solutions that consumers love to use and adopt at scale. Our satisfaction rates and promoter scores continue to be exceptional, but the clearest evidence of consumer demand is the continuing record volumes that we generate in payments, parcels, cash withdrawals, card payments and money transfers.

The consumer is ultimately the glue in our business and is the common factor that motivates PayPoint, our clients and our retailers to provide exceptional service. The consumer is also at the heart of our future product and service evolution. Our business volumes in retail are over 10 million per week, but this is still a minority of the overall footfall through the stores in which PayPoint is located. Our focus is to harness this customer flow and generate still more through our innovative new products and services. These are typically B2B2C services rather than our own consumer offers. For example, our parcels business has grown to volumes of over 18 million in just five years of operations, which are delivered through similar shops, but with a different consumer profile to our cash payments consumers.

This is a further driver in our new terminal and EPoS strategy as, by moving beyond services more directly into core retail technology, we can become more central to broader product and service delivery to consumers, including critically the opportunities to link point of sale capability with the consumers' mobile phone. We aim to support our retail partners in exploiting these opportunities through our platforms and our experience in consumer applications, having operated PayByPhone, one of the most popular, convenient and heavily used mobile apps.

We will continue to develop our understanding of consumer needs and to innovate to serve them through retail and their broader multi-channel needs.

PayPoint Romania branches out into multiples

As the PayPoint network in Romania has expanded to cover small towns and villages, an increasing number of multiple groups in the country have recognised PayPoint as an important generator of footfall. Major store groups, including Cora, Carrefour and Profi, which operate supermarkets and hypermarkets across the country, are now offering their customers the facility to pay their bills through PayPoint in their stores.

As the PayPoint Romania retail network has expanded into remoter counties and regions of the country, the majority of regional utility suppliers, particularly in water and sewage, have signed up to offer their customers the convenience of paying their bills at PayPoint, making it possible for them to pay most of their essential household bills in one place, at one time.

"We know that people are very busy and so we want them to know that when they come to Cora, they don't have to come just to do their weekly shopping, they can also do many other things, such as paying bills through PayPoint."

Marilena Cirsteanu, Cora

STRATEGY AND BUSINESS MODEL *continued*

International

Building on our success in the UK, Ireland and Romania, we have been reviewing further international potential in recent months and expect to take further steps in the current year to grow into new countries by green field or acquisition routes. The countries in which we choose to operate will allow us to deliver a broad service portfolio including, as appropriate, our wider retail services products and our multi-channel payments for billers.

New countries typically require considerable focus and take time to grow volume to cover the costs of network roll out. We will, therefore, continue to assess these selectively according to the scale of the opportunity and whether the local environment is attractive and receptive to our capabilities. We are considering developing economies, where cash still dominates, and more advanced economies, which are already embracing multi-channel solutions.

Summary of strategy

As we focus on maximising our success with clients, retailers and consumers in existing and new countries our strategy is, therefore, focused on:

- continuing to leverage our model of securing the best client content to maintain the best retail footprint to deliver the best consumer footfall to in turn attract the best clients and retailers;
- enhancing our client offer to be their preferred payments partner across a broader multi-channel, multi-tender payment portfolio;
- continuing our retail services drive whilst embedding our role deeper into retail technology through our next generation terminal and EPoS capability as a direct source of income and a platform for helping retailers to develop their businesses;
- continuing to innovate with attractive new scale consumer services; and
- selectively moving into additional countries which we see as having attractive scale, payment needs and receptive clients and retailers.

We believe that the simplified focus that results from divesting our mobile and online businesses will provide a stronger basis for driving shareholder value in the coming years.

John Lewis goes nationwide with Collect+

Collect+ completed the national roll-out of its click & collect service for John Lewis during the year, following a successful trial across Scotland, Northern Ireland, Wales and the South West of England. John Lewis customers can now collect their online purchases from any one of the 5,800 Collect+ stores in the PayPoint network. Purchases are typically delivered to their store of choice the next day.

The success of Collect+ is reflected in the 260 retail brands for which it provides returns solutions. Its click & collect service for customers to have online orders delivered to their local Collect+ store, is available from retailers ranging from Amazon to Asda and House of Fraser to River Island. Collect+ is also widely used as a convenient option for those who sell products via online marketplaces, such as eBay, to send to UK addresses.

"Click & collect has become a huge part of our business and we are committed to providing our customers with the most convenient shopping experience. We're delighted to have extended that to every corner of the country."

James Leeson,
Head of Online Category
at John Lewis

KEY PERFORMANCE INDICATORS (KPIs)

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	2015	2014
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).	**57.4p**	52.6p
	Dividends per share	Proposed final dividend and interim dividend divided by the number of fully paid shares at the end of the period.	**38.5p**	35.3p
	Economic profit	Operating profit (including PayPoint's share of joint venture results and excluding exceptional costs, relating to the cost of acquisitions) after tax and a charge for capital employed, excluding cash, based upon the group's cost of capital.	**£31.3 million**	£28.1 million
Growth	Retail networks transactions	Number of transactions processed in the period on our terminals, ATMs and on our retailers' EPoS systems.	**667.3 million**	635.4 million
	Mobile and Online transactions	Number of transactions processed in the period by Mobile and Online.	**145.3 million**	132.2 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.	**£14.8 billion**	£14.7 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.	**£123.1 million**	£113.7 million
	Operating margin	Operating profit including our share of joint venture results and excluding exceptional costs, relating to the cost of acquisitions, as a percentage of net revenue.	**40.2%**	39.9%
Asset optimisation	Return on capital employed	Total operating profit for the period divided by average month end capital employed (net assets including assets held for sale and excluding cash).	**63.6%**	62.6%
	Growth in retail networks' yield per site	Growth in net revenue from retail networks, excluding Simple Payment service set up, divided by the average number of sites in the period.	**4.3%**	3.9%
People	Labour turnover	Number of permanent employees who left during the period divided by average total permanent employees:		
		UK & Ireland	**21.7%**	20.7%
		Rest of world	**16.5%**	8.7%

REVIEW OF BUSINESS

The review of business presented in this annual report includes highlights on page 1, the Chairman's statement on page 2 and the Chief Executive's review on pages 3 and 4.

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: 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; building and developing Collect+. 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, eMoney vouchers, prepaid debit cards and lottery)
- retail services (ATM, credit and debit, parcels, money transfer, SIM cards, 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 2015	Year ended 31 March 2014	Increase %
Transactions	'000	**812,668**	767,520	5.9
Transaction value	£000	**14,756,476**	14,742,667	0.1
Revenue	£000	**218,495**	212,158	3.0
Net revenue[1]	£000	**123,131**	113,740	8.3

Transactions have increased to 812.7 million (2014: 767.5 million), up 5.0% in the retail networks and 10.0% in Mobile and Online.

Transaction value increased to £14.8 billion (2014: £14.7 billion), up 3.5% in the Retail Payments and Services (retail networks), but down 6.7% in Mobile and Online.

Revenue has increased to £218.5 million (2014: £212.2 million), up 3.4% in the retail networks, but down 1.5% in Mobile and Online. Revenue growth is lower than transaction volume due to higher transaction growth in some larger online merchants who benefit from lower pricing and from charges to newer parking clients, which are lower than those to existing clients.

Net revenue has increased to £123.1 million (2014: £113.7 million), up 10.1% in the retail networks, but down 3.8% in Mobile and Online. Net revenue growth is higher than revenue growth in retail networks, mainly as a consequence of a richer transaction mix from clients, an increase in requests for early client settlement, for which we charge fees, offset by a reduction in Simple Payment set-up fees.

Operating profit, including our share of Collect+ and excluding exceptional costs, relating to the cost of acquisitions in the prior year, was £49.5 million (2014: £45.4 million), an increase of 9.1%. The increase in the operating profit is the result of the strong growth of our retail networks.

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 mobile parking clients. Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group.

REVIEW OF BUSINESS *continued*

Bill and general

		Year ended 31 March 2015	Year ended 31 March 2014	Increase %
Transactions	'000	**459,018**	445,597	3.0
Transaction value	£000	**8,485,736**	8,306,601	2.2
Revenue	£000	**89,229**	85,341	4.6
Net revenue[1]	£000	**58,954**	54,000	9.2

Bill and general transactions were ahead of the prior year as a result of a 36.8% increase in Romanian bill payment transactions. UK and Irish bill and general transactions were down 0.2% on the prior year due to lower domestic gas consumption resulting from warmer weather, mitigated by the continuing increase in energy prepayment meters. Although not material in the year under review, we have launched our multi-channel payment solution for our first energy client for its smart meter customers. The strong growth in Romania, where we processed 53.5 million transactions (2014: 39.1 million) was the result of increasing market share in March for clients we serve to 20% (2014: 15%), including the addition of new clients, and notably the launch of road tax payments at many PayPoint sites.

Growth in net revenue of 9.2% exceeded that of revenue growth, mainly as a consequence of a richer transaction mix from clients offset by a reduction in Simple Payment set up fees.

Top-ups

		Year ended 31 March 2015	Year ended 31 March 2014	(Decrease) /increase %
Transactions	'000	**89,482**	97,465	(8.2)
Transaction value	£000	**821,049**	866,321	(5.2)
Revenue	£000	**69,978**	73,680	(5.0)
Net revenue[1]	£000	**23,154**	22,543	2.7

Top-up transactions decreased from the prior year as a result of the continued decline in mobile top-up volumes in the UK and Ireland of 13.3%. 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, which also helped mitigate the reduction in revenue and net revenue, as did the increase in other top-ups.

The growth in net revenue was driven by an increase in Romanian mobile top-ups, other top-ups and an increase in requests for early client settlement, for which we charge fees, the incidence of which is unpredictable, offset by the mobile top-up decline in the UK and Ireland.

Retail services

		Year ended 31 March 2015	Year ended 31 March 2014	Increase %
Transactions	'000	**118,849**	92,308	28.8
Transaction value	£000	**874,449**	667,303	31.0
Revenue	£000	**42,294**	35,883	17.9
Net revenue[1]	£000	**26,507**	22,105	19.9

Retail services transaction volume has increased across all products except for SIM card sales. ATM transactions increased by 28.8%, credit and debit transactions by 27.4%, money transfer transactions by 44.2% and parcels by 38.7% over the prior year.

A higher average ATM transaction value has driven an increase in total transaction value in excess of the increase in transaction volume.

Revenue growth is lower than transaction growth due to parcel transactions earning a reduced fee from Collect+ above a volume tier which was reached for the first time this year, bonus payments for reaching contractual network targets in the prior year which are not repeated and lower revenues from receipt advertising. Strong net revenue growth of 19.9% was driven by the increases in parcels, ATM transactions, credit and debit and income from broadband (enabling faster terminal transactions).

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 2015	Year ended 31 March 2014	Increase %
Transactions	'000	**18,799**	13,555	38.7
Revenue	£000	**46,059**	34,093	35.1
Profit	£000	**2,634**	1,784	47.6

Transactions have grown substantially despite lower consumer send transactions, where there has been significant price competition. This, together with the expected increase in logistics costs, as Collect+ migrates from marginal use to dedicated use of transport, has reduced gross margins. The growth in revenue, offset by the increase in costs has delivered profit ahead of the prior year.

Discussions are underway with our joint venture partner, Yodel, which has proposed increases in its charges to Collect+ in the current financial year. The extent to which, if any, that Yodel's proposed increases will be adopted is uncertain, making future profitability hard to predict.

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 mobile parking clients. Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group.

REVIEW OF BUSINESS *continued*

Mobile and Online

		Year ended 31 March 2015	Year ended 31 March 2014	Increase/ (decrease) %
Transactions	'000	**145,319**	132,150	10.0
Transaction value	£000	**4,575,242**	4,902,442	(6.7)
Revenue	£000	**16,994**	17,254	(1.5)
Net revenue	£000	**14,516**	15,092	(3.8)

Transactions increased by 10.0% with online payment processing transactions of 106 million up 6.1% and parking transactions of 40 million up 21.9%.

Payment transaction growth was driven by adding new merchants and organic growth. Parking transaction growth was driven predominantly by the continued increase in consumer adoption in existing clients. The decline in transaction value is due to a change in mix and the impact on parking from the weakening of the US and Canadian currency against sterling.

We have continued to add parking contracts with cities, operators and local authorities, as we provide them with a more convenient and cost effective method for collecting parking charges. The business has rolled out the first phase of parking payment services in Paris during the period, which has 155,000 parking spaces. This and other increases have made up for the loss of the Westminster contract in July 2014.

Overall revenues decreased by 1.5% and net revenues by 3.8%, reflecting a decline in payment revenues, due to larger merchants benefitting from lower pricing on core payment transactions, offset by the growth in parking revenue.

In payments, the first sales have been achieved of two new licensed products, Cashier and Cardlock. Cashier enables enterprise merchants to offer a highly customised payment experience for their online or mobile customers, hosted by PayPoint. It also has a built in capability to allow customers to store multiple cards. Cardlock reduces the complication and cost of Payment Card Industry compliance for merchants by removing card data from their websites and apps at the point of data entry and securing it remotely within PayPoint systems.

In time, the new platform will also enable the business to replace the existing payments gateway platforms. Significant work has also been undertaken on the core parking system to enable new functionality and to increase flexibility for future developments. Work is also advanced on the next generation of the PayByPhone app, due later this year.

Continued expenditure in technology, product development, sales and marketing are necessary to take this venture forward and grow net revenue. As a consequence of the expenditure, this business is currently loss-making and we expect it to remain in loss in the current financial year.

The assets of the Mobile and Online parking and online payment processing businesses, including their related goodwill, are shown as assets held for sale within current assets on the statement of financial position. Further detail can be found in note 16 to the accounts.

REVIEW OF BUSINESS *continued*

Network growth

Terminal sites overall have increased by 5.5% to 37,541.

In the UK and Ireland, site numbers have expanded by 1,065, an increase of 4%. We provide credit and debit card acceptance, including the capability for retailers to accept convenient contactless card transactions in 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 a lower cost. As well as enhancing our service to retailers, this allows us to redeploy terminals for use in Romania. In addition to these 7,498 PPOS solutions, there were 10,689 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 2015.

In Romania, we increased the number of terminal sites by 880 in the period.

We added over 170 new merchants for online payments during the year and the overall reduction in merchants, since 31 March 2014, is largely the result of the churn of low volume merchants.

We added Collect+ sites as transaction volumes increased. There is high demand among retailers for this service.

Analysis of sites/ internet merchants	31 March 2015	31 March 2014	Increase/ (decrease) %
UK & Ireland terminal sites	**28,307**	27,242	3.9
Romania terminal sites	**9,234**	8,354	10.5
Total terminal sites	**37,541**	35,596	5.5
Online merchants	**4,662**	5,168	(9.8)
Collect+ sites	**5,831**	5,582	4.5

FINANCIAL REVIEW

Income statement

Revenue for the period was 3.0% higher, at £218.5 million (2014: £212.2 million), from growth across the retail networks. Cost of sales reduced to £113.4 million (2014: £115.2 million). The cost of mobile top-ups in Ireland and Romania[1] has fallen to £29.5 million (2014: £31.3 million). Retailers' commission decreased to £63.3 million (2014: £64.9 million) as a result of lower mobile top-up commission. These reductions in cost were partially offset by higher depreciation (on increased capital expenditure). Gross profit margin improved to 48.1% (2014: 45.7%) mainly as a consequence of the reduction in the cost of sales.

Net revenue[2] of £123.1 million (2014: £113.7 million) was up 8.3% from the growth in bill payment, retail services and mobile parking.

Operating costs (administrative expenses) increased by 8.0% to £56.9 million (2014: £52.7 million) reflecting:

- IT costs which grew in the second half of the prior year and continued in the year under review;
- increasing costs of development and marketing required to support new products; and
- continuing investment in Mobile and Online to support the potential for growth in these fast moving markets.

Our share of the profit in our parcels joint venture, Collect+, was £1.3 million (2014: £0.9 million). The integration of new merchants, heightened consumer awareness and growth in activity from existing clients all helped to drive up revenues which led to the business increasing profit. This was despite an increase in logistics costs, as Collect+ migrated from marginal to dedicated use of transport.

Operating margin[3] rose to 40.2% (2014: 39.9%) as a consequence of the performance of the retail networks and the improvement in Collect+ profitability.

Profit before tax was £49.6 million (2014: £46.0 million), an increase of 7.7%. The prior year included a £0.7 million profit on disposal of a small investment. The tax charge of £10.4 million (2014: £10.1 million) represents an effective rate of 21.0% (2014: 21.9%). The reduction in the UK corporate tax rate was reflected in the effective tax rate, mitigated by reductions in the effective tax rate in the prior year resulting from development tax credits and Romanian tax losses. The reduction in UK corporation tax rate to 20.0% became effective after the year end.

Statement of financial position

Net assets of £115.3 million (2014: £103.6 million) include £54.8 million of net assets for the parking and online payment processing businesses which have been classified as assets held for sale (note 16). The group net assets reflect a strong financial position, including cash of £43.9 million (including cash held for settlement of obligations to our clients (client cash) of £3.8 million in the UK, £10.1 million in Romania, but excluding £3.3 million in Mobile and Online, which is reported within assets held for sale) higher than £41.6 million (including client cash of £6.5 million in the UK and £10.3 million in Romania and including £3.4 million in Mobile and Online) at 31 March 2014. The final dividend, subject to shareholder approval, will absorb £17.8 million and is payable in July 2015.

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, card payment merchant service charges and costs for the provision of call centres for mobile parking clients. Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group.
3. Operating profit including our share of joint venture results and excluding exceptional costs, relating to the cost of acquisitions, as a percentage of net revenue.

REVIEW OF BUSINESS *continued*

Cash flow
Cash generated by operations was £53.6 million (2014: £55.8 million), reflecting strong conversion of profit to cash. Corporation tax of £8.6 million (2014: £10.3 million) was paid, lower than the prior year predominantly due to the tax relief on the cost of settled share schemes. Capital expenditure of £10.1 million (2014: £11.3 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 retailers' till systems). The amount paid for the acquisition of Adaptis in the year was £0.2 million (2014: £3.2 million). Share incentive schemes settled in cash absorbed £2.9 million (2014: £5.3 million). Equity dividends paid were £24.7 million (2014: £31.6 million, which included a 15.0p per share special dividend, which cost £10.2 million).

Economic profit
PayPoint's economic profit (operating profit less tax and capital charge) was £31.3 million (2014: £28.1 million), an increase of 11.7%.

Dividend
We propose to pay a final dividend of 26.1p per share on 23 July 2015 (2014: 23.9p) to shareholders on the register on 26 June 2015, subject to the approval of the shareholders at the annual general meeting. An interim dividend of 12.4p (2014: 11.4p) was paid on 18 December 2014, making a total dividend for the period of 38.5p (2014: 35.3p), up 9.1%, in line with earnings.

Liquidity and going concern
The group had cash of £43.9 million, excluding £3.3 million of cash in Mobile and Online in assets held for sale at 31 March 2015, and has an undrawn £45.0 million revolving term credit facility expiring in May 2019. Cash included amounts held to settle short term client settlement obligations, which at the period end, amounted to £3.8 million in the UK (2014: £6.5 million) and £10.1 million in Romania (2014: £10.3 million). The final dividend, if approved by shareholders, will absorb £17.8 million of cash. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group, taking account of risks (pages 14 and 15). 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 year, the group made charitable donations of £32,556 (2014: £23,879) 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 47.9% (2014: 47.5%) 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. The online 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. Mobile and Online is able to offer parking authorities a more cost effective collection system for parking compared to pay and display machines. The convenient service offered by Collect+ offers great opportunity for growth in parcel volumes.

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

TRENDS AND FACTORS ON FUTURE DEVELOPMENT
For the current financial year, trading is in line with the company's expectations, although the investment in and the continuing losses of Mobile and Online will lower earnings in the first half. Our retail networks in the UK and Romania should continue to deliver profitable growth from our breadth of services and extensive client base, despite the impact of the recent VAT ruling. We will continue to invest in network expansion, innovative retail technology 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, particularly in developing vertical markets and internationally. 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. The sale of our parking and online payment processing businesses will enable us to focus this multi-channel payments strategy where we have a strong retail presence. Discussions are underway with our joint venture partner, Yodel, which has proposed increases in its charges to Collect+ in the current financial year. The extent to which, if any, that Yodel's proposed increases will be adopted is uncertain, making future profitability hard to predict.

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. The group's risk management policies and procedures are also discussed in the governance statement on page 22.

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 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 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 for prefunded cash payments to consumers and to allow the online payments 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 Mobile and Online 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 at quarterly meetings. 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.

RISKS AND UNCERTAINTIES *continued*

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 products 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, the first 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 9% of the group's net revenue, and no single retailer accounts for more than 4% 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 net sale proceeds from the proposed sale of the parking and online payment processing business may not exceed their carrying value. Yodel, our joint venture partner in Collect+, is seeking increases in its charges to the joint venture. It is not clear the extent to which, if any, these proposals will be adopted.	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.

ENVIRONMENTAL MATTERS, EMPLOYEES, SOCIAL, COMMUNITY AND HUMAN RIGHTS

PayPoint is committed to dealing fairly and with a high level of integrity with all its stakeholders, including clients, retailers, merchants, consumers, local communities and shareholders. We comply with statutory obligations in all areas and subject our practices to high levels of scrutiny. We publish results twice each year and provide two interim management statements, complying with reporting and disclosure obligations. This report sets out our approach and the way we measure our success in dealing with each group of stakeholders.

	Clients and merchants	Retailers and consumers	Local communities	Shareholders
Information on stakeholders	5,500 clients and online merchants in six countries.	Over 37,000 retailers in three countries and provide a service to millions of consumers.	Where our employees live and work.	559 shareholders at 31 March 2015.
Impact	Provision of convenient services for consumer payments.	To provide stable, reliable and a broad range of services to help generate consumer footfall for retailers who serve their communities.	Financial support to local charities.	Maximise shareholder return.
Engagement	Provision of a high standard of service to our clients and open communication. Client contracts contain service level agreements, which are set to a high standard. Specific performance is measured for key elements, including system availability and file delivery.	We seek to provide an unparalleled service to our retailers and consumers.	Staff are encouraged to nominate local charities and fundraising events. PayPoint has adopted a charitable giving policy which supports the local communities in which its employees live and work by matching funds raised by employees, subject to certain limits.	PayPoint focuses on maximising economic value.
How we interact and support the stakeholders	Communication - major clients have regular review meetings with dedicated sector managers.	In the UK, terminal availability is over 99% and when a terminal needs to be replaced, it is achieved within four hours across the UK in 98% of cases. The breadth of products offered by PayPoint is greater than any other network. An annual retailer survey is carried out to understand how we can improve our service. We also invite retailers to attend an annual forum to discuss new products and obtain retailer feedback. Major multiple retailers have regular review meetings with dedicated account managers.	During the period, PayPoint donated £32,556 to local and national charities, which was supplemented by employees who also donated to some of these charities through various schemes. We offer our network to collect for certain charities free of charge, including the BBC's Children in Need telethon. 45% of PayPoint's ATM network is 'speech-enabled', the largest proportion of an independent network in the UK.	Shareholders are invited to attend the annual general meeting and major shareholders are visited twice a year to discuss the group's results. PayPoint has been a constituent of the FTSE4Good index since 2008.

ENVIRONMENTAL MATTERS, EMPLOYEES, SOCIAL, COMMUNITY AND HUMAN RIGHTS *continued*

Environment

PayPoint's main impact on the environment stems from our use of resources to run offices in the UK, Ireland, Romania, North America and France and our communications with our retailers.

We measure our carbon footprint in accordance using the Green House Gas (GHG) protocol. This allows us to monitor, by region, our carbon footprint and implement, where practical, targets to reduce our carbon footprint.

The two primary sources of PayPoint's carbon emissions are business travel and energy consumption. We visit existing and prospective retailers in the UK, Ireland and Romania. Routes are pre-planned to ensure efficiency where possible. Management regularly visits our businesses to review and improve performance. We aim to avoid unnecessary travel. Energy consumption arises from our offices in the UK, Romania and North America. We have a cycle to work scheme for our UK employees. We encourage employees not to print unless necessary and our board papers are sent electronically rather than printed and sent by post.

PayPoint's services help consumers to reduce the number of unnecessary car journeys through the convenience of our outlets which are usually available within a short walking distance. Collect+ consolidated over 18 million parcels into 1.6 million store visits in the year, saving millions of van deliveries to each consumer's home address.

We recycle wherever possible, including paper, cans, plastic cups, cardboard, toners and print cartridges. We also recycle computer equipment. This has resulted in an increase in the proportion of waste recycled to 55% of all waste generated (2014: 54%). Total waste has increased in the year due to the rise in employee numbers and corporate office locations as the business has grown.

	Year ended 31 March 2015 Tonnes	Year ended 31 March 2014 Tonnes	Change %
Waste			
Landfill	**17.9**	15.4	16.3
Recycled	**21.8**	18.4	18.9
Total	**39.7**	33.8	17.7
% recycled	**55.0%**	54.4%	0.6 ppts

GHG emissions

In this section we report on all required greenhouse gas (GHG) emissions in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

We report using a financial control approach to define our organisational boundary. A range of approaches can be taken to determine the boundaries of an organisation for the purposes of GHG reporting including financial control, operational control or equity share.

The methodology used to calculate our emissions is based upon the Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance (June 2013) issued by DEFRA which make it clear that, in most cases, whether an operation is controlled by the organisation or not does not vary based on whether the financial control or operational control approach is used. The 2013 UK Government GHG Conversion Factors for Company Reporting have been used to calculate our emissions based on data gathered from each of our business units.

Global GHG emissions data for the year is as follows:

Impact	**Units**	**Year ended 31 March 2015**	Year ended 31 March 2014
Scope 1 (direct emissions from fuel combustion)	tonnes CO_2e	**382**	357
Scope 2 (indirect emissions from purchased electricity, heat and cooling)	tonnes CO_2e	**1,371**	1,256
Scope 3 (business travel, waste and water)	tonnes CO_2e	**929**	932
Total		**2,682**	2,545
Intensity measurement: Total tonnes of CO_2e per employee[1]		**3.7**	3.7

1. We have used the average number of employees to calculate our intensity measure as the majority of our emissions are directly related to business travel and energy consumption at our head office locations.

Human rights

PayPoint supports fundamental human rights, such as the right to privacy, safety and to be treated fairly, with dignity and respect. Our employment standard sets out our commitment to good employment practices and the principles to govern the practices adopted in each of our businesses. All employees have a right to safe conditions of work, consideration of their welfare, fair terms of employment, reward and treatment, clarity and openness about what is expected. PayPoint offers an environment where all are treated equally and which is free from discrimination in respect of gender, ethnicity, religion, sexual orientation, age or disability.

Employees

PayPoint employed, on average, 731 members of staff during the period. We operate an equal opportunities policy. PayPoint's culture is one of openness, honesty and accountability and we recognise that all employees play a part in delivering the group's performance.

PayPoint seeks to improve its employees' working environment. Employees are invited to participate in two staff meetings a year where the directors present the performance of the group. Overseas offices participate by webcam. In addition, there are a variety of management presentations to employees on key points of topical interest and functional meetings take place throughout the year at our various offices. PayPoint believes that keeping its employees informed of new developments and products, as well as the financial performance of the group, motivates the employees and helps them understand the group's progress towards its goals and objectives.

PayPoint's employment policies are designed to attract, retain and motivate the best people. All staff are given two appraisals per annum, which cover performance management, employee development, training and succession planning where applicable. Training is undertaken locally and all employees are given equal opportunities to develop their experience and their careers.

ENVIRONMENTAL MATTERS, EMPLOYEES, SOCIAL, COMMUNITY AND HUMAN RIGHTS *continued*

Employees in the UK, Ireland, North America and Romania are asked annually to complete an anonymous employee engagement survey which covers a wide range of subjects, including goal clarity, employee involvement, job satisfaction, learning, development and management effectiveness. This survey is used to agree with employees the actions necessary for improvement.

PayPoint has the following policies in place:

- **equal opportunities** - we treat job applicants, employees and temporary staff equally, regardless of their sex, sexual orientation, age, race, ethnic origin or disability. It is also the group's policy to retain employees who may become disabled while in service and provide appropriate training as necessary.
- **whistle-blowing** - we are committed to ensuring that malpractice is prevented and immediately dealt with, should it arise. We encourage employees to raise their concerns about any malpractice promptly and we have an established procedure for raising any such concerns.
- **health and safety** - we recognise that effective health and safety management is fundamental to running a successful business. We are committed to operating high standards, designed to minimise the risk of injuries and ill health to employees, contractors, visitors and others who come into contact with the business, so far as is reasonably practicable.
- **disciplinary and grievance procedures** - we provide a fair and consistent method of dealing with disciplinary problems and treat misconduct with appropriate action. We ensure that we treat any grievance an employee may have relating to their employment in a fair and reasonable manner.
- **bullying and harassment** - we promote a working environment free of harassment and individuals who believe that they are being subjected to any form of harassment are encouraged to come forward to have the issue resolved.
- **business ethics** - we set out clear standards for ethical relationships and conduct to be maintained by employees and sub-contractors and conduct our business in accordance with the highest ethical standards. We do not offer or accept any bribes.
- **training and development** - all employees meet twice a year with their line manager to discuss performance and any development needs. Training is provided either in-house or externally. We also sponsor employees through further professional and technical qualifications. We promote internally, where appropriate.

PayPoint's employees

	UK		Rest of the world[3]	
	Year ended 31 March 2015	Year ended 31 March 2014	**Year ended 31 March 2015**	Year ended 31 March 2014
General[1]				
Average number of staff employed during the period	**531**	512	**200**	175
Average length of service	**5 years**	5 years	**2 years**	2 years
Average staff turnover during the period	**22%**	21%	**16%**	9%
Sickness absence rate	**1.8%**	1.6%	**2.2%**	1.5%
% working part-time	**9%**	10%	**4%**	4%
Gender diversity[1]				
Number of women employed	**231**	193	**79**	69
% of all employees	**43%**	41%	**39%**	39%
Number of men employed	**300**	319	**121**	106
% of all employees	**57%**	59%	**61%**	61%
PayPoint plc directors:				
Number of women employed	**-**	-	**-**	-
% of PayPoint plc directors	**0%**	0%	**-**	-
Number of men employed	**10**	9	**-**	-
% of PayPoint plc directors	**100%**	100%	**-**	-
Senior management[2]:				
Number of women employed	**2**	2	**-**	-
% of senior management	**22%**	22%	**0%**	0%
Number of men employed	**7**	7	**1**	1
% of senior management	**78%**	78%	**100%**	100%
Ethnic minorities[1]				
% of all employees	**21%**	25%	**9%**	9%
% of management grades	**3%**	3%	**7%**	10%
Disabled employees[1]				
% of all employees	**1%**	1%	**0%**	0%
Age profile[1]				
Employees under 25	**51**	54	**26**	13
Employees 25 to 29	**96**	88	**32**	38
Employees 30 to 49	**299**	282	**138**	117
Employees 50 and over	**85**	88	**8**	7

1. Numbers based on employees employed at the end of each month
2. Senior management includes the group executive, managing directors, the Group HR director and Group Head of Legal/Company Secretary
3. Rest of the world includes Ireland, Romania, North America and France

Approved by the board of directors and signed on behalf of the board.

Dominic Taylor
Chief Executive
28 May 2015

GOVERNANCE

The directors recognise the importance of sound corporate governance, whilst taking into account the size and nature of the company. The company has complied with the revised version of the UK Corporate Governance Code (the Code), as issued by the Financial Reporting Council for the year ended 31 March 2015, a copy of which can be found at www.frc.org.uk/corporate/ukcgcode.cfm

This statement describes how the principles of corporate governance in the Code are applied by the company.

The board

The board comprises nine directors: Nick Wiles, the non-executive Chairman, three executive directors, Dominic Taylor, George Earle and Tim Watkin-Rees, and five non-executive directors, Eric Anstee, David Morrison, Stephen Rowley, Neil Carson and Gill Barr (who has agreed to join on 1 June 2015). Neil Carson, who was appointed to the board immediately following the annual general meeting on 23 July 2014, is Senior Independent Director.

Nick Wiles was appointed as Chairman on 8 May 2015 following Warren Tucker's decision to step down. Prior to his appointment as non-executive Chairman, Nick Wiles served as an independent non-executive director on the board for over five years. Further information regarding the appointment of the Chairman can be found in the succession planning section of this report on page 20.

The board considers that Gill Barr, Neil Carson, Eric Anstee and Stephen Rowley are independent for the purposes of the Code. Nick Wiles met the Code Independence Criteria on his appointment.

The Chairman is responsible for the leadership of the board and ensuring the effectiveness on all aspects of its role. The board is comprised of an appropriate balance of skills, experience, independence and knowledge, which enables it to discharge its responsibilities effectively. The balance of independence creates an environment that encourages the effective challenge and development of proposals on strategy. All the non-executive directors bring considerable knowledge and experience to board deliberations. Non-executive directors do not participate in any of the company's share schemes or bonus schemes and their service is non-pensionable. The balance and independence of the board is kept under review by the nominations committee.

Biographical details of each of the current serving directors are set out on page 23. Procedures exist to allow the directors to seek independent professional advice in respect of their duties at the company's expense where the circumstances are appropriate. All directors have access to the Company Secretary.

The terms and conditions of appointment of the non-executive directors and the executive directors' service contracts are available for inspection at the company's registered office during normal business hours and will be available at the annual general meeting.

The Chairman chairs board meetings and regularly consults with the executive directors regarding on-going business. His other significant commitments are disclosed in his biography on page 23. The board considers that these commitments do not hinder his ability to discharge his responsibilities to the company and its subsidiaries (the group) effectively.

The directors believe it is essential for the company to be led and controlled by an effective board which monitors progress through monthly reports and management accounts. The board has a schedule of matters reserved for its approval. The most significant of these are the approval of:

- corporate strategy of the group and the annual operating and capital expenditure budgets;
- the appointment of the Chief Executive, other directors and the Company Secretary;
- major capital investments;
- annual and half yearly financial statements;
- interim management statements; and
- acquisitions and disposals.

The board met nine times during the year and all meetings were attended by all board members in office at the relevant time except that David Newlands, Andrew Robb, Nick Wiles and Eric Anstee were each unable to attend one meeting. Where a director is unable to attend, he provides input through discussion with the Chairman in advance of the meeting.

In line with the commitment made to shareholders last year, an external evaluation of the board took place during the year. The board recognise the importance of good governance and wish to continue to meet the revised Code provisions and to ensure sensible adherence to governance rules and disciplines appropriate for a FTSE 250 company. The evaluation was facilitated by Sheena Crane under the direction of Warren Tucker and involved a thorough evaluation of the board and its committees. Sheena Crane attended the board and committee meetings in September and November 2014, reviewed the associated papers for those meetings and conducted interviews with the Company Secretary and each of the directors in office at the time, except Neil Carson who had only recently been appointed. The results of the evaluation, including feedback from the individual interviews, were discussed by the board at its November meeting. The evaluation report was complimentary of the board and its overall performance. The report made some recommendations for areas requiring improvement, including diversity, which the board have acted upon, whilst acknowledging that further modernisation should be made over an appropriate timescale.

Eric Anstee will retire at the 2015 annual general meeting. Every other member of the board will offer himself for re-election. The board's recommendations in respect of the re-election of each director can be found in the notice of meeting on pages 67 to 70.

The Chief Executive proactively manages succession planning for the executives and senior management team and keeps the board updated on developments as necessary.

Conflicts of interest

Under the articles of association, the board has authority to approve any conflicts or potential conflicts of interest that are declared by individual directors; conditions may be attached to such approvals and directors will generally not be entitled to participate in discussions or vote on matters in which they have or may have a conflict of interest.

A register of conflicts is maintained and is reviewed at least annually to ensure all details are kept up to date. Authorisation is sought prior to the appointment of any new director or if any new conflicts arise.

GOVERNANCE *continued*

Shareholder relations

The directors consider that the annual report and accounts play an important role in providing shareholders with an evaluation of the company's position and prospects. The board aims to achieve clear reporting of financial performance to all shareholders. The board acknowledges the importance of an open dialogue with its institutional shareholders and welcomes correspondence from private investors.

We believe that, in addition to the annual report and the company's website, the annual general meeting is an ideal forum at which to communicate with investors, and the board encourages their participation. The Senior Independent Director is available to address any unresolved shareholder concerns.

The company held briefings with institutional fund managers, analysts and other investors following the announcement of half yearly results and feedback from these has been reported to the board. Meetings have been held at other times during the period when appropriate.

Committees of the board

The following formally constituted committees deal with specific aspects of the group's affairs in accordance with the duties and responsibilities formally delegated to them by the board. The terms of reference for each of the committees are available on the company's website at www.paypoint.com.

Nomination committee

The nomination committee comprises Eric Anstee, Neil Carson (appointed 23 July 2014), Stephen Rowley, David Morrison and Nick Wiles (committee Chairman). It met five times during the period and all members in office at the relevant time were in attendance except that Eric Anstee and Nick Wiles were each unable to attend one meeting. Nick Wiles succeeded Warren Tucker as Chairman of the committee on 8 May 2015. Gill Barr has agreed to join the committee on 1 June 2015.

The committee is responsible for considering and making recommendations on the appointment of additional directors, the retirement of existing directors and for reviewing the size, structure and composition of the board and membership of board committees, which are considered against objective criteria.

The committee considers the need for progressive refreshment and keeps the balance of skills, knowledge, diversity and experience of the board under review. During considerations on the appointment and retention of non-executive directors, the committee has regard to the need for particularly rigorous review and the need to progressively refresh the board where terms of appointment are beyond six years.

Diversity policy

The board embraces the supporting principles enshrined in the Code relating to board diversity, including gender.

The board is committed to ensuring an appropriate balance of skills, knowledge and experience on its board and fully supports the Department of Business Innovation & Skills objective for FTSE 350 boards to have an appropriate female presence by 2015. Diversity is a vital part of the continued assessment and enhancement of board composition and the board recognises the benefits of diversity amongst its members. The board takes account of all aspects of diversity in its considerations including, but not limited to gender, industry experience, background and race.

The nomination committee puts particular emphasis on the importance of sourcing candidates appropriately widely so that shortlisted candidates reflect the desire for increased diversity, in line with the board's objectives as stated above. In order to assist the board in achieving its commitment, the nomination committee ensures that only independent executive search firms, which subscribe to the Voluntary Code of Conduct for Executive Search Firms, are commissioned in respect of board appointments.

All board appointments are made on merit, in the context of balance of the skills, experience, independence and knowledge which the board as a whole requires to be effective, taking account of diversity in the manner described above.

Further details on diversity throughout the group including information about the diversity and equality policy that applies to PayPoint employees can be found on pages 17 and 18.

Succession planning

Nick Wiles was appointed as non-executive Chairman on 8 May 2015. The committee decided not to commission an external search, following the decision of Warren Tucker to step down. Having served as an independent non-executive director on the board for over five years, Nick Wiles' longstanding and deep knowledge of the group made him the strongest candidate for the role and the board was unanimous in his appointment.

During the year, an external search was commissioned, using an independent executive search firm, Egon Zehnder, which has no other connection with the company, to search for a non-executive director, who would also act as Senior Independent Director and remuneration committee Chairman, pending the retirement of Andrew Robb from the board at the 2014 annual general meeting. Neil Carson was identified as the best candidate for the role and was subsequently recommended to the board by the nomination committee on the basis that he met the desired criteria.

Egon Zehnder were also commissioned to search for a non-executive director with relevant skills in retail. Gill Barr met all the criteria deemed necessary for the role and, following the year end, was recommended to the board by the nomination committee and has agreed to join the board on 1 June 2015.

Since the year end, the committee has commissioned Spencer Stuart to search for an independent, non-executive director to replace Eric Anstee as Chairman of the audit committee. Eric Anstee will retire from the board at the 2015 annual general meeting after seven years. The search process is being conducted in line with the appropriate guidelines on diversity.

The Senior Independent Director chaired discussions relating to succession planning for the Chairman, in which the Chairman did not take part.

Remuneration committee

The role and composition of the remuneration committee and details of how the company applies the principles of the Code in respect of directors' remuneration are set out in the remuneration committee report on pages 26 to 40.

AUDIT COMMITTEE REPORT

On behalf of the audit committee, I am pleased to present our report for the year ended 31 March 2015. During the year, the audit committee has continued to focus on risk management for the group and the integrity of the group's financial reporting, including both the internal and external audit processes. The committee will continue to keep its activities under review in line with regulatory and market developments.

The audit committee comprises Eric Anstee, Neil Carson (appointed 23 July 2014) and Stephen Rowley. Nick Wiles, who was a member of the committee during the year, ceased to be a member of the committee on his appointment as non-executive Chairman of the board on 8 May 2015. Gill Barr has agreed to join the committee on 1 June 2015. Andrew Robb retired from the committee and the board at the 2014 annual general meeting. The board considers Eric Anstee, who is Chairman of the audit committee, to have recent and relevant financial experience in accordance with the Code. Full biographical details of each of the current committee members, including relevant financial experience, are set out on page 23.

The key responsibilities of the audit committee are as follows:

- monitoring that the financial performance of the group is properly measured and reported;
- reporting to the board on the appropriateness of the significant accounting policies and practices of the group;
- considering and making recommendations to the board on the nature and extent of the significant risk the group is willing to take in achieving its strategic objectives;
- overseeing the relationship with the external auditor and the quality of the internal and external audit processes;
- reviewing the internal financial controls and internal control and risk management systems of the group;
- monitoring and reviewing the effectiveness of the arrangements for internal audit, including its remit and programme and ensuring that it is adequately resourced; and
- advising the board on whether the committee believes the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides sufficient information to enable shareholders to assess the group's performance, business model and strategy.

The committee continued to keep its activities under review in the light of regulatory and market developments and met six times during the period. All members were in attendance at all of the meetings. By invitation, during the year, meetings were also attended by the Chairman and non-executive directors, the Chief Executive, Finance Director, Business Development Director and the Group Financial Controller, our external auditor, Deloitte LLP and internal auditor, Grant Thornton UK LLP, as appropriate.

In order to maximise its effectiveness and as part of the process of working with the board, the committee meetings generally took place on the same day as, but prior to, the company board meetings. Where all the board members were not in attendance at an audit committee meeting, either as a member of the committee or by invitation, the Chairman of the committee reported to the board as part of a separate agenda item, on the activity of the committee.

In contemplation of its key responsibilities, during the period, the committee: reviewed reports from the auditor relating to the group's accounting and internal controls; advised the board on the appointment, performance, independence and objectivity of the auditor and the internal auditor; reviewed the effectiveness of the group's systems of internal control, including fraud prevention; reviewed the appropriateness of the internal audit programme and the reports of the internal auditors and other independent audits by clients, LINK and BSI. In addition it has considered the decision by the board to undertake a review of the accounting treatment of the Mobile and Online business and transferring the book value of that asset to be classified as an asset held for sale.

The significant issues considered by the committee in relation to the 2015 accounts, and how these were addressed, were:

• Goodwill impairment and disclosure:
The judgements in relation to the impairment of goodwill largely relate to the value in use of the businesses acquired. Forecasts used for the valuations are consistent with those prepared for business planning purposes, including the setting of targets for management incentives. The committee scrutinised these forecasts and challenged the assumptions with management. The forecasts include targets for the sale of new products and services to new clients, over which there is inherent uncertainty. In addition, the committee received extensive reports from the auditors on these valuations. Sensitivity analysis was performed to understand whether the headroom (the amount by which the value in use would have to fall to cause impairment) was adequate and proper disclosure was made in the financial statements.

• Revenue recognition:
We reviewed the recognition of income to ensure that the approach adopted is appropriate and consistent. Most of the group's revenue was transaction-based and recognised on the basis of completed transactions. We challenged the basis of non-transaction based recognition, where judgement was applied. The committee also received reports from the auditors on income recognition which it discussed with them.

• Taxation:
Judgement on taxation included the recognition of losses. There were brought forward losses at the start of last year available for offsetting profit in the year and future years. The audit committee considered the losses, any time restrictions for their use and the financial forecasts prepared by management and management's views on the potential use of such losses and those it would be appropriate to recognise in the period under review. The committee also received reports from the auditors and discussed the recognition of losses with them.

• Balance sheet presentation of Mobile and Online:
We considered the position of this sale process as at 31 March 2015 and the appropriate accounting treatment for the disposal group in relation to the guidance detailed in IFRS 5. The committee satisfied itself that the presentation of the disposal as an asset held for sale at its carrying value, but not a discontinued operation, was appropriate. The value in use and independent valuation of these assets held for resale are in excess of their carrying value in the balance sheet, but there is no guarantee that the net sale proceeds will match the valuations.

External audit
Deloitte LLP has been the external auditor for the group since 2001 following a formal tender process. The appointment of Deloitte LLP as external auditor, including the rotation of the audit partner, is kept under annual review. Edward Hanson completed his five year term following the current year end and is to be replaced by Hadleigh Shekle. An annual review of the effectiveness of the external audit is undertaken by the committee.

AUDIT COMMITTEE REPORT *continued*

The effectiveness of the audit process is underpinned by appropriate audit planning and risk identification at the outset of the audit cycle. The auditor provides a detailed audit plan identifying its assessment of the risks and other key matters for review. For the year ended 31 March 2015, the primary risks identified were goodwill impairment, revenue recognition, taxation and the balance sheet value of Mobile and Online. The committee reviewed and challenged the work undertaken by the auditor to test management's assumptions on these matters. An assessment of the effectiveness of the audit process in addressing these items was performed through the reporting received from the auditor at the half-year and year end. The committee sought feedback from management on the effectiveness of the audit process. No significant issues were raised with respect to the audit process for the period and the quality of the audit process was assessed to be good.

The audit committee met the external auditor without the executive directors being present and procedures were in place, which allowed access at any time of both external and internal auditor to the audit committee. I reported the outcome of each meeting to the board.

The committee's assessment of the external auditor's performance and independence, if satisfactory, underpins its recommendation to the board to propose to shareholders the re-appointment of Deloitte LLP as auditor. Based on the committee's assessment, the committee provided the board with its recommendation to the shareholders on the re-appointment of Deloitte LLP as external auditor for the year ending 31 March 2016. There are no contractual obligations restricting the committee's choice of auditor. A resolution for re-appointment of the auditor will be proposed at the forthcoming annual general meeting, the notice for which can be found on pages 67 to 70.

Non-audit services

The committee considered the level of non-audit fees for services provided by the auditor in order to satisfy itself that auditor independence is safeguarded. The group has a policy which prohibits the auditor providing certain services which might impair its independence. The committee monitored compliance with the policy safeguarding the independence of the external auditor. The policy also prescribes that any non-audit services to be performed by the auditor in any one year (excluding tax) are to be provisionally capped at an aggregate total equivalent to the level of the annual audit fee. Any proposal to use the auditor for non-audit services exceeding this is subject to the prior approval of the audit committee. In determining the most appropriate provider of non-audit services, the committee considers the knowledge and expertise of the potential providers and the proposed costs. Non-audit services are only undertaken by the auditor where it is deemed to be the preferred provider and the provision of services poses no threat to its independence. In this context, Deloitte was appointed, following a competitive tender, to advise on the proposed sale of our parking and online payment processing businesses. Tenders were invited from five parties recommended by our independent financial advisor. The Deloitte bid was the best on both quality and cost out of the submitted tenders. Consequently Deloitte was appointed as advisor for the proposed sale. Details of the remuneration paid to the auditor for the statutory audit and non-audit services, which normally are limited to assurance and tax advice, are set out in note 5.

Risk management and internal control

The directors are responsible for establishing and maintaining the group's system of internal control, and for regularly reviewing its effectiveness. Procedures have been designed to meet the particular needs of the group and its risks, safeguarding shareholders' investments and the company's assets. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. There is an on-going process of identifying, evaluating and managing the significant risks faced by the group.

All procedures necessary to comply with the FRC's Internal Control: Revised Guidance for Directors on the Combined Code were in place throughout the period under review and up to the date of approval of the annual report and financial statements. The directors conducted a formal review of the effectiveness of the group's system of internal control during the period. No significant failings or weaknesses were identified during the review.

The operational management of the group is delegated to senior managers who are appointed by the Chief Executive. The responsibilities of the senior management group include the regular review of the main business risks to the group.

The group has prepared a detailed risk register which includes analysis of all the main operational risks covering all parts of the group's business activities, including financial risks. The group evaluates and prioritises the identified key operational risks. In order to ensure that this process is managed effectively, responsibility for each key risk area is assigned to a member of senior management, who must confirm in writing that the potential threats in each area have been properly identified and recorded and the appropriate action taken to mitigate risks so far as possible. This process has been fully embedded into the operations of the business. During the year, the audit committee received regular updates on the on-going risk management, control systems and processes which were discussed at their meetings.

Internal audit

The audit committee is responsible for approving a rigorous internal audit programme covering all the group's key business areas. The current programme was approved in March 2014 and each year the programme is reviewed to ensure that account is taken, where necessary, of any change. During the period, Grant Thornton UK LLP provided internal audit services to the company as directed by the audit committee, in accordance with the approved internal audit plan. They executed a programme of testing designed to assess and report on the adequacy, reliability and effectiveness of the design and operation of the relevant accounting, financial and business control systems implemented by management and reported the results to the audit committee.

Eric Anstee
Chairman, audit committee

BOARD OF DIRECTORS

Dominic Taylor, Chief Executive (aged 56), appointed 4 August 1998
Dominic joined PayPoint in 1997 as Retail Director and was appointed to his current role in August 1998. He was a Royal Naval officer for 12 years, following which he completed an MBA at the Cranfield School of Management. In 1991, Dominic joined the Vodafone Group where he led a number of initiatives including the development of its SMS service and a bid for the National Lottery, before becoming Sales and Marketing Director for the indirect sales of mobile phones to retailers. In 1996, Dominic joined Granada plc as a director of Granada Technology Group and Managing Director of Granada Business Technology, supplying film and telecommunications products into the hotel and leisure sectors.

George Earle, ACA, Finance Director (aged 61), appointed 20 September 2004
George joined PayPoint in September 2004 and is responsible for the financial affairs of the group. George qualified as a chartered accountant with Touche Ross & Co (now Deloitte LLP) in 1979, where he served in the corporate finance and audit groups, becoming a partner in 1984. In 1987, George moved to Saatchi & Saatchi plc, serving as Deputy Finance Director. George subsequently moved to The General Electric Company in 1989, where, until 2001, he fulfilled the role of Financial Services Director. George left Marconi (formerly GEC) in 2001 to work as Group Director, Chief Executive's Office at Centrica plc, and in 2003 was appointed as Director of Financial Control.

Tim Watkin-Rees, Business Development Director (aged 52), appointed 22 September 1998
Tim was a founder director of PayPoint in 1996 and has been responsible for group business development throughout the company's history. He previously worked in retail banking and payments with Lloyds Bank, KPMG Management Consultants and Nexus (later Sligos and now Atos). He is an Associate of the Chartered Institute of Bankers.

David Morrison, non-executive Director (aged 56), appointed 12 January 1999
David has been Chief Executive of Prospect Investment Management (Prospect) since 1999, when he started the company. He became a director of PayPoint in 1999 following an investment in the company by clients of Prospect. Prior to establishing Prospect, he had worked in the venture capital sector with 3i, Abingworth Management and Botts & Company. He is currently a non-executive director of Record plc and also Chairman of Snoozebox Holdings plc (AIM listed), and several private companies.

Eric Anstee, non-executive Director (aged 64), appointed 16 September 2008
Eric is Chairman of CPP Group plc and is non-executive director of Sun Life Financial of Canada (UK) Limited, a Subsidiary of the Canadian listed Life Assurance Company, and Insight Asset Management, the institutional investment arm of Bank of New York Mellon. He is also a member of the UK Takeover Panel Appeals Board. His former non-executive positions have included: The Financial Reporting Council; Chairman of Mansell plc; and Severn Trent plc where he was Chairman of the treasury and audit committees. His former executive appointments include: Chief Executive of City of London Group plc, The Institute of Chartered Accountants in England & Wales, Old Mutual Financial Services, and Group Finance Director at Old Mutual plc, The Energy Group plc and Eastern Electricity plc.

Stephen Rowley, non-executive Director (aged 56), appointed 16 September 2008
Stephen is Chairman of IHS, a global provider of services to the hospitality industry and is a non-executive director of Metapack. Previously he was Chief Executive of Torex, leading its turnaround and eventual sale to Micros in 2012. He was formerly Chief Executive of Anite plc and his other executive appointments include: Senior Vice President Corporate Business Development for 3Com Corporation, Marketing and Sales Director of Cellnet (now O2) and Director at IBM UK where he also held a variety of other senior positions.

Nick Wiles, non-executive Chairman (aged 53), appointed to the board 22 October 2009
Nick retired as Chairman of UK investment banking at Nomura in 2012. He has worked in banking for more than 20 years, with the majority of this time at Cazenove & Co, where he was a partner prior to incorporation. Nick was appointed as non-executive Chairman on 8 May 2015.

Neil Carson, non-executive Director (aged 58), appointed 18 June 2014
Neil worked for 34 years for Johnson Matthey (JM), the FTSE 100 chemical company. Starting as an engineering graduate trainee, he worked in each of the divisions in a number of different roles serving global markets. He joined the board of JM in 1999 as Division Director of the Autocatalyst division and became the Chief Executive in 2004, standing down in 2014. Neil is currently Chairman of TT Electronics and is SID and Chair of Remco at AMEC Foster Wheeler. He is also the joint Chairman alongside the Minister of State for BIS for the Chemistry Growth Partnership. Neil was a founder member of the Prince of Wales Corporate Leaders Group on Climate Change.

Gill Barr, non-executive Director (aged 57), has agreed to join the board on 1 June 2015
Gill is an experienced Marketing Director who has held senior positions at John Lewis, MasterCard and Kingfisher and most recently she was Group Marketing Director for The Co-operative Group. She also has valuable non-executive director experience with Morgan Sindall plc and UK Breast Cancer Coalition as well as recently being appointed as a trustee for a new pension fund established by Towers Watson.

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company and of the group, together with the financial statements and independent auditor's report, for the year ended 31 March 2015.

This annual report has been prepared for, and only for the members of the company, as a body, and no other persons. The company, its directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. By their nature, the statements concerning the risks and uncertainties facing the company and the group in this annual report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and the company undertakes no obligation to update these forward-looking statements. Nothing in this annual report should be construed as a profit forecast.

Strategic report

The strategic report is on pages 1 to 18. The company has chosen to set out certain matters in this strategic report that would otherwise be required to be disclosed in the directors' report. These matters include disclosures concerning: greenhouse gas emissions (page 17); use of financial instruments (pages 13 and 65); credit risk and price risk (page 65); employment of disabled persons (page 18); employee involvement (pages 14 and 15); and likely future developments in the business (page 13).

Principal activity

The company is a holding company and its subsidiaries are engaged in providing clients with specialist consumer payment and other services and products, transaction processing and settlement.

PayPoint UK & Ireland processes transactions for payment products and services and collects payments on behalf of the UK and Ireland's leading utility and customer service organisations in convenience retail stores using PayPoint's terminals. On average, over 11 million consumer transactions were processed weekly by PayPoint UK & Ireland. At a PayPoint outlet, consumers are provided with a one stop shop for making cash payments for the wide range of PayPoint's clients. In addition, PayPoint provides other services to retail stores.

PayPoint Romania provides electronic mobile top-ups, scratch cards, money transfer, road tax payment and a bill payment service to consumers.

Mobile and Online provides secure credit and debit card payment services for web merchants and allows consumers to pay for their car parking by credit or debit card from their mobile phones and provides other services such as text reminders to consumers to warn them of parking session expiry, permit payments, bike rental and toll payments.

PayPoint has a 50% interest in Drop and Collect Limited which trades as Collect+, a joint venture with Yodel, which provides a parcel service through selected PayPoint outlets.

Substantial shareholdings

The company had been notified of the following disclosable interests in the voting rights of the company as required by provision 5.1.2 of the FCA's Disclosure and Transparency Rules.

As 31 March 2015:

Name of holder	No. of ordinary shares	Percentage of issued capital
Invesco Limited[1]	10,662,158	15.67
Liontrust Asset Management plc	7,785,499	11.44
Capital Research & Management	5,919,900	8.70
Woodford Investment Management	5,132,504	7.54
Standard Life Investments	4,544,101	6.68
Schroder Investment Management	3,553,159	5.22
Kames Capital	2,854,682	4.20
BlackRock Inc.	2,841,941	4.18
Mawer Investment Management	2,781,644	4.09

1. 168,812 of Invesco Limited's shareholding is held indirectly via its holdings in the BBC Pension Trust

As at 28 May 2015:

Name of holder	No. of ordinary shares	Percentage of issued capital
Invesco Limited[1]	8,502,584	12.50
Liontrust Asset Management Plc	7,900,771	11.61
Capital Research & Management	5,919,900	8.70
Woodford Investment Management	5,132,504	7.54
Mawer Investment Management	4,773,064	7.01
Standard Life Investments	4,544,101	6.68
Schroder Investment Management	3,678,234	5.41
Kames Capital	2,839,682	4.17
BlackRock Inc.	2,512,641	3.69

1. 168,812 of Invesco Limited's shareholding is held indirectly via its holdings in the BBC Pension Trust

Share capital

As at the date of this report, 68,045,059 ordinary shares of 1/3p each have been issued and fully paid up and are quoted on the London Stock Exchange. During the year ended 31 March 2015, 145,360 ordinary shares were issued under the company's share schemes. The rights and obligations attaching to the company's ordinary shares, as well as the powers of the company's directors are set out in the company's articles of association, copies of which can be obtained from Companies House or by writing to the Company Secretary.

There are no restrictions on the voting rights attaching to the ordinary shares or on the transfer of securities in the company. No person holds securities in the company carrying special rights with regard to control of the company. The company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. Unless expressly specified to the contrary in the articles of association of the company, the company's articles of association may be amended by a special resolution of the company's shareholders.

At the annual general meeting on 23 July 2014, the directors were given authority to purchase 14.99% of its issued share capital, allot relevant securities up to an aggregate nominal amount of £67,899 and to disapply pre-emption rights in respect of allotments of relevant securities up to an aggregate nominal amount of £10,185. Resolutions to renew these authorities will be proposed at the 2015 annual general meeting, details of which are set out in the notice of meeting on pages 67 to 70.

DIRECTORS' REPORT *continued*

The company's authorised share capital is referred to in its articles of association and its issued share capital as at 31 March 2015, together with details of purchases of own shares during the period, are set out in note 24.

Directors

The names of the directors at the date of this report and their biographical details are given on page 23 and their interests in the ordinary shares of the company are given on page 32.

Results for the period

The consolidated income statement, statement of financial position and cash flow statement for the year ended 31 March 2015 are set out on pages 45 to 48. An analysis of risk is set out on pages 14 to 15 and of risk management on page 22. The statement of financial position and cash flow statement of the holding company for the year ended 31 March 2015 are set out on pages 49 and 50. Since 1 April 2015, there have been no material events likely to impact the future development of the company.

Qualifying third party indemnity provisions for the benefits of directors

Under sections 236 (1) (a) and (b) of the Companies Act 2006, companies are obliged to disclose any indemnities which are in force in favour of their directors. The current articles of association of the company contain an indemnity in favour of the directors of the company which indemnifies them in respect of certain liabilities and costs that they might incur in the execution of duties as directors. Copies of the articles of association can be obtained from Companies House or by writing to the Company Secretary and will be available at the venue of the annual general meeting from 15 minutes before the meeting until it ends.

Change of control

All of the company's share schemes contain provisions relating to a change of control. Outstanding options and awards would be prorated for time and normally vest on a change of control, subject to the satisfaction of any performance conditions at that time.

The company has a revolving term credit facility for £45 million with a remaining term of over three years. The terms of the facility allow for termination on a change of control, subject to certain conditions. The contracts with acquirers for the Mobile and Online business are subject to market standard rights of termination on change of control. The British Gas contract for payments is subject to termination rights for change of control in very limited circumstances. With the exception of the Simple Payment service contract, which allows for termination on change of control, there are no other significant contracts in place that would take effect, alter or terminate on the change of control of the company, including compensation for loss of office as a result of a takeover bid.

Suppliers payment policy

Terms of payment are agreed with individual suppliers prior to supply. The group aims to pay its creditors promptly, in accordance with terms agreed for payment, provided the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group had 38 days' purchases outstanding at 31 March 2015 (2014: 40 days), based on the average daily amount invoiced by suppliers during the period.

Charitable and political donations

The group made no political donations during the period (2014: £nil). Details of the charitable donations policy can be found within the strategic report on page 16.

Employee matters and environmental issues

Employee matters and environmental issues are discussed in the strategic report on pages 16 to 18.

Future developments

An indication of likely future developments in the business of the company and details of research and development activities are included in the strategic report on pages 1 to 18.

Dividends

The directors recommend the payment of a final dividend of 26.1p (2014: 23.9p) per ordinary share amounting to £17,760,000 (2014: £16,205,000) to be paid on 23 July 2015 to members on the register on 26 June 2015. An interim dividend was declared and paid during the period of 12.4p per share (2014: 11.4p per share) amounting to £8,437,587 (2014: £7,739,000).

Related party transactions

Related party transactions that took place during the period can be found in note 28.

Going concern

At the end of the period, the group had cash of £43.9 million, excluding £3.3 million in assets held for sale, and an undrawn £45.0 million revolving term credit facility expiring in May 2019. The company's cash and borrowing capacity is adequate to meet the foreseeable needs of the group, taking into account any risks (see pages 14 to 15). 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. Therefore, the financial statements have been prepared on a going concern basis.

The group's liquidity review and commentary on the current economic climate are shown on page 13 of the strategic report and commentary on financial risk management is shown in note 27.

Independent auditor

Deloitte LLP has expressed its willingness to continue as the company's auditor and a resolution for its re-appointment will be proposed at the forthcoming annual general meeting. The notice of the annual general meeting can be found on pages 67 to 70.

Corporate governance statement

The information that fulfils the requirements of the corporate governance statement for the purposes of the FCA's Disclosure and Transparency Rules can be found in this directors' report and in the governance section on pages 19 to 22 (which is incorporated into this directors' report by reference).

Statement as to disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

1. So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
2. The director has taken all the steps that he ought reasonably to have taken as a director in order to make him or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S.418 of the Companies Act 2006.

Annual general meeting

The annual general meeting will be held at the offices of Canaccord Genuity, 88 Wood Street, EC2V 7QR, on 22 July 2015. The notice of meeting and explanatory information on the resolutions to be passed at the annual general meeting can be found on pages 67 to 70 of the annual report.

Approved by the board of directors and signed on behalf of the board.

Susan Court
Company Secretary
28 May 2015

REMUNERATION COMMITTEE REPORT

STATEMENT BY CHAIR OF THE REMUNERATION COMMITTEE

This report is divided into two main sections:

- The Annual Report on Remuneration sets out the details of how our remuneration policy was implemented for the year ended 31 March 2015.
- The Directors' Remuneration Policy Report contains details of the remuneration policy that was approved at the 2014 annual general meeting, and remains unchanged.

The report complies with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and also the Listing Rules of the UK Listing Authority.

The remuneration committee, whose membership and responsibilities are set out on page 27 of this report, strives to ensure that executive directors' remuneration is aligned with the interests of shareholders. The remuneration committee believes that shareholders' interests are best served by focussing a greater proportion of total potential remuneration on compensation which varies with performance.

Short and long-term incentives are structured to reward executives for enhancing shareholder value. The value received by executive directors under the share incentive arrangements depends on the degree to which the associated performance conditions are satisfied at the end of the three year performance period and the share price of the company at that time. This ensures that substantial rewards are received only when substantial value has been created for shareholders.

As discussed in last year's report, the committee undertook a comprehensive review of PayPoint's remuneration last year, with the following objectives:

- motivate senior management to maximise economic value for shareholders;
- comply with new regulatory and governance requirements;
- respond to shareholder feedback; and
- ensure no increase in cost to the company.

Following this review, we proposed several changes to our remuneration policy intended to simplify our incentive structure, closely align it with our business strategy, and take account of evolving market practice and the latest institutional shareholder guidelines. The new policy received a 97.7% vote in favour and is working well in its first year of operation.

Bonuses for the year under review were 88.1% of maximum, reflecting growth in economic profit of 11.7%, with 25% deferred into shares vesting after three years subject to continued employment. Based on our three year earnings per share growth to 31 March 2015 of 44.7%, the 2012 DSB awards will vest in full. 2012 LTIP awards will be performance-tested in May 2015, and based on TSR performance to date relative to FTSE 250 index constituents (excluding investment trusts), we expect these awards to lapse.

During the year, the committee reviewed the remuneration policy and concluded that it continues to be appropriate.

For 2015/16, executive director salaries were reviewed in line with the shareholder-approved salary policy. The Chief Executive's salary has been increased by 5%, to bring it in line with the market, while the salaries for the Finance Director and Business Development Director have been increased by 2.5% in line with increases for the general employee population. Pensions for the Finance Director and Business Development Director have been increased from 14% to 15% of salary. The proposed LTIP award and bonus opportunity for 2015/16 is unchanged from last year, as are the performance measures. The current financial year is the first year that awards will be granted under the DABS, in respect of the bonus for the year under review, which was approved by shareholders at the last annual general meeting.

Our current policy contains provisions for malus on DABS and LTIP awards. The committee notes the requirement for clawback in the updated UK Corporate Governance Code and intends to review its approach to clawback as part of the next policy review.

At the annual general meeting in July 2015, the Annual Report on Remuneration will be put to an advisory vote.

Neil Carson
Chairman, remuneration committee

ANNUAL REPORT ON REMUNERATION

The following section provides details of how PayPoint's remuneration policy was implemented during the financial year ended 31 March 2015. The following pages contain information that is required to be audited in compliance with the Directors' Remuneration requirements of the Companies Act 2006. All narrative and quantitative tables are unaudited unless otherwise stated.

Remuneration committee membership in 2014/2015

The remuneration committee is responsible for developing policy on remuneration for executive directors and senior managers and for determining specific remuneration packages for each of the executive directors. The committee members are all independent directors. Neil Carson is Chairman of the committee, with Eric Anstee, Stephen Rowley and Nick Wiles as members. Gill Barr has agreed to join the committee on 1 June 2015.

REMUNERATION COMMITTEE REPORT *continued*

The remuneration committee is formally constituted with written terms of reference which set out the full remit of the committee. A copy of the terms of reference is available to shareholders by writing to the Company Secretary at the registered office. The terms of reference are also available on the company's website at www.paypoint.com. The remuneration committee met four times during the year and all members were in attendance with the exception of Nick Wiles and Eric Anstee who were each unable to attend one meeting.

During the year, the committee sought internal support from the Chief Executive and Finance Director, who attended committee meetings by invitation from the Chairman, to advise on specific questions raised by the committee and on matters relating to the performance and remuneration of senior managers. The Chief Executive and Finance Director were not present for any discussions that related directly to their own remuneration. The Company Secretary attended each meeting as Secretary to the committee.

In undertaking its responsibilities, the committee seeks independent external advice as necessary. To this end, for the year under review, the committee continued to retain the services of Kepler Associates as the principal external advisers to the committee. The committee evaluates the support provided by its advisers annually and is comfortable that the Kepler team provides independent remuneration advice to the committee and do not have any connections with PayPoint that may impair their independence. Kepler Associates is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. During the year, Kepler Associates provided independent advice on a wide range of remuneration matters including current market practice, benchmarking of executive pay, incentive design and remuneration reporting and provides no other services to the company. The fees paid to Kepler Associates (on the basis of time and materials) in respect of work carried out for the year under review were £89,435.

Summary of shareholder voting at the 2014 annual general meeting

The following table shows the results of the shareholder votes on the 2014 Remuneration Policy Report and Annual Report on Remuneration at the 2014 annual general meeting on 23 July 2014:

	Remuneration Policy		Remuneration Report	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	58,346,532	97.69%	59,613,591	99.77%
Against	1,380,271	2.31%	136,962	0.23%
Total votes cast (excluding withheld votes)	**59,726,803**	**100%**	**59,750,553**	**100%**
Total votes withheld[1]	93,453	-	69,704	-
Total votes cast (including withheld votes)	**59,820,256**	**-**	**59,820,257**	**-**

1. A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution

Single total figure of remuneration for executive directors (audited)

The table below sets out a single figure for the total remuneration received by each executive director for the year ended 31 March 2015 and the prior period:

	Dominic Taylor £000		George Earle £000		Tim Watkin-Rees £000	
	2015	2014	2015	2014	2015	2014
Base salary	450	425	330	320	310	300
Taxable benefits[1]	25	24	23	22	22	21
Pension[2]	72	68	87	85	43	42
Annual bonus[3]	421	389	309	293	290	274
Long-term incentives[4]	244	1,335	184	873	169	787
Other[5]	3	6	3	5	3	6
Total	**1,215**	**2,247**	**936**	**1,598**	**837**	**1,430**

1. Taxable value of benefits received in the year by executives includes car allowance of £15,500 (2014: £15,500) for Dominic Taylor and £13,200 (2014: £13,200) for George Earle and Tim Watkin-Rees, petrol, health insurance, life assurance and permanent health insurance.
2. Pension: During the year, the company made contributions of 16% of salary to Dominic Taylor and 14% of salary to the other executive directors (the remuneration committee has agreed that George Earle's pension contributions will be paid directly to him, grossed up for tax).
3. Annual bonus: this is the total bonus earned in respect of performance during the relevant year, including deferred amounts. For 2015, 25% of the annual bonus was mandatorily deferred in shares under the DABS. For 2014, directors were additionally entitled to voluntarily invest up to a further 25% of the bonus under the DSB. Further details of annual bonus awards for 2015 can be found in the Annual Report on Remuneration on page 28.
4. Long-term incentives: For 2015, this is the market value of matching DSB shares granted on 25 May 2012 based on performance to 31 March 2015 and which will vest on 25 May 2015. The share price used to calculate market value is the trailing three month average on 31 March 2015 of 864p. Further details can be found in the Annual Report on Remuneration on pages 28 and 29. For 2014, the long-term incentive figures have been re-stated based on the value at vesting of LTIP and DSB awards granted in 2011 and vesting in 2014.
5. SIP matching and dividend shares awarded in the period valued at the average share price calculated over three months to 31 March 2015 of £8.64 (2014: £11.24). The SIP is an HMRC approved plan that allows participants to purchase shares using gross salary and receive matching award from the company. There are no performance conditions.

REMUNERATION COMMITTEE REPORT *continued*

Single total figure of remuneration for non-executive directors (audited)

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 31 March 2015 and the prior period:

	Base fee £000		Committee fees £000		Senior Independent Director fees £000		Chairman fees £000		Total £000	
	2015	2014	2015	2014	£000	2014	2015	2014	2015	2014
Eric Anstee	45	42	8	7	-	-	-	-	53	49
Neil Carson	32	-	5	-	3	-	-	-	40	-
David Morrison	45	42	-	-	-	-	-	-	45	42
David Newlands	14	42	-	-	-	-	31	98	45	140
Andrew Robb	14	42	3	7	-	-	-	-	17	49
Stephen Rowley	45	42	-	-	-	-	-	-	45	42
Warren Tucker	45	11	-	-	-	-	109	-	154	11
Nick Wiles	45	42	-	-	-	-	-	-	45	42
Total	**285**	**263**	**16**	**14**	**3**	**-**	**140**	**98**	**444**	**375**

Incentive outcomes for the year ended 31 March 2015

Annual bonus in respect of 2014/15 performance

The annual bonus for the year ended 31 March 2015 was based on economic profit (group operating profit including PayPoint's share of the results of Collect+ after tax and after deducting a charge for capital employed based on the company's cost of capital). Based upon the actual results for the year, 88.1% of the maximum bonus was payable.

Further details, including the targets set and performance against these, are provided the table below:

Measure	Weighting	Threshold *(20% of salary)* £000	Target *(80% of salary)* £000	Stretch *(100% of salary)* £000	Actual achieved £000	Bonus earned (% of salary)		
						Dominic Taylor	George Earle	Tim Watkin-Rees
Group EP	100%	27,102 *(90% of plan)*	30,113 *(100% of plan)*	33,124 *(110% of plan)*	31,335	88.1%	88.1%	88.1%
Annual bonus (% of salary)								

25% of the bonus earned was mandatorily deferred into shares vesting after three years subject to continued employment.

2012 DSB vesting

With respect to the DSB matching awards granted on 25 May 2012, vesting was based on earnings per share growth. The three-year performance period for these awards ended on 31 March 2015 with vesting on the third anniversary of the date of grant. Further details relating to these awards are provided in the table below:

Measure	Weighting	Targets	Outcome[1]	% Vest
EPS	100%	0% vesting below RPI+3% p.a. 100% vesting at RPI+3% p.a.	EPS growth of 44.7% Target: 15.8%	100%
Total DSB vesting				100%

1. Based on 2015 EPS of 57.6p, 2012 EPS of 39.8p and RPI growth over the 3 year period of 6.8%.

Further details of the vesting for each individual director are as follows:

Director	Interests held	Vesting %	Number of shares vesting	Date of vesting	Market price on vesting[1]	Value £000
Dominic Taylor	28,178	100%	28,178	25 May 2015	£8.64	244
George Earle	21,328	100%	21,328	25 May 2015	£8.64	184
Tim Watkin-Rees	19,514	100%	19,514	25 May 2015	£8.64	169

1. As the price on the date of vesting is unknown, the value of an award is calculated by multiplying the number of shares, which vested by the average share price calculated over three months to 31 March 2015 of £8.64.

REMUNERATION COMMITTEE REPORT *continued*

2012 LTIP vesting

With respect to the LTIP awards granted on 25 May 2012, vesting is based 100% on TSR. The three-year performance period for these awards will end on 25 May 2015 with vesting on the third anniversary of the date of grant. Further details relating to these awards are provided in the table below:

Measure	Weighting	Targets	Outcome (to 30 April 2015)	Implied % vesting
Relative TSR vs FTSE 250 index (excluding investment trusts)	100%	0% vesting below median 30% vesting at median 100% vesting at upper quartile Straight-line vesting between these points	114th position out of 191 companies equating to 40.5 centile	0%
Total LTIP vesting				**0%**

Further details of the vesting for each individual director are as follows:

Director	Interests held	Implied % vesting	Number of shares vesting	Date of vesting	Market price on vesting[1]	Value £000
Dominic Taylor	79,807	0%	-	25 May 2015	£8.64	-
George Earle	50,406	0%	-	25 May 2015	£8.64	-
Tim Watkin-Rees	46,178	0%	-	25 May 2015	£8.64	-

1. As the price on the date of vesting is unknown, the value of an award is calculated by multiplying the number of shares which vested by the average three month share price to 31 March 2015 of £8.64.

These awards will only vest subject to the committee's satisfaction that this is a genuine reflection of the underlying financial performance of the company.

Scheme interests awarded in the year ended 31 March 2015

DSB matching awards

In the year under review, executive directors deferred 50% of their bonuses for the year ended 31 March 2014, and therefore were granted matching awards under the 2009 DSB Plan on a 1:1 basis as detailed below. The awards will vest on the third anniversary of the date of grant, 2 June 2017. The performance condition is based solely on earnings per share growth. The three year performance period over which earnings per share performance will be measured began on 1 April 2014 and will end on 31 March 2017.

Executive Director	Basis of award	Face value[1] £000	Potential award for minimum performance	End of performance period	Performance measures
Dominic Taylor	1:1 match on deferred amounts	194	100% of face value	31 March 2017	100% based on EPS growth: – 0% vesting below RPI+3% p.a. – 100% vesting at RPI+3% p.a.
George Earle		146			
Tim Watkin-Rees		137			

1. Face value is based on the middle market quotation of a share in the capital of the company on the date of award, 2 June 2014, of £10.55.

LTIP

In the year under review, LTIP awards were granted with a face value of 145% of salary for the Chief Executive and 125% of salary for other executive directors. The awards will vest on the third anniversary of the date of grant, 2 June 2017. The performance condition is based 100% on relative TSR vs. the FTSE 250 index (excluding investment trusts). The three year performance period, over which TSR performance will be measured began on the grant date of 2 June 2014 and will end on 2 June 2017.

Executive Director	Basis of award	Face value[1]	Potential award for minimum performance	End of performance period	Performance measures
Dominic Taylor	As a % of salary in line with stated remuneration policy	145% of salary	25% of face value	2 June 2014	100% on TSR relative vs. FTSE 250 (excluding investment trusts): – 0% vesting below median – 25% vesting at median – 100% vesting at upper quartile – Straight-line vesting in between
George Earle		125% of salary			
Tim Watkin-Rees					

1. Face value is based on the middle market quotation of a share in the capital of the company on the date of award, 2 June 2014, of £10.55.

REMUNERATION COMMITTEE REPORT *continued*

Payments for loss of office

No such payments were made during the year under review.

Payments to past directors

No such payments were made during the year under review.

Implementation of remuneration policy for 2015/2016

Base salary

Executive directors received the following salary increases with effect from 1 April 2015:

	From 1 April 2015	From 1 April 2014	Increase %
Dominic Taylor	£472,500	£450,000	5.0%
George Earle	£338,250	£330,000	2.5%
Tim Watkin-Rees	£317,750	£310,000	2.5%

Pension

Dominic Taylor's pension contributions will remain unchanged at 16% of salary. George Earle and Tim Watkin-Rees pension contributions will be increased from 14% to 15% of salary (compared to the maximum allowable under our remuneration policy of 20% of salary).

Annual bonus

The annual bonus for the year ending 31 March 2016 will operate as described in the Remuneration Policy Report, with a maximum opportunity of 106% of salary and based 100% on economic profit. 20% of maximum is paid for threshold performance and 80% for target.

25% of any bonus earned will be mandatorily deferred into shares vesting after three years, subject to continued employment, with clawback for financial misstatement or misconduct.

Economic profit targets for 2015/16 have been set to be challenging relative to the business plan. These targets are currently commercially sensitive, but will be disclosed in next year's Annual Report on Remuneration.

LTIP

The LTIP to be granted in June 2015 will operate as described in the Remuneration Policy Report. The Chief Executive will receive an LTIP award of 145% of salary and the other executive directors will receive an award of 125% of salary.

Final vesting will be based entirely on the achievement of three year TSR relative to the FTSE 250 index (excluding investment trusts), as follows:

Measure	Weighting	Targets
Relative TSR vs. FTSE 250 (excluding investment trusts)	100%	0% vesting below median 25% vesting at median 100% vesting at upper quartile Straight-line vesting between these points

Additionally, the committee must satisfy itself that the recorded TSR is a genuine reflection of the underlying financial performance of the company. If events occur which cause the committee to consider that this performance requirement has become unfair or impractical, it may, in its discretion, amend the performance requirement so that it is no more or less difficult to satisfy than when it was originally imposed.

Recovery by the company will apply to unvested LTIP shares in the event of misstatement and/or participant misconduct.

REMUNERATION COMMITTEE REPORT *continued*

Non-executive director fees

In March 2015, the board undertook its annual review of non-executive directors fees. Following consideration of general non-executive director fee increases across the market and current market fee levels, the board determined that a modest increase in the base fee was appropriate. A summary of the fee increases, which are effective 1 April 2015, is set out in the table below.

	From 1 April 2015	From 1 April 2014
Base fees		
Non-executive director	£46,125	£45,000
Additional fees		
Chairman, audit committee	£8,200	£8,000
Chairman, remuneration committee	£8,200	£8,000
Senior Independent Director	£4,100	£4,000

The Chairman's fee in the current year is £165,000, a reduction from last year of £190,000.

Percentage change in Chief Executive remuneration

The table below shows the percentage change in Chief Executive remuneration, comprising salary, taxable benefits and annual bonus, and comparable data for the average of all employees within the company.

	Change in remuneration from 2014 to 2015			
	Chief Executive			Average % change for other employees[1]
	2015 £000	2014 £000	% change	
Salary	450	425	5.9%	4.7%
Taxable benefits	25	24	4.2%	0.0%
Annual bonus	421	389	8.2%	(1.7)%[2]
Total	**896**	**838**	**6.9%**	

1. Increase in salary is for UK based employees who were employed by PayPoint for the entirety of both financial years, but excludes those who were promoted to a new role
2. Increase is for UK based employees who earned a bonus pay out in both financial years. The growth rate is impacted by the award of only small discretionary bonuses to some Mobile and Online employees in 2015

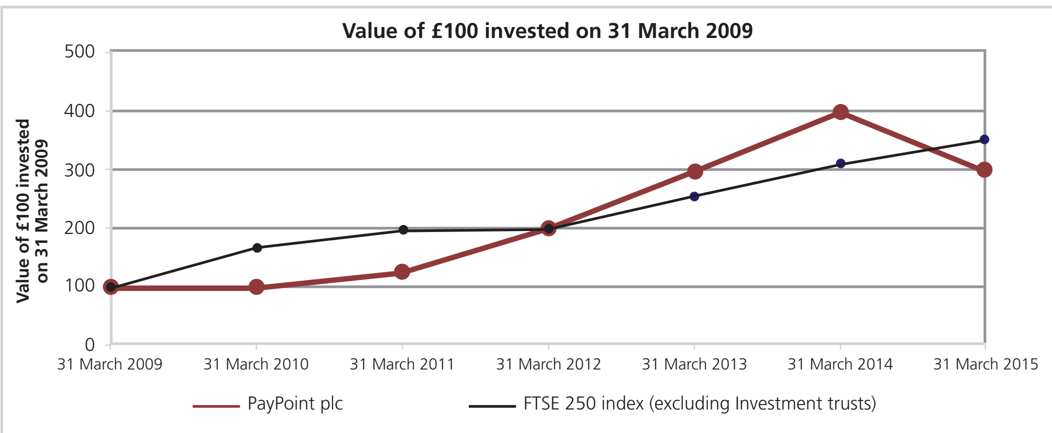
Relative importance of spend on pay

The table below shows the company's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ending 31 March 2014 and ending 31 March 2015.

	Total employee pay expenditure £000	Distributions to shareholders £000	Distributions to shareholders excluding special dividend £000
2015	36,682	24,696	24,696
2014	33,295	31,632	21,450
% change	**10.17%**	**(21.93)%**	**15.1%**

Pay for performance

The graph below compares the value of £100 invested in PayPoint shares, including re-invested dividends, with the FTSE 250 index (excluding investment trusts) over the last six years. This index was selected because it is considered to be the most appropriate against which the total shareholder return of PayPoint should be measured.



REMUNERATION COMMITTEE REPORT *continued*

	2010	2011	2012	2013	2014	2015
Chief Executive single figure of remuneration (£000)	637	677	1,067	2,639	2,247	1,215
Annual bonus pay-out (as % of maximum)	84.50%	80.90%	88.70%	86.20%	91.43%	88.11%
LTIP vesting (as % of maximum)	0.00%	0.00%	40.10%	100.00%	100.00%	0.00%

Directors' shareholdings (audited)

The shareholdings of the directors and their families in the ordinary shares of the company against their respective shareholding requirement as at 31 March 2015:

	Shares held				
	Owned outright or vested[4]	Unvested and subject to holding period	Unvested and subject to performance conditions	**Current shareholding[4]**	**Shareholding guideline[5]**
Dominic Taylor	1,816,277	493	259,165	1,816,277	54,671
George Earle[1]	319,824	493	171,587	319,824	39,138
Tim Watkin-Rees[2]	528,231	493	160,609	528,231	36,766
Eric Anstee	7,700	-	-		
David Morrison[3]	35,000	-	-		
Stephen Rowley	5,000	-	-		
Warren Tucker	-	-	-		
Nick Wiles	25,000	-	-		
Neil Carson	-	-	-		

1. Includes 287,762 shares held by Mrs C Earle.
2. Includes 284,190 shares held by Mrs E Watkin-Rees.
3. Held by Prospect Investment Management Limited, which is wholly owned by David Morrison and his connected persons.
4. Current shareholding includes DSB bonus and SIP shares other than SIP matching shares subject to a holding period.
5. Shareholding guidelines apply to executive directors with immediate effect. Executive directors are required to hold shares of a value equivalent to 100% of their salaries as at 1 April 2015. An average three month share price to 31 March 2015 of £8.64 has been used to calculate this guideline.

The market price of the company's shares on 31 March 2015 was £8.20 (31 March 2014: £11.45) per share and the low and high share prices during the period were £8.18 and £11.96 respectively.

Directors' interests in shares in PayPoint long-term incentive plans and all-employee plans

Long Term Incentive Plan[1] (audited)

	Number of shares at 31 March 2014	Number of shares awarded during the period[3]	Number of shares released during the period	Number of shares lapsed during the period	**Number of shares at 31 March 2015**	Value of shares awarded	Date of grant	Release date
D Taylor	96,266[1,3]		(96,266)		**-**	£476,517	27.05.11	27.05.14
	79,807[1,4]				**79,807**	£490,813	25.05.12	25.05.15
	52,577[1,5]				**52,577**	£509,997	31.05.13	31.05.16
	-	61,848[2,6]			**61,848**	£652,496	02.06.14	02.06.17
G Earle	60,720[1,3]		(60,720)		**-**	£300,564	27.05.11	27.05.14
	50,406[1,4]				**50,406**	£309,997	25.05.12	25.05.15
	32,989[1,5]				**32,989**	£319,993	31.05.13	31.05.16
	-	39,099[2,6]			**39,099**	£412,494	02.06.14	02.06.17
T Watkin-Rees	55,555[1,3]		(55,555)		**-**	£274,997	27.05.11	27.05.14
	46,178[1,4]				**46,178**	£283,995	25.05.12	25.05.15
	30,927[1,5]				**30,927**	£299,992	31.05.13	31.05.16
	-	36,729[2,6]			**36,729**	£387,491	02.06.14	02.06.17

1. These LTIP awards will only vest if the company's comparative TSR performance is equal to or greater than the median level of performance over the three year holding period, at which point 30% of awards will vest, with full vesting occurring for upper quartile performance (proportionate vesting between points).
2. These LTIP awards will only vest if the company's comparative TSR performance is equal to or greater than the median level of performance over the three year holding period, at which point 25% of awards will vest, with full vesting occurring for upper quartile performance (proportionate vesting between points).
Awards were granted at the following closing prices on the preceding day:
3. £4.95 per share
4. £6.15 per share
5. £9.70 per share
6. £10.55 per share

REMUNERATION COMMITTEE REPORT *continued*

Deferred Share Bonus Plan (audited)

	Number of bonus shares purchased at 31 March 2014[1]	Number of matching shares awarded at 31 March 2014[2]	Number of bonus shares (released)/ purchased during the period	Number of matching shares awarded during the period	Number of matching shares (lapsed) during the period	**Number of bonus shares purchased at 31 March 2015**	**Number of matching shares awarded at 31 March 2015**	Value of matching shares awarded	Date of grant	Date lapsed/ release date[3]
D Taylor	10,785[4]	22,469[4]	(10,785)	(22,469)		-	-	£115,282	02.06.11	02.06.14
	13,525[5]	28,178[5]				13,525[5]	28,178[5]	£176,113	25.05.12	25.05.15
	9,719[6]	18,338[6]				9,719[6]	18,338[6]	£176,201	06.06.13	06.06.16
	-	-	9,761[7]	18,417[7]		9,761[7]	18,417[7]	£194,299	02.06.14	02.06.17
	34,029	**68,958**	**(1,024)**	**(4,052)**	**-**	**33,005**	**64,933**			
G Earle	8,163[4]	17,007[4]	(8,163)	(17,007)		-	-	£87,258	02.06.11	02.06.14
	10,237[5]	21,328[5]				10,237[5]	21,328[5]	£133,300	25.05.12	25.05.15
	7,366[6]	13,898[6]				7,366[6]	13,898[6]	£133,539	06.06.13	06.06.16
	-	-	7,349[7]	13,867[7]		7,349[7]	13,867[7]	£146,297	02.06.14	02.06.17
	25,766	**52,233**	**(814)**	**(3,140)**	**-**	**24,952**	**49,093**			
T Watkin-Rees	6,973[4]	14,528[4]	(6,973)	(14,528)		-	-	£74,539	02.06.11	02.06.14
	9,366[5]	19,514[5]				9,366[5]	19,514[5]	£121,963	25.05.12	25.05.15
	6,748[6]	12,733[6]				6,748[6]	12,733[6]	£122,345	06.06.13	06.06.16
	-	-	6,890[7]	13,000[7]		6,890[7]	13,000[7]	£137,150	02.06.14	02.06.17
	23,087	**46,775**	**(83)**	**(1,528)**	**-**	**23,004**	**45,247**			

1. Bonus Shares are purchased with the bonus deferred after the deduction of tax.
2. Matching Shares are awarded based on the value of the gross bonus deferred.
3. No Matching Shares will be released unless the company's earnings per share growth is 3% p.a. in excess of the Retail Prices Index over the three year holding period. The bonus shares were purchased and the matching share awarded at share prices of:
4. £5.13 per share
5. £6.25 per share
6. £9.61 per share
7. £10.55 per share

Share Incentive Plan (audited)

	Number of Partnership Shares purchased at 31 March 2014	Number of Matching Shares awarded at 31 March 2014	Number of Free Shares[1] awarded at 31 March 2014	Dividend Shares[2] acquired at 31 March 2014	Total shares at 31 March 2014	Number of Partnership Shares[3] purchased during the period	Matching Shares[4] awarded during the period	Dividend Shares acquired during the period	Dates of release of Matching and Free Dividend Shares[5]	**Total shares at 31 March 2015**
D Taylor	2,886	2,886	1,562	1,800	9,134	154	154	143	22.04.14 – 22.04.17	**9,585**
G Earle	2,910	2,910	-	1,334	7,154	153	153	143	22.04.14 – 22.04.17	**7,603**
T Watkin-Rees	2,910	2,910	1,562	1,806	9,188	153	153	143	22.04.14 – 22.04.17	**9,637**

1. Free Shares are ordinary shares of the company awarded conditionally on 24 September 2004 based on the share price on admission of £1.92.
2. Dividend shares are ordinary shares of the company purchased with the value of dividends paid in respect of all other shares held in the plan.
3. Partnership Shares are ordinary shares of the company purchased on a monthly basis during the period (at prices from £8.735 to £11.63).
4. Matching Shares are ordinary shares of the company awarded conditionally on a monthly basis during the period (at prices from £8.735 to £11.63) in conjunction with two share purchases.
5. The dates used are based on the earliest allocation of the matching shares

REMUNERATION COMMITTEE REPORT *continued*

REMUNERATION POLICY REPORT

Executive directors' remuneration

This section of the report sets out the remuneration policy for executive directors. This policy was approved and formally came into effect at the 2014 annual general meeting on 23 July 2014, and remains unchanged. The table below summarises our policy on each element of the remuneration package for executive directors.

	Element and link to strategy	Operation	Opportunity	Performance metrics
Fixed	**Base salary** Takes account of personal contribution and performance against company strategy	Reviewed annually, with account taken of responsibility and skills, the individual director's performance and experience, pay for comparable roles and pay and conditions throughout the company.	Any base salary increases are applied in line with the outcome of the annual review. Salaries are generally positioned broadly around median, but may fall within the second and third quartiles. In respect of existing executive directors, it is anticipated that salary increases will have regard to those of salaried employees as a whole. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity) the committee has discretion to make appropriate adjustments to salary levels to ensure they remain market competitive.	The salary review takes into account individual and company performance.
	Pension Provides market appropriate benefits	The company makes contributions to personal pension plans.	Executive directors may receive a contribution of up to 20% of salary.	None
	Benefits Provides appropriate market benefits	Benefits may include, but are not limited to, car allowance, health insurance and employee share plans. In certain circumstances, the committee may also approve the provision of additional allowances relating to the relocation of an executive director and other expatriate benefits to perform his or her role.	Benefits vary by role and individual circumstances and are reviewed periodically. Benefits will not normally exceed 15% of salary. The committee retains discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside the company's control have changed materially (e.g. increases in insurance premiums).	None
Variable	**Share Incentive Plan (SIP)** Encourage share ownership across all employees	Opportunity to purchase shares out of pre-tax salary and receive a matching award. The PayPoint SIP is a HMRC approved plan open to all UK tax resident employees of participating group companies. Executive directors are eligible to participate. The plan is an HMRC approved plan that allows an employee to purchase shares using gross salary and receive a matching award from the company. Matching shares are subject to continued employment for three years. Dividends may accrue on purchased and matching shares and be paid either in cash or rolled up into additional shares.	Participants can purchase shares up to the prevailing HMRC approved limit at the time employees are invited to participate. The company currently offers to match purchases made through the plan at the rate of one free matching share for every one share purchased.	None

REMUNERATION COMMITTEE REPORT *continued*

	Element and link to strategy	Operation	Opportunity	Performance metrics
Variable	**Long Term Incentive Plan (LTIP)** Drives sustained long term performance, aids retention and aligns the interests of executive directors with shareholders	Annual awards of conditional share awards or nil-cost options vesting subject to performance and continued employment over at least three years. Award levels and performance conditions are reviewed by the committee in advance of grant to ensure they remain appropriate. The company has the right to cancel LTIP awards in the event of material misstatement and/or gross misconduct or other similar circumstances. The committee may decide at the time of grant that the shares acquired on vesting may be required to be retained, for a period of up to three years following the end of the performance period, during which time they would be subject to cancellation. Dividends accrue as additional share entitlements over the vesting period but would only be paid on awards that vest.	Annual awards of performance shares of up to 200% of salary for executive directors. The proposed awards for 2015 are 145% of salary for the Chief Executive and 125% of salary for other executive directors Achievement of threshold level of performance results in 25% of maximum vesting.	The LTIP is based on Total Shareholder Return (increase in the share price plus dividends paid per share) TSR relative to an appropriate benchmark. The committee has the discretion to determine the appropriate benchmark prior to each grant, and to add performance measures and determine appropriate weightings to ensure they continue to be linked to the delivery of company strategy. At least 50% of the LTIP will be based on TSR. The remuneration committee will satisfy itself that the recorded TSR is a genuine reflection of the underlying financial performance of the company. In addition, the committee has the discretion to adjust the formulaic outcomes to ensure alignment of pay with performance, i.e. to ensure the outcome is a true reflection of the performance of the company, e.g. in the event of unforeseen circumstances outside of management control.
	Annual bonus and Deferred Annual Bonus Scheme (DABS) Rewards delivery of the group's annual financial and strategic goals and supports retention	The remuneration committee reviews and agrees measures, targets and weightings at the beginning of each financial year. At the end of the year, the remuneration committee determines the extent to which targets have been achieved. Under the DABS at least 25% of any annual bonus award is deferred into conditional share awards, deferred cash or nil-cost options for at least three years, subject to continued employment and the company has a right to cancel DABS awards in the event of material misstatement and/or gross misconduct or other similar circumstances. Dividends accrue on deferred awards as additional share entitlements over the deferral period but would only vest on awards that vest.	For executive directors, the target annual bonus opportunity is 85% of salary. The maximum opportunity is currently 125% of target (106% of salary). For threshold level of performance, the bonus pays out at 25% of target (21% of salary). The committee retains discretion to increase the maximum opportunity to 150% of salary. Targets will be commensurately more stretching.	The bonus is currently based 100% on group economic profit vs. the budget agreed by PayPoint's board. The committee has the discretion to add performance measures and determine appropriate weightings to ensure they continue to be linked to the delivery of company strategy. However, if other measures were incorporated, at least 50% of the bonus would continue to be tied to economic profit. The range for threshold to maximum performance is calibrated with reference to the target. The remuneration committee reviews and agrees targets at the beginning of each financial year and may subsequently adjust those targets as detailed in the notes to this table. The committee also has the discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards, to ensure that payments are a true reflection of performance of the company over the performance period, e.g. in the event of unforeseen circumstances outside of management control.

REMUNERATION COMMITTEE REPORT *continued*

Notes to the policy table

Payments from previous awards

The company will honour any commitments entered into prior to the approval and implementation of the remuneration policy as detailed in this report, and executive directors will be eligible to receive payment from any historical awards made. This includes outstanding awards made under the 2009 LTIP and 2009 DSB Plan, as detailed in the Annual Report on Remuneration. The differences between the 2009 LTIP and DSB and the plans in the policy table above are detailed below and in the Annual Report on Remuneration.

In 2014, the remuneration committee undertook a comprehensive review of executive incentive arrangements to simplify the long-term incentive structure and align it with the business strategy, to motivate senior management to maximise economic value for shareholders and to improve compliance with new regulatory and governance requirements. As a result of the review, the following changes were made to the 2009 LTIP and DSB plans:

The pay out at threshold in the annual bonus was reduced from 70% of to 25% of maximum to be in line with best practice. The matching plan was removed, and a small offsetting increase made to the annual bonus and LTIP opportunities so that the fair value of long-term incentive awards would be broadly maintained. The requirement to mandatorily defer 25% of the bonus into shares was maintained, but deferred shares were made subject to continued employment and clawback. Under the LTIP, the level of vesting at threshold was reduced from 30% to 25% to be in line with best practice and unvested awards were made subject to clawback.

Use of discretion

The remuneration committee may exercise discretion in two broad areas for each element of remuneration:

- To ensure fairness and align executive director remuneration with underlying individual and company performance, the committee may adjust upwards or downwards the outcome of any short- or long-term incentive plan payment within the limits of the relevant plan rules. Any adjustments in light of corporate events will be made on a neutral basis, i.e. the intention of any adjustment will be that the event is not to the benefit or detriment of participants. Adjustments to underlying performance may be made in exceptional circumstances to ensure outcomes are fair both to shareholders and participants.
- In the case of a non-regular event occurring, the committee may apply its discretion to ensure fairness and seek alignment with business objectives. Non-regular events in this context include, but are not limited to: corporate transactions, changes in the company's accounting policies, minor or administrative matters, internal promotions, external recruitment and terminations.

Any use of discretion by the committee during the financial year will be detailed in the relevant Annual Report on Remuneration.

Performance measure selection

Economic profit has been selected as the measure for the annual bonus plan, as it captures growth, returns and risk. The use of a single measure provides simplicity and focus. Economic profit is defined as operating profit after deducting the actual tax charge and a capital charge based on the weighted average cost of capital applied to the average capital employed. The operating profit is the profit before any goodwill impairment, interest and tax. Average capital employed is based on a 12 month average starting on 1 April including cumulative goodwill, but excluding net cash/indebtedness. At the sole discretion of the remuneration committee, exceptional items may be removed from operating profit where the inclusion of such items would be inconsistent with fair measurement, and actual tax may be adjusted to normalised rates if they are considered unsustainable. Performance targets relating to the annual bonus plan are set from the company's annual budget, which is reviewed and signed off by the company's board prior to the start of each financial year.

Relative TSR has been selected as the measure for the LTIP as it is considered the best measure of long term performance for PayPoint, is directly aligned with shareholder interests and rewards management for outperformance of the company's peers. The FTSE 250 index (excluding investment trusts) is currently considered to be the most appropriate benchmark, being representative of PayPoint's size and given PayPoint's lack of listed sector peers. TSR is calculated using the three month average share price preceding the start and end of the performance period.

The target for economic profit applying to the annual bonus is set annually, based on a number of internal and external reference points. The target is set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year.

Remuneration policy for other employees

PayPoint's approach to annual salary reviews is consistent across the group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies. All UK employees are eligible to participate in the company's SIP and senior managers participate in the annual bonus scheme with the same measure at the appropriate business level as is set for the executive directors at group level, but each with personal targets in addition. Senior managers (c.25 individuals) are eligible to participate in the LTIP. Performance conditions are consistent for all participants, while award sizes vary by organisational level.

REMUNERATION COMMITTEE REPORT *continued*

Shareholding guidelines

The committee recognises the importance of executive directors aligning their interests with shareholders through building up a significant shareholding in the company. Shareholding guidelines are in place, which require executive directors to acquire a holding, equivalent to at least 100% of their salaries. Executive directors are required to retain 50% of any LTIP and deferred bonus shares acquired on vesting (net of tax) until the guideline level is achieved. Acquired holdings may be held by spouses or dependent family members.

Non-executive director remuneration

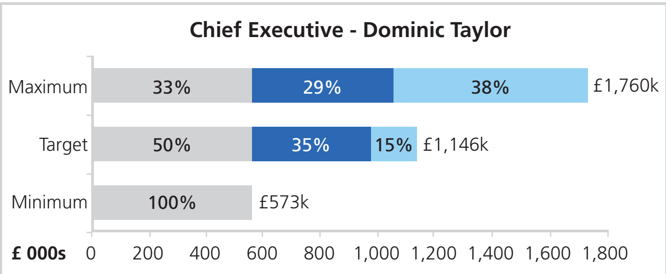
The remuneration of the non-executive directors is within the limits set by the articles of association. Non-executive directors do not participate in any bonus plan or share incentive programme operated by the company and are not entitled to pension contributions or other benefits provided by the company.

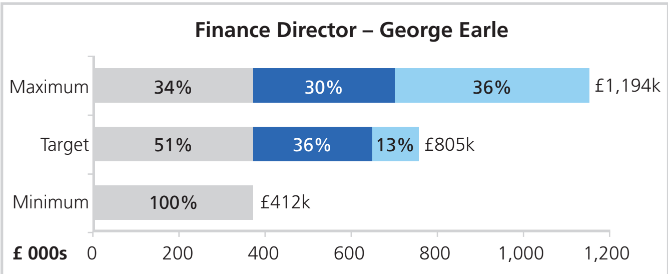
Details of the policy on fees paid to our non-executive directors are set out in the table below:

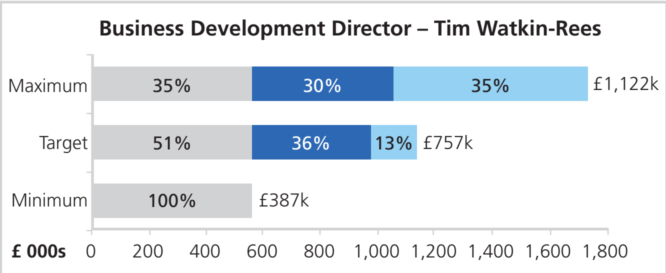
Element and link to strategy	Operation	Opportunity	Performance metrics
Fees To attract and retain non-executive directors of the highest calibre with broad commercial and other experience relevant to the company	Fee levels are reviewed annually, with any adjustments effective 1 April in the year following review. The remuneration of the non-executive directors is determined by the board based upon recommendations from the Chairman and Chief Executive (or, in the case of the Chairman, based on recommendations from the Senior Independent Director and the Chief Executive). Additional fees are payable for roles with additional responsibilities including, but not limited to, the SID and the Chairman of the audit and remuneration committees. Fee levels are benchmarked against sector comparators and companies of similar size and complexity. Time commitment and responsibility are taken into account when reviewing fee levels.	Non-executive director fee increases are applied in line with the outcome of the annual fee review. Fees paid in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration. It is expected that non-executive director fee levels will generally be positioned around median, but may fall within the second and third quartiles, and any increases will also have regard to general increases in non-executive directors' fees across the market. In the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a non-executive director role, or specific recruitment needs, the board has discretion to make an appropriate adjustment to fee levels. Aggregate fees are also limited by the cap contained in the company's articles of association.	Continued strong and objective contribution

Pay scenario charts

The charts below provide an illustration of the potential future reward opportunities for the executive directors, and the potential split between the different elements of remuneration under three different performance scenarios: minimum, target and maximum. Potential reward opportunities are based on PayPoint's remuneration policy, applied to base salaries as at 1 April 2015. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance based on the maximum bonus opportunity under the current remuneration policy of 106% of salary. For the LTIP, the award opportunities are based on LTIP awards under the current remuneration policy of 145% of salary for the Chief Executive and 125% of salary for other executive directors. Note that LTIP awards granted in the year do not normally vest until the third anniversary of the date of grant, and the projected value is based on the face value at award rather than vesting (i.e. the scenarios exclude the impact of any share price movement over the period).







REMUNERATION COMMITTEE REPORT *continued*

In illustrating potential reward opportunities, the following assumptions have been made:

	Component	Minimum	Target	Maximum
Variable	**Annual Bonus** (Maximum opportunity of 106% of salary)	No bonus payable	Target bonus (80% of max)	Maximum bonus
	LTIP (Awards of 145% of salary for the Chief Executive and 125% of salary for the other executive directors)	No LTIP vesting	Threshold vesting (25% of max)	Maximum vesting
Fixed	Base salary	Salary as at 1 April 2015		
	Pension	Current contribution rate applied to latest known salary		
	Other benefits	Benefits as provided in the single figure table on page 27		

Approach to recruitment remuneration

External appointment

In the cases of hiring or appointing a new executive director from outside the company, the remuneration committee may make use of all the existing components of remuneration, as follows:

Component	Approach	Maximum
Base salary	The base salaries of new appointees will be determined by reference to similar positions with comparative status, responsibility and skills in parallel with the individual director's performance, experience and responsibilities, and pay and conditions throughout the company. Where new appointees have initial basic salaries set below market, any shortfall may be managed with phased increases over a period of two to three years subject to the individual's development in the role.	N/A
Pension	New appointees will receive contributions to personal pension plans in line with existing policy.	
Benefits	New appointees will be eligible to receive benefits in line with existing policy.	
SIP	New appointees will be eligible to participate in the SIP in line with existing policy.	
Annual bonus	The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the personal objectives element will be tailored to the executive.	150% of salary
LTIP	New appointees will be granted awards under the LTIP on the same terms as other executives, as described in the policy table. The normal limit of 200% of salary will apply, save in exceptional circumstances when awards of up to 300% of salary may be made.	300% of salary

In determining appropriate remuneration, the remuneration committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of both PayPoint and its shareholders. In addition to the above elements of remuneration, the committee may consider it appropriate to grant an award under a different structure in order to facilitate the recruitment of an individual, exercising the discretion available under the relevant Listing Rule (LR 9.4.2 R) to replace incentive arrangements forfeited on leaving a previous employer. Such buyout awards would have a fair value no higher than that of the awards forfeited. In doing so, the committee will consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining.

Internal appointment

In cases of appointing a new executive director by way of internal promotion, the remuneration committee and board will be consistent with the policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to the board, the company will continue to honour these arrangements.

Non-executive directors

In recruiting a new non-executive director, the remuneration committee will utilise the policy as set out in the table on page 37.

REMUNERATION COMMITTEE REPORT *continued*

Service contracts and exit policy

Executive directors

Executive director service contracts, including arrangements for early termination, are carefully considered by the committee. In accordance with general market practice, each of the executive directors has a rolling service contract requiring 12 months' notice of termination on either side. Executive director service contracts are available to view at the company's registered office. Details of the service contracts of the executive directors of the company are as follows:

Name	Company notice period	Contract date
D Taylor	12 months	13 September 2004
G Earle	12 months	30 September 2004
T Watkin-Rees	12 months	13 September 2004

There are no special provisions in service contracts relating to cessation of employment or change of control. The policy on termination is that the company does not make payments beyond its contractual obligations and executive directors will be expected to mitigate their loss. In addition, the remuneration committee ensures that there are no unjustified payments for failure. Under normal circumstances, executive directors may receive termination payments in lieu of notice equal to pay and benefits for the length of their contractual notice period.

When considering exit payments, the committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus and LTIP are typically treated in specific circumstances. Whilst the committee retains overall discretion on determining good leaver status, it typically defines a good leaver in circumstances such as death, ill health, injury or disability, retirement with the company's consent, redundancy or any other reason that the committee determines. Bad leavers include those leaving employment due to resignation or misconduct, and retirement without agreement of the company. Final treatment is subject to the committee's discretion:

Event	Timing/vesting of award	Calculation of vesting/payment
Annual bonus		
Good leaver	Paid at the same time as continuing employees.	Eligible for an award to the extent that performance targets are satisfied and the award is pro-rated for the proportion of the financial year served.
Bad leaver	No annual bonus payable	Not applicable
Change of control	Paid immediately on the effective date of change of control.	Eligible for an award to the extent that performance targets are satisfied up to the change of control and the award is pro-rated for the proportion of the financial year served to the effective date of change of control.
DABS		
Good leaver	Continue until the normal vesting date. In the event of death of a participant, the award would vest immediately.	Outstanding awards vest on a time pro-rated basis to reflect the length of the vesting period served unless the board decides otherwise.
Bad leaver	Outstanding awards lapse	Not applicable
Change of control	Paid immediately on the effective date of change of control.	Eligible for an award pro-rated for the proportion of the financial year served to the effective date of change of control.
LTIP		
Good leaver	Continue until the normal vesting date or vest immediately, at the discretion of the committee.	Outstanding awards vest to the extent the performance conditions are satisfied and the awards are pro-rated to reflect the length of the vesting period served unless the board decides otherwise.
Bad leaver	Outstanding awards lapse	Not applicable
Change of control	Vest immediately on the effective date of change of control.	Outstanding awards vest subject to the satisfaction of performance conditions as at the effective date of change of control, and the award is pro-rated for the proportion of the vesting period served to the effective date of change of control unless the board decides otherwise.

Outstanding matching awards under the 2009 DSB Plan will be treated in the same way as awards under the LTIP. Mandatorily deferred (and voluntarily invested) shares under this plan are simply held on trust for participants and therefore would be released immediately on cessation or a change of control.

REMUNERATION COMMITTEE REPORT *continued*

Non-executive directors

The non-executive directors do not have service contracts; rather, they have letters of appointment which are subject to a three year term. Details of the terms of appointment of the non-executive directors are set out in the table below:

Name	Date of letter	Unexpired term as at 31 March 2015	Date of appointment	Notice period
D Morrison	24 July 2013	481 days	10 August 2004	1 month
E Anstee	24 July 2013	481 days	16 September 2008	1 month
S Rowley	24 July 2013	481 days	16 September 2008	1 month
N Wiles[1]	24 July 2013	481 days	22 October 2009	1 month
W Tucker[2]	5 February 2014	677 days	5 February 2014	3 months
N Carson	18 June 2014	844 days	23 July 2014	1 month

1. Date of original letter shown. Nick Wiles signed a new letter of appointment following his appointment as Chairman on 8 May 2015 with an unexpired term of 3 years.
2. Warren Tucker stepped down from the board on 8 May 2015.

Under the company's articles of association, all directors are required to submit themselves for re-election every three years. However, in order to comply with the Code and as reported last year, all directors will be subject to annual re-election. Non-executive directors' letters of appointment are available to view at the company's registered office.

Consideration of conditions elsewhere in the company

When making decisions on executive director remuneration, the committee considers pay and conditions across PayPoint. In particular, it is anticipated that salary increases for senior executives will have regard to those of salaried employees as a whole. Employee engagement surveys are carried out annually across the group, with questions which seek the employees' views on these matters. Participation in these surveys is generally in excess of 80% of all employees.

Consideration of shareholder views

The remuneration committee maintains a regular dialogue with its major shareholders and when determining remuneration, takes into account the guidelines of investor bodies and shareholder views. The committee continues to monitor trends and developments in corporate governance and market practice to ensure the structure of the executive remuneration remains appropriate and commits to undergo a shareholder consultation in advance of any material changes to remuneration policy.

This report covers the remuneration of all directors that served during the period.

This report has been approved by the remuneration committee.

Neil Carson
Chairman, remuneration committee
28 May 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRS as adopted by the EU. Under company law, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

Approved by the board of directors and signed on behalf of the board.

Dominic Taylor
Chief Executive
28 May 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PAYPOINT PLC

Opinion on financial statements of PayPoint plc

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statements of changes in equity, the consolidated and company cash flow statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained within the Director's Report on page 25 that the group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Consideration of non-current assets held for sale and discontinued operations Management is required to assess the implications of the planned disposal of the Mobile and Online business (M+O) on the presentation in the group financial statements. In particular, management is required to take into account the requirements of IFRS 5 – Non-current assets held for resale and discontinued operations (IFRS 5). The net assets of M+O are £55 million as at 31 March 2015, and have been described in note 16 to the financial statements, with the accounting policy and critical accounting judgement in note 1. Key judgements relate to the following: • whether the status of the planned disposal meets the criteria for M+O to be disclosed as a disposal group, in particular whether the sale is considered highly probable as at the year end; • ensuring any disposal group is held at the lower of carrying value and fair value less cost to sell; and • whether M+O represents a "separate major line of business" and should therefore be disclosed as a discontinued operation.	We obtained management's assessment of the application of IFRS 5 and assessed the status of the planned disposal at 31 March 2015 against the criteria set out in IFRS 5. Our procedures included discussion with management and agreeing project milestones to supporting documentation including board minutes and correspondence with advisors. We have compared the carrying value of M+O to the estimated fair value prepared by third party valuation experts. We also used our internal valuation experts to understand the valuation methodology applied. We benchmarked the data used against similar transactions and industry data. In considering whether this represents a separate major line of business, we reviewed and challenged management's assessment on both the quantitative and qualitative contribution that M+O makes to the PayPoint group.
The assessment of carrying value of goodwill and other non-current assets Management is required to carry out an annual impairment test which incorporates judgments based on assumptions about future profitability, growth rates and discount rates. The goodwill in the balance sheet at 31 March 2015, following the classification of M+O as a disposal group held for sale, is £7.7 million (2014: £57.9 million), which relates to the group's investment in PayPoint Romania. The accounting policy, methodology and key assumptions for goodwill impairment is described in note 1 and note 10 to the financial statements.	We assessed the assumptions used in the impairment model for PayPoint Romania. Our procedures included reviewing forecast cash flows with reference to historical trading performance and forecast future performance, consulting with our valuation specialists on the discount rate used and benchmarking assumptions such as the perpetual growth rate and discount rate to external macro-economic and market data. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the assets to be impaired by performing sensitivity analysis on the key assumptions, we considered the likelihood of such a movement in those assumptions arising and the adequacy of the disclosures made in note 10 to the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PAYPOINT PLC *continued*

Risk	How the scope of our audit responded to the risk
Revenue recognition Revenues of £218 million have been recognised in the year. The group's accounting policy for the recognition of revenue is described in note 1 to the financial statements, and is based on a high volume of low value transactions calculated using volume data subject to automated controls. The risk of material misstatement relates to areas of manual intervention, the most significant being the manual input of agreed commission rates for the largest clients.	With the assistance of our IT specialists, we tested the effectiveness of the controls over the relevant computer systems and the revenue and agent commission payable cycles. In addition to this work, we have performed the following: • substantive testing on the manual commission rates input into the computer systems; • for all revenue streams, analytical procedures were undertaken; and • any non-routine revenue streams are also substantively tested and the revenue recognition policies assessed against the criteria of IAS 18.
Taxation As the group has continued to grow in size and diversify into different countries, tax issues facing the group have increased in complexity, in particular the judgement around the valuation of deferred tax assets. Deferred tax of £1.1 million (2014: £2.2 million) was recognised as an asset at 31 March 2015, with a further £9.2 million not recognised (2014: £8.4 million), and is described in note 14 to the financial statements, with the accounting policy described in note 1. In addition the VAT position of the group has been the subject of a recent ruling by HMRC, rendering certain services partially exempt.	We tested the appropriateness of the assumptions in relation to the likelihood of generating future taxable profits to support the recognition of deferred tax assets as described in note 14 to the financial statements. We considered those assumptions as well as the appropriateness of the tax disclosures. We worked with our tax audit specialists in relation to the recognition of deferred tax assets and to appraise the likely outcome of technical tax treatments. In relation to the recent VAT ruling, we have reviewed correspondence with the tax authorities and discussed with the group's advisors to understand and assess the impact on the financial statements.

The description of risks above should be read in conjunction with the significant issues considered by the audit committee discussed on page 21.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be £2.5 million (2014: £2.3 million), which is 5% (2014: 5%) of pre-tax profit, and below 3% (2014: 3%) of equity.

We agreed with the audit committee that we would report to the committee all audit differences in excess of £50,000 (2014: £50,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

As in the prior year, our group audit scope focused primarily on the audit work on 13 entities. Nine of these (including the joint venture, Drop and Collect Limited) were subject to a full audit, one (PayPoint Romania) was subject to a statutory audit to 31 December 2014 followed by three months roll forward of specific audit procedures, whilst the remaining three were subject to an audit of specified account balances. The extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the group's business operations at those locations. These 13 entities represent the principal business units within the group and account for 99% (2014: 99%) of the group's net assets, 99% (2014: 99%) of the group's revenue and 99% (2014: 99%) of the group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work on the 13 entities was executed at levels of materiality applicable to each individual entity which were lower than group materiality. The highest materiality applied to an individual trading component was £1.2 million.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the audit team visits each of the locations where the group audit scope was focused every year.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PAYPOINT PLC *continued*

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records	Under the Companies Act 2006, we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or • the parent company financial statements are not in agreement with the accounting records and returns. We have nothing to report in respect of these matters.
Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.
Corporate Governance Statement	Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.
Our duty to read other information in the annual report	Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect, based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

Scope of the audit of the financial statements

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

Edward Hanson, ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
28 May 2015

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Continuing operations			
Revenue	2	**218,495**	212,158
Cost of sales		**(113,415)**	(115,184)
Gross profit		**105,080**	96,974
Administrative expenses		**(56,892)**	(52,696)
Operating profit	5	**48,188**	44,278
Share of profit of joint venture	13	**1,317**	892
Investment income	6	**151**	231
Finance costs	6	**(95)**	(84)
Other gains and losses	6	**-**	691
Profit before tax		**49,561**	46,008
Tax	7	**(10,414)**	(10,092)
Profit for the period	24	**39,147**	35,916
Attributable to:			
Equity holders of the parent		**39,150**	35,938
Non-controlling interests	25	**(3)**	(22)
		39,147	35,916
Earnings per share			
Basic	9	**57.6p**	52.9p
Diluted	9	**57.4p**	52.6p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Items that may subsequently be reclassified to the consolidated income statement:			
Exchange differences on translation of foreign operations	24	**(1,393)**	(3,307)
Tax effect thereof		**-**	-
Other comprehensive (loss)/income for the period		**(1,393)**	(3,307)
Profit for the period		**39,147**	35,916
Total recognised income and expenses for the period		**37,754**	32,609
Attributable to:			
Equity holders of the parent		**37,757**	32,631
Non-controlling interests		**(3)**	(22)
		37,754	32,609

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2015 £000	31 March 2014 £000 (restated)*
Non-current assets			
Goodwill	10	**7,694**	57,897
Other intangible assets	11	**6,443**	6,252
Property, plant and equipment	12	**21,505**	21,956
Investment in joint venture	13	**1,853**	686
Deferred tax asset	14	**1,131**	2,191
		38,626	88,982
Current assets			
Inventories	17	**686**	731
Trade and other receivables	18	**163,395**	162,653
Cash and cash equivalents	19	**43,913**	41,600
Assets held for sale	16	**59,066**	-
		267,060	204,984
Total assets		**305,686**	293,966
Current liabilities			
Trade and other payables	20	**181,724**	186,471
Current tax liabilities		**4,349**	3,845
Liabilities directly associated with assets classified as held for sale	16	**4,250**	-
		190,323	190,316
Non-current liabilities			
Other liabilities	22	**21**	79
		21	79
Total liabilities		**190,344**	190,395
Net assets		**115,342**	103,571
Equity			
Share capital	24	**227**	226
Share premium	24	**1,977**	408
Share-based payment reserve	24	**3,926**	3,682
Translation reserve	24	**(4,006)**	(2,613)
Retained earnings	24	**113,348**	101,995
Total equity attributable to equity holders of the parent company		**115,472**	103,698
Non-controlling interest	25	**(130)**	(127)
Total equity		**115,342**	103,571

* The March 2014 consolidated statement of financial position has been restated. Details of the restatement are explained in note 1, Accounting Policies – Restatement of March 2014 consolidated statement of financial position.

These financial statements were approved by the board of directors and authorised for issue on 28 May 2015 and signed on behalf of the board of directors.

Dominic Taylor
Chief Executive
28 May 2015

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 company £000**	Non-controlling interest (note 25) £000	**Total equity £000**
Opening equity 1 April 2013		**226**	**297**	**3,265**	**694**	**101,498**	**105,980**	**(105)**	**105,875**
Profit for the period		-	-	-	-	35,938	35,938	(22)	35,916
Dividends paid	8	-	-	-	-	(31,632)	(31,632)	-	(31,632)
Exchange differences on translation of foreign operations	24	-	-	-	(3,307)	-	(3,307)	-	(3,307)
Movement in share based payment reserve	24	-	-	417	-	-	417	-	417
Arising on issue of shares	24	-	111	-	-	-	111	-	111
Adjustment on share scheme vesting (net of tax benefit of £1,053,000)	24	-	-	-	-	(3,548)	(3,548)	-	(3,548)
Deferred tax on share based payments	14	-	-	-	-	(261)	(261)	-	(261)
Closing equity 31 March 2014		**226**	**408**	**3,682**	**(2,613)**	**101,995**	**103,698**	**(127)**	**103,571**
Profit for the period		-	-	-	-	39,150	39,150	(3)	39,147
Dividends paid	8	-	-	-	-	(24,696)	(24,696)	-	(24,696)
Exchange differences on translation of foreign operations	24	-	-	-	(1,393)	-	(1,393)	-	(1,393)
Movement in share based payment reserve	24	-	-	244	-	-	244	-	244
Arising on issue of shares	24	1	1,569	-	-	-	1,570	-	1,570
Adjustment on share scheme vesting (net of tax benefit of £686,000)	24	-	-	-	-	(2,457)	(2,457)	-	(2,457)
Deferred tax on share based payments	14	-	-	-	-	(644)	(644)	-	(644)
Closing equity 31 March 2015		**227**	**1,977**	**3,926**	**(4,006)**	**113,348**	**115,472**	**(130)**	**115,342**

CONSOLIDATED CASH FLOW STATEMENT

	Note	**Year ended 31 March 2015 £000**	Year ended 31 March 2014 £000
Net cash inflow from operating activities	29	**44,896**	45,434
Investing activities			
Investment income		**153**	231
Proceeds on disposal of investments		**-**	1,127
Purchases of property, plant and equipment and technology		**(10,076)**	(11,343)
Proceeds from disposal of property, plant and equipment		**4**	211
Loan to joint venture	15	**-**	(225)
Repayment of loan by joint venture	15	**150**	475
Acquisition of subsidiary		**(180)**	(3,214)
Net cash used in investing activities		**(9,949)**	(12,738)
Financing activities			
Cash settled share-based remuneration		**(2,898)**	(5,334)
Dividends paid:			
- Final and interim	8	**(24,696)**	(21,450)
- Special	8	**-**	(10,182)
Net cash used in financing activities		**(27,594)**	(36,966)
Net increase/(decrease) in cash and cash equivalents		**7,353**	(4,270)
Cash and cash equivalents at beginning of period		**41,600**	46,618
Effect of foreign exchange rate changes		**(1,755)**	(748)
Cash and cash equivalents at end of period		**47,198**	41,600

	Note	**Year ended 31 March 2015 £000**	Year ended 31 March 2014 £000
Reconciliation of items disclosed on the consolidated statement of financial position:			
Cash and cash equivalents		**43,913**	41,600
Cash and cash equivalents included in assets held for sale	16	**3,285**	-
Cash and cash equivalents at end of period		**47,198**	41,600

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	**31 March 2015 £000**	31 March 2014 £000
Non-current assets			
Investments	15	**127,512**	124,180
		127,512	124,180
Current assets			
Trade and other receivables	18	**12,618**	11,361
Cash and cash equivalents		**382**	50
		13,000	11,411
Total assets		**140,512**	135,591
Current liabilities			
Trade and other payables	20	**895**	582
Current tax liabilities		**498**	498
		1,393	1,080
Non-current liabilities			
Other liabilities	22	**76,353**	64,765
Total liabilities		**77,746**	65,845
Net assets		**62,766**	69,746
Equity			
Share capital	24	**227**	226
Share premium	24	**1,977**	408
Share-based payment reserve	24	**3,926**	3,682
Retained earnings	24	**56,636**	65,430
Total equity		**62,766**	69,746

The financial statements of PayPoint plc (registered number 03581541) were approved by the board of directors and authorised for issue on 28 May 2015 and signed on behalf of the board of directors.

Dominic Taylor
Chief Executive
28 May 2015

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Share premium £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
Opening equity 1 April 2013		**226**	**297**	**3,265**	**93,037**	**96,825**
Profit for the period		-	-	-	7,573	7,573
Dividends paid	8	-	-	-	(31,632)	(31,632)
Movement in share based payment reserve	24	-	-	417	-	417
Arising on issue of shares	24	-	111	-	-	111
Adjustment on share scheme vesting (net of tax benefit of £1,053,000)	24	-	-	-	(3,548)	(3,548)
Closing equity 31 March 2014		**226**	**408**	**3,682**	**65,430**	**69,746**
Profit for the period		-	-	-	18,359	18,359
Dividends paid	8	-	-	-	(24,696)	(24,696)
Movement in share based payment reserve	24	-	-	244	-	244
Arising on issue of shares	24	1	1,569	-	-	1,570
Adjustment on share scheme vesting (net of tax benefit of £686,000)	24	-	-	-	(2,457)	(2,457)
Closing equity 31 March 2015		**227**	**1,977**	**3,926**	**56,636**	**62,766**

COMPANY CASH FLOW STATEMENT

	Note	**Year ended 31 March 2015 £000**	Year ended 31 March 2014 £000
Net cash flow from operating activities	29	**10,081**	30,274
Investing activities			
Dividends received from subsidiaries		**18,279**	6,199
Proceeds on disposal of investments		**-**	1,127
Loan to joint venture	15	**-**	(225)
Repayment of loan by joint venture	15	**150**	475
Acquisition of subsidiary	16	**-**	(3,214)
Investment in group companies	15	**(3,482)**	(2,974)
Net cash used in investing activities		**14,947**	1,388
Financing activities			
Dividends paid	8	**(24,696)**	(31,632)
Net cash used in financing activities		**(24,696)**	(31,632)
Net increase in cash and cash equivalents		**332**	30
Cash and cash equivalents at beginning of period		**50**	20
Cash and cash equivalents at end of period		**382**	50

NOTES TO THE FINANCIAL STATEMENTS

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

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU and therefore comply with Article 4 of the EU IAS Regulation.

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. The group's liquidity review can be found in the strategic report on page 13. The group's going concern position is further discussed in the directors' report on page 25. The financial statements are prepared on a going concern basis.

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements, but may impact the accounting for future transactions and arrangements:

- IAS 12 (amended): Deferred tax: Recovery of underlying assets
- IAS 1 (amended): Presentation of items of other comprehensive income
- IAS 19 (revised): Employee benefits
- IFRS 10, IFRS 12 and IAS 27 (amended): Investment entities
- IFRS 10: Consolidated financial statements
- IFRS 11: Joint arrangements
- IFRS 12: Disclosure of interest in other entities
- IAS 27 (revised): Separate financial statements
- IAS 28 (revised): Investments in associates and joint ventures

New Standards and Interpretations in issue, but not yet effective:

- IFRS 9: Financial instruments
- IAS 19 (amended): Employee contributions
- IFRS 11 (amended): Accounting for Acquisitions of Interests in Joint Operations
- IAS 16 and IAS 38 (amended): Clarification of Acceptable Methods of Depreciation and Amortisation
- IFRS 15: Revenue from contracts with customers
- IAS 27 (amended): Equity method in separate financial statements
- IFRS 10, IAS 28 (amended): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IAS 1 (amended): Disclosure Initiative
- IFRIC 21: Levies

The group does not consider that these standards and interpretations will have a material impact on the financial statements of the group when the respective standards or interpretations come into effect, except that IFRS 15 may have an impact on revenue recognition and related disclosure. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

The financial statements are presented in pounds sterling because it is the currency of the primary economic environment in which the group operates.

The principal accounting policies adopted are set out as follows.

Restatement of March 2014 consolidated statement of financial position

As a result of acquiring Adaptis Solutions Limited, management made judgements in the year ended 31 March 2014 regarding the fair value of assets and liabilities acquired. In the year ended 31 March 2015, in accordance with IFRS 3 Business Combinations, the group has adjusted the goodwill attributable to this acquisition to reflect the additional consideration arising from the net asset adjustment on finalisation of completion accounts. As a result, goodwill and trade and other payables have both been increased by £0.2 million at 31 March 2014.

Accordingly, the consolidated statement of financial position for 31 March 2014 has been restated.

The affected balances are as follows:

	31 March 2014	
	Restated £000	**As originally stated £000**
Goodwill	57,897	57,717
Trade and other payables	186,471	186,291

The restatement 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 2014 annual report.

Basis of consolidation

PayPoint plc (the company) acts as a holding company. The group accounts consolidate the accounts of the company and entities controlled by the company (its subsidiaries) drawn up to March each year. Control is achieved where the company has the power to govern the financial and operating policies of an entity in which it invests, so as to obtain benefits from its activities. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. All intergroup transactions, balances, income and expenses are eliminated on consolidation except for joint ventures.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. Investments are stated at cost less any required provision for impairment. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. The acquired identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 revised are recognised at their fair value at the acquisition date, except for non-current assets that are classified as held for resale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill, which has an indefinite useful economic life, is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent year.

Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life and intangible assets not available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

The reversal of any impairment loss is limited by the net book value to which the relevant asset would have been reduced, had no impairment occurred. A reversal of an impairment loss is recognised as income immediately.

Assets held for sale and discontinued operations

Where the sale of a component of the group is considered highly probable and the business is available for immediate sale in its present condition, it is classified as held for sale. Assets and liabilities held for sale are measured at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the group which represents a separate major line of business or a geographical area of operations, which has been sold or classified as an asset held for sale.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and comprises the value of sales of services (excluding sales taxes) in the normal course of business.

Revenue is deferred when cash has been received for the provision of the contracted service to the extent that the service has not been rendered, such as the set-up of a new service for a client.

Revenue and cost of sales are recorded according to the actual transactions that occur in a given period. In Ireland and Romania, PayPoint is contracted as principal in the supply of prepaid mobile top-ups. Accordingly, revenue includes the sale price of the mobile top-ups and the cost of sales includes the cost of the mobile top-ups to PayPoint. In the UK PayPoint is contracted as an agent in the supply of prepaid mobile top-ups and accordingly only the commission receivable from mobile operators is included in revenue.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Cost of sales

Cost of sales includes agents' commission, the cost of mobile top-ups and SIM cards where PayPoint acts as principal in their purchase and sale, consumables, communications, maintenance, depreciation, amortisation and field service costs, and any external processing charges levied by credit card scheme sponsors. All other costs are allocated to administrative expenses.

Pension costs

The group makes payments to a number of defined contribution pension schemes. The amounts charged to the profit and loss account in respect of pension costs represent contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based upon independent advice that the shares will eventually vest. Fair value is measured by use of either a Monte Carlo simulation or Black Scholes model depending upon the scheme. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Taxation

The group operates in a number of different tax jurisdictions which leads to some complexity in tax matters. This requires a degree of estimation of liabilities and delays resolution of issues. The final resolution of tax issues may give rise to variances in profit and loss and cash. The group's policy is to pay tax when due, but to minimise tax payments where practically possible, without engaging in aggressive tax schemes.

The tax expense represents the sum of the payable in respect of the period under review based on the taxable profit for the period and deferred tax. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The provision is calculated using tax rates that have been substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the tax will be realised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currency are translated at the rates prevailing at the date when fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the year, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised as income or as expenses in the year of disposal of the operation.

Intangible assets

Recognised on acquisition:

On acquisitions, the group has recognised contracts with merchants and acquired systems, based on their estimated fair values as intangible assets.

Contracts with merchants are amortised on a straight line basis, generally between one and five years, and acquired systems are amortised over their estimated useful economic life of ten years.

Software development expenditure:

The group develops computer software for internal use. Software development expenditure on large projects is recognised as an intangible asset if it is probable that the asset will generate future economic benefits. The costs that are capitalised are the directly attributable costs necessary to create and prepare the asset for operations. Software development costs recognised as an intangible asset are amortised on a straight line basis over its useful life, which is between five and ten years. Other software costs are recognised in administrative expenses when incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation less provision for impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life. The estimated useful lives are as follows and are reviewed on an annual basis:

- freehold building – 50 years;
- leasehold improvements – over the life of the lease;
- terminals – 5 years;
- automatic teller machines – 4 years; and
- other classes of assets – 3 to 5 years.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income.

Inventories

Inventories are valued at the lower of cost or net realisable value.

Trade and other receivables

Trade receivables represent the amount of commission due from clients for which payment has not been received, less an allowance for doubtful accounts that is estimated based on factors such as the credit rating of the customer, historical trends, the current economic environment and other information.

Items in the course of collection represent gross transaction values received by retail agents that have not yet been collected by PayPoint.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Trade and other payables

Trade payables represent the amount of invoices received from suppliers for purchases of goods and services for which payment has not been made.

Settlement payables represent gross transaction values received by retail agents that have not yet been settled to clients.

Joint ventures

A joint venture entity is an entity in which the group holds a long term interest and shares joint control over the strategic, financial and operating decisions with one or more other ventures under a contractual arrangement. The group's share of net assets, post tax profit and loss and dividends are accounted for using the equity method of accounting.

Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as property, plant and equipment and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the remaining balance of liability. Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term. Rentals received for ATMs from retail agents under operating leases are credited to income on a straight line basis over the lease term.

Bank and other loans

Bank and other loans are initially measured at fair value, net of any attributable transaction costs, if any, and are subsequently measured at amortised cost using the effective interest rate method.

Dividends

Final dividends on ordinary shares are recognised in equity in the year in which they are approved by the company's shareholders. Interim dividends are recognised when declared.

Own shares

PayPoint purchases its own shares for the purpose of employee share based payment schemes. Such shares are deducted from equity and no profit or loss is recognised on the transactions.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short-term deposits with original maturity of less than three months and are subject to insignificant risk of changes in value.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next year and key sources of estimation uncertainty in the business are the classification and valuation of Mobile and Online, the valuation of goodwill of £7.7 million at 31 March 2015 (2014: £57.9 million) and other intangible assets of £6.4 million at 31 March 2015 (2014: £6.3 million). Management reviews goodwill and intangible assets not available for use for any impairment on an annual basis (notes 10 and 11). Intangible assets are amortised over their economic useful life (note 11). The accounting policies for goodwill and intangible assets are included above in this note 1.

NOTES TO THE FINANCIAL STATEMENTS *continued*

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 of 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 2015 £000	Year ended 31 March 2014 £000
Revenue		
– transaction processing	**217,430**	211,196
– service charge income from ATMs	**1,065**	962
	218,495	212,158
less:		
Commission payable to retail agents	**(63,337)**	(64,925)
Cost of mobile top-ups and SIM cards as principal	**(29,549)**	(31,331)
Card scheme sponsors' charges	**(2,478)**	(2,162)
Net revenue	**123,131**	113,740

Cost of sales

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Cost of sales		
Commission payable to retail agents	**63,337**	64,925
Cost of mobile top-ups and SIM cards as principal	**29,549**	31,331
Card scheme sponsors' charges	**2,478**	2,162
Depreciation and amortisation	**6,530**	5,166
Other	**11,521**	11,600
Total cost of sales	**113,415**	115,184

Geographical information

Revenue		
UK	**173,976**	168,181
Ireland	**9,062**	11,672
Romania	**30,673**	28,258
North America	**4,784**	4,047
Total	**218,495**	212,158

Non-current assets (excluding deferred tax)		
UK	**36,519**	84,886
Romania	**976**	1,373
North America	**-**	532
Total	**37,495**	86,791

3. Employee information

	Year ended 31 March 2015	Year ended 31 March 2014
Average number of persons employed		
Sales, distribution and marketing	**219**	210
Operations and administration	**512**	477
	731	687
Staff costs during the period (including directors)	**£000**	£000
Wages and salaries	**31,585**	29,399
Social security costs	**3,850**	3,004
Pension costs (note 26)	**1,247**	892
	36,682	33,295

Directors' emoluments, pension contributions and share options are disclosed in the remuneration committee report on pages 26 to 40. Included within staff costs is a share based payment charge (note 24) of £1,570,000 (2014: £1,324,000).

NOTES TO THE FINANCIAL STATEMENTS *continued*

4. Profit of parent company

The company has taken advantage of the exemption under S.408 of the Companies Act 2006 and consequently the income statement of the parent company is not presented as part of these financial statements. The profit of the parent company for the financial period amounted to £18,359,000 (2014: £7,573,000).

5. Operating profit

	Group	
	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Operating profit is after charging/(crediting):		
Inventory expensed – cost of mobile top-ups and SIM cards as principal	**29,549**	31,331
Depreciation on owned assets	**5,418**	4,551
Loss/(profit) on disposal of property, plant and equipment	**7**	(15)
Amortisation of intangible assets:		
- on acquired assets	**180**	180
- on internally generated assets	**932**	435
Operating leases:		
– other operating lease charges	**227**	411
– ATM service charge income	**(1,065)**	(962)
Auditor's remuneration (note below)	**558**	430
Research and development costs	**2,000**	1,910
Staff costs (note 3)	**36,682**	33,295

	2015 £000	2014 £000
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	**11**	11
Fees payable to the company's auditor for the audit of the company's subsidiaries	**198**	196
Total audit fees	**209**	207
Fees payable to the group's auditor for the review of the interim results	**36**	34
Audit-related assurance services	**36**	34
Fees payable to the group's auditor and its associates for other services to the group:		
Corporate finance services	**100**	70
Tax compliance services	**70**	61
Tax advisory services	**142**	58
Total other services	**312**	189
Total auditor's remuneration	**557**	430

Fees payable to Deloitte LLP and its associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. A description of the work of the audit committee is set out on pages 21 to 22 and includes an explanation of how auditor independence is safeguarded where non-audit services are provided by the auditor.

6. Investment income, finance costs and other gains and losses

Investment income comprises interest on current and deposit accounts.

Investment income	**Year ended 31 March 2015 £000**	Year ended 31 March 2014 £000
Bank deposit interest	**151**	231

Finance costs	**Year ended 31 March 2015 £000**	Year ended 31 March 2014 £000
Bank charges	**95**	84

Other gains and losses	**Year ended 31 March 2015 £000**	Year ended 31 March 2014 £000
Profit on disposal of investments	**-**	691

During the prior year, the company disposed of the investment held in OB10.

NOTES TO THE FINANCIAL STATEMENTS *continued*

7. Tax

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Current tax	**10,015**	10,773
Charge for current period	**(3)**	(437)
Adjustment in respect of prior periods	**10,012**	10,336
Current tax charge		
Deferred tax		
Charge/(credit) for current period	**345**	(244)
Adjustment in respect of prior periods	**57**	-
Deferred tax charge/(credit) (note 14)	**402**	(244)
Total income tax		
Income tax charge	**10,414**	10,092
The income tax charge is based on the United Kingdom statutory rate of corporation tax for the period of 21% (2014: 23%)		
The charge for the period can be reconciled to the profit before tax as set out in the consolidated income statement Profit before tax	**49,561**	46,008
Tax at the UK corporation tax rate of 21% (2014: 23%)	**10,408**	10,582

Tax effects of:		
Losses in countries where the tax rate is different to the UK	**(200)**	(189)
Disallowable expenses	**235**	106
Utilisation of tax losses not previously recognised	**(274)**	(222)
Losses in companies where a deferred tax asset was not recognised	**406**	492
Adjustments in respect of prior periods	**54**	(437)
Research and development allowance	**(310)**	(132)
Tax impact of share based payments	**95**	56
Revaluation of deferred tax asset due to change in tax rate	**-**	156
Deferred tax asset recognised for past losses in subsidiary	**-**	(320)
Actual amount of tax charge	**10,414**	10,092

8. Dividends on equity shares

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Equity dividends on ordinary shares: Interim dividend paid of 12.4p per share (2014: 11.4p)	**8,437**	7,739
Proposed final dividend of 26.1p per share (2014: paid 23.9p per share)	**17,760**	16,205
Total dividends paid and recommended of 38.5p per share (2014: 35.3p per share)	**26,197**	23,944
Amounts distributed to equity holders in the period:		
Final dividend for the prior period	**16,259**	13,711
Special dividend for the prior period	**-**	10,182
Interim dividend for the current period	**8,437**	7,739
	24,696	31,632

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.

9. Earnings per share

Basic earnings per share

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

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**39,147**	35,938

	31 March 2015 Number of shares	31 March 2014 Number of shares
Weighted average number of ordinary shares in issue (for basic earnings per share)	**68,019,437**	67,895,495
Potential dilutive ordinary shares:		
Long-term incentive plan	**-**	312,532
Deferred share bonus	**239,049**	89,337
Diluted basis	**68,258,486**	68,297,364

NOTES TO THE FINANCIAL STATEMENTS *continued*

10. Goodwill

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past experience and expectation of future changes in the market.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next four years and extends cash flows to perpetuity. Terminal values are based on nominal growth rates that do not exceed 3% (2014: 3%). The pre-tax rates used to discount the forecast cash flows are based on the group's estimated weighted average cost of capital, adjusted for country or business specific risk premiums. The pre-tax rate used was 14.9% (2014: 14.9%) for PayPoint Romania.

	Total £000
Cost	
At 31 March 2014	57,897
Exchange rate adjustment	(882)
Transfer to assets held for sale	(49,321)
At 31 March 2015	**7,694**
Accumulated impairment losses	
At 31 March 2014	-
Impairment losses for the period	
At 31 March 2015	-
Carrying amount	
At 31 March 2015	**7,694**
At 31 March 2014	57,897

	Total £000 (restated)*
Cost	
At 31 March 2013	56,570
Additions	3,994
Exchange rate adjustment	(2,667)
At 31 March 2014	**57,897**
Accumulated impairment losses	
At 31 March 2013	-
Impairment losses for the period	
At 31 March 2014	-
Carrying amount	
At 31 March 2014	**57,897**
At 31 March 2013	56,570

* The March 2014 consolidated statement of financial position has been restated. Details of the restatement are explained in note 1, Accounting Policies – Restatement of March 2014 consolidated statement of financial position.

Goodwill arising on acquisition:

	31 March 2015 £000	31 March 2014 £000 (restated)*
Mobile and Online	**-**	49,551
PayPoint Romania	**7,694**	8,346
Total	**7,694**	57,897

For Mobile and Online, the goodwill arising on acquisition is reported in assets held for sale at 31 March 2015 and is shown in note 16.

11. Other intangible assets

	Acquired systems £000	**Development costs £000**	**Acquired contracts with merchants £000**	**Total £000**
Cost				
At 31 March 2014	1,800	6,212	2,052	10,064
Additions	-	4,342	-	4,342
Reclassifications	-	445	-	445
Transfer to assets held for sale	-	(3,647)	-	(3,647)
At 31 March 2015	**1,800**	**7,352**	**2,052**	**11,204**
Amortisation				
At 31 March 2014	1,325	435	2,052	3,812
Charge for the period	180	932	-	1,112
Reclassifications	-	35	-	35
Transfer to assets held for sale	-	(198)	-	(198)
At 31 March 2015	**1,505**	**1,204**	**2,052**	**4,761**
Carrying amount				
At 31 March 2015	**295**	**6,148**	**-**	**6,443**
At 31 March 2014	475	5,777	-	6,252

The amortisation period for acquired systems and development costs incurred is dependent upon their useful economic life and is between 5 years and 10 years and amortisation of merchant contracts is between 1.9 years and 4.6 years depending upon the merchant churn in the relevant acquired company. Amortisation is charged to cost of sales.

At 31 March 2015, the group had not entered into any material contractual commitments for other intangible assets.

NOTES TO THE FINANCIAL STATEMENTS *continued*

	Acquired systems £000	Development costs £000	Acquired contracts with merchants £000	Total £000
Cost				
At 31 March 2013	1,800	3,982	2,052	7,834
Additions	-	2,230	-	2,230
At 31 March 2014	1,800	6,212	2,052	10,064
Amortisation				
At 31 March 2013	1,145	-	2,052	3,197
Charge for the period	180	435	-	615
At 31 March 2014	1,325	435	2,052	3,812
Carrying amount				
At 31 March 2014	475	5,777	-	6,252
At 31 March 2013	655	3,982	-	4,637

12. Property, plant and equipment

Group	Terminals and ATMs £000	Fixtures, fittings and equipment £000	Land and buildings £000	Total £000
Cost				
At 31 March 2014	46,960	6,508	6,412	**59,880**
Additions	5,719	520	-	**6,239**
Disposals	(871)	(40)	-	**(911)**
Reclassifications	(445)	-	-	**(445)**
Exchange rate adjustment	(412)	(117)	-	**(529)**
Transfer to assets held for sale	-	(3,001)	-	**(3,001)**
At 31 March 2015	**50,951**	**3,870**	**6,412**	**61,233**
Accumulated depreciation				
At 31 March 2014	34,525	2,936	463	**37,924**
Charge for the period	4,657	673	88	**5,418**
Disposals	(857)	(37)	-	**(894)**
Reclassifications	(35)	-	-	**(35)**
Exchange rate adjustment	(346)	(71)	-	**(417)**
Transfer to assets held for sale	-	(2,268)	-	**(2,268)**
At 31 March 2015	**37,944**	**1,233**	**551**	**39,728**
Net book value				
At 31 March 2015	**13,007**	**2,637**	**5,861**	**21,505**
At 31 March 2014	12,435	3,572	5,949	21,956

The cost of ATMs provided to retail agents under operating leases is £13.7 million (2014: £12.0 million) and the accumulated depreciation is £8.9 million (2014: £7.9 million). At 31 March 2015, the group had entered into contractual commitments for the acquisition of terminals and ATMs amounting to £0.7 million (2014: £0.4 million).

Group	Terminals and ATMs £000	Fixtures, fittings and equipment £000	Land and buildings £000	Total £000
Cost				
At 31 March 2013	41,203	7,481	6,412	55,096
Additions	8,087	985	-	9,072
Disposals	(2,121)	(1,735)	-	(3,856)
Exchange rate adjustment	(209)	(223)	-	(432)
At 31 March 2014	46,960	6,508	6,412	59,880
Accumulated depreciation				
At 31 March 2013	32,788	4,204	375	37,367
Charge for the period	3,827	636	88	4,551
Disposals	(1,935)	(1,725)	-	(3,660)
Exchange rate adjustment	(155)	(179)	-	(334)
At 31 March 2014	34,525	2,936	463	37,924
Net book value				
At 31 March 2014	12,435	3,572	5,949	21,956
At 31 March 2013	8,415	3,277	6,037	17,729

13. 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 2015 £000**	31 March 2014 £000
Total assets	**4,620**	**4,212**
Total liabilities	**(8,167)**	**(9,076)**
Share of net liabilities	**(3,547)**	**(4,864)**
Loan to joint venture (note 15)	**5,400**	**5,550**
Investment in joint venture	**1,853**	**686**

PayPoint's share of aggregated amounts relating to joint ventures	**52 weeks ended 31 March 2015 £000**	52 weeks ended 31 March 2014 £000
Revenues	**23,030**	17,046
Profit for period	**1,317**	892

NOTES TO THE FINANCIAL STATEMENTS *continued*

14. Deferred tax asset

	31 March 2014 £000	(Debit)/ credit to income statement £000	Debit to equity £000	Transfer to assets held for sale £000	**31 March 2015 £000**
Tax depreciation	1,087	(130)	-	(73)	**884**
Share-based payments	886	(7)	(644)		**235**
Tax losses	320	(320)	-		**-**
Intangibles	(100)	41	-	59	**-**
Short-term temporary differences	(2)	14	-		**12**
Total	2,191	(402)	(644)	(14)	**1,131**

	31 March 2013 £000	(Debit)/ credit to income statement £000	Debit to equity £000	**31 March 2014 £000**
Tax depreciation	1,231	(144)	-	**1,087**
Share based payments	1,104	43	(261)	**886**
Tax losses	-	320	-	**320**
Intangibles	(125)	25	-	**(100)**
Short term temporary differences	(2)	-	-	**(2)**
Total	2,208	244	(261)	**2,191**

At the balance sheet date, a deferred tax asset of £1.1 million (2014: £2.2 million) was recognised on the basis that there will be sufficient future taxable profits against which the deferred tax asset can be recovered, based on management forecasts.

At the balance sheet date, the group had unused tax losses of £9.2 million (2014: £8.4 million) available for offset against future profits for which no deferred tax asset is recognised. All losses are held by group companies within the Mobile and Online asset held for sale and may be carried forward indefinitely by those companies.

No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of these differences is not material at the balance sheet date.

During the prior period, reductions in the UK main rate of corporation tax were enacted from 21% to 20% from 1 April 2015. Deferred tax has been calculated using the 20% corporation tax rate. These future reductions in the main tax rate are expected to have a similar impact as for 2014, however the actual impact will be dependent on the deferred tax position at that time.

15. Investments

Subsidiary undertakings

The company, a holding company, has investments (directly or indirectly) in the following subsidiary undertakings:

Subsidiary of the company	Principal activity	Country of registration
PayPoint Network Limited	Management of an electronic payment service	England and Wales
PayPoint Collections Limited	Provision of a payment collection service	England and Wales
PayPoint Retail Solutions Limited	Provision of retail services	England and Wales
PayPoint Ireland Limited	Holding company in Ireland	Ireland
PayPoint Network Ireland Limited	Management of an electronic payment service in Ireland	Ireland
PayPoint Collections Ireland Limited	Provision of a payment collection service in Ireland	Ireland
PayPoint Services SRL	Management of an electronic payment and collection service in Romania	Romania
Metacharge Limited	Online payment service provider	England and Wales
PayPoint.net Limited	Online payment service provider	England and Wales
Counter Payment Managers Limited	ESOP scheme	Isle of Man
PayByPhone Limited	Provision of a payment by phone service	England and Wales
PayByPhone Mobile Technologies Inc.	Provision of a payment by phone service	Canada
PayPoint Technologies Canada inc.	Holding company in Canada	Canada
Mobile Payment Services SAS	Provision of a payment by phone service	France
PayPoint Pty Limited	Provision of an online payment service	Australia
Adaptis Solutions Limited	Provision of a payment by phone service	England and Wales
PayPoint Payment Services Limited	Provision of regulated payments services	England and Wales

The company holds 100% of the issued share capital of the above companies except Mobile Payment Services SAS, where it holds 86% of the issued ordinary share capital. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

NOTES TO THE FINANCIAL STATEMENTS *continued*

15. Investments continued

	Group		Company	
	31 March 2015 £000	31 March 2014 £000	**31 March 2015 £000**	31 March 2014 £000
Investments carried at cost:				
Investments in subsidiaries and joint venture	**-**	-	**127,512**	124,180
	-	-	**127,512**	124,180

The company received £0.15 million (2014: £0.475 million) of loan repayments from Collect+ (note 13) and made no loan payments (2014: £0.225 million) to Collect+. The company also subscribed for additional share capital in PayByPhone Mobile Technologies Inc. for £1.3 million, £0.5 million in PayByPhone Limited, £1.5 million in Adaptis Solutions Limited and £0.1 million in PayPoint Payment Services Limited (2014: £2.1 million to PayByPhone Mobile Technologies Inc. and £0.7 million to PayByPhone Limited).

16. Assets held for sale

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

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

The assets held for sale are those of the Mobile and Online parking and online payments processing businesses, including their related goodwill.

As a consequence of the continuing investment and longer term payback required for these parking and online payments businesses to reach their undoubtedly considerable potential, the board has decided to realise their value. The board believes that there are likely better owners for these businesses.

Advisors for the sale were appointed before the end of the year and an active programme was started to market the sale and identify an appropriate buyer. The sale is expected to be completed in the current financial year.

The sale will be of separate legal entities within the group, with no material separation issues expected.

The net assets have been assessed to ensure their fair value less costs to sell is greater than the carrying value.

17. Inventories

In Ireland and Romania, PayPoint trades as principal for the processing and sale of mobile phone top-ups. In addition, PayPoint Romania purchases and sells mobile scratch cards and SIM cards. In the UK, PayPoint purchases SIM cards. Stocks of eVouchers, scratch cards and SIM cards are held at cost.

NOTES TO THE FINANCIAL STATEMENTS *continued*

18. Trade and other receivables

	Group		Company	
	31 March 2015 £000	31 March 2014 £000	**31 March 2015 £000**	31 March 2014 £000
Trade receivables[1]	**15,598**	15,808	**-**	-
Allowance for doubtful debts	**(946)**	(1,313)	**-**	-
	14,652	14,495	**-**	-
Items in the course of collection[2]	**139,940**	137,043	**-**	-
Amounts owed by group companies	**-**	-	**11,558**	11,175
Other receivables	**1,001**	1,717	**13**	13
Prepayments and accrued income	**7,802**	9,398	**1,047**	173
	163,395	162,653	**12,618**	11,361

1. The average credit period on the sale of goods is 28 days (2014: 27 days).
2. Items in the course of collection represent amounts collected for clients by retail agents. PayPoint bears credit risk and will have title to the cash collected on only £29,719,000 of this balance at 31 March 2015 (2014: £28,053,000). 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 £29,000 has been collected from retailers.

The group's exposure to the credit risk inherent in its trade receivables is discussed in note 27. The concentration of credit risk is limited due to the spread of the retail agent, merchant and client bases. Clients, retailers and merchants are credit checked to mitigate credit risk and in all new client contracts, we have the right of set-off of funds collected against monies due.

The historical level of customer default is low, and as a result the credit quality of period end trade receivables is considered to be high. The group reviews trade receivables past due but not impaired on a regular basis and in determining the recoverability of the trade receivables, the group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date.

Included in the group's trade receivable balance are debtors with a carrying amount of £2,104,268 (2014: £3,552,419), which are past due at the reporting date, for which the group has not provided as there has not been a significant change in credit quality and the group believes that the amounts are still recoverable. The average age of these receivables is 47 days (2014: 48 days) and of the total balance £2,239,045 is past due by fewer than 30 days.

	Less than 1 month £000	1-2 months £000	2-3 months £000	More than 3 months £000	**Total £000**
Carrying value at 31 March 2015	1,829	207	9	59	**2,104**

Movement in the allowance for doubtful debts:

	Group		Company	
	31 March 2015 £000	31 March 2014 £000	**31 March 2015 £000**	31 March 2014 £000
Balance at the beginning of the period	**1,313**	1,552	**-**	-
Amounts utilised in the period	**(250)**	(263)	**-**	-
Increase in allowance	**134**	24	**-**	-
Transfer to assets held for sale	**(251)**	-	**-**	-
Balance at end of the period	**946**	1,313	**-**	-

Age of allowance for doubtful debts

	Less than 1 month £000	1-2 months £000	2-3 months £000	More than 3 months £000	**Total £000**
Carrying value at 31 March 2015	561	37	237	111	**946**

19. Cash and cash equivalents

Included within group cash and cash equivalents is £3,772,000 (2014: £6,459,000) 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 20).

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 2015, the group's cash was £43,913,000 (2014: £41,600,000), excluding £3,285,000 in assets held for sale.

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 2015 amounted to £10.1 million (31 March 2014 £10.3 million) is included in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS *continued*

20. Trade and other payables

	Group		Company	
	31 March 2015 £000	31 March 2014 £000 (restated)*	**31 March 2015 £000**	31 March 2014 £000
Amounts owed in respect of client cash[1]	**3,772**	6,459	**-**	-
Other trade payables[2]	**24,847**	25,491	**-**	-
Trade payables	**28,619**	31,950	**-**	-
Settlement payable[3]	**139,940**	137,043	**-**	-
Other taxes and social security	**1,873**	1,836	**-**	-
Other payables	**3,106**	5,055	**798**	539
Accruals	**7,401**	9,709	**97**	43
Deferred income	**785**	878	**-**	-
	181,724	186,471	**895**	582

1. Included within trade payables is £3,772,000 (2014: £6,459,000) 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 19).
2. The group aims to pay its creditors promptly, in accordance with terms agreed for payment. The group had 38 days purchases outstanding at 31 March 2015 (2014: 40 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.

* The March 2014 consolidated statement of financial position has been restated. Details of the restatement are explained in note 1, Accounting Policies – Restatement of March 2014 consolidated statement of financial position.

21. Operating lease receivables

	31 March 2015 £000	31 March 2014 £000
Amounts receivable under operating leases:		
Within one year	**249**	410
Within two to five years	**239**	556
	488	966

The group enters into operating leases with some of its retail agents for the supply of ATMs. The average term of each lease entered into is five years.

22. Other non-current liabilities

	Group		Company	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Deferred income	**21**	79	**-**	-
Amounts owed to group companies	**-**	-	**76,353**	64,765
	21	79	**76,353**	64,765

23. Financial commitments

Operating lease commitments

	31 March 2015		31 March 2014	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Leases which expire:				
Within one year	**658**	**-**	463	-
Within two to five years	**2,789**	**-**	867	-

NOTES TO THE FINANCIAL STATEMENTS *continued*

24. Equity

Share-based payments equity settled share scheme

The group's share schemes are described in the remuneration committee report on pages 26 to 40. The vesting period for all awards is three years, and they are forfeited if the employee leaves the group before shares vest. All awards made are free shares. The amount charged to the income statement in the period was £1,570,000 (2014: £1,324,000).

Details of the share awards outstanding during the period are as follows:

	Number of shares 2015	Number of shares 2014
Outstanding at the beginning of the period	**1,035,238**	1,254,920
Granted during the period – Long Term Incentive Plan (LTIP)	**276,720**	221,978
Granted during the period – Deferred Share Bonus (DSB)	**82,643**	64,513
Lapsed during the period	**-**	-
Forfeited during the period	**-**	-
Released during the period	**(401,869)**	(506,173)
Outstanding at end of the period	**992,732**	1,035,238

Awards granted		Number of shares	Vesting date
LTIP	25 May 2012	305,559	25 May 2015
DSB	25 May 2012	91,893	25 May 2015
LTIP	31 May 2013	221,978	31 May 2016
DSB	6 June 2013	64,513	6 June 2016
LTIP	2 June 2014	276,720	2 June 2017
DSB	2 June 2014	82,643	2 June 2017

The long term incentive plan tranche fully vested in June 2014. Under IFRS 2, the fair value charges of £947,000 relating to this tranche, that had been previously charged to the income statement, are reclassed to retained earnings. The deferred share bonus also fully vested in June 2014 and accordingly the fair value charge of £379,000 was also reclassed to retained earnings.

The inputs into the Black Scholes model for the DSB and Monte Carlo model for LTIP and DSB awards during the period are as follows:

	2015		2014	
	LTIP	**DSB**	LTIP	DSB
Weighted average share price	**5.40**	**4.39**	4.91	3.70
Expected volatility[1]	**27%**		36%	
Expected life	**3 years**	**3 years**	3 years	3 years
Risk free rate	**1.29%**		0.50%	
Expected dividend yield	**2.90%**	**2.90%**	3.40%	3.40%

1. The expected volatility for PayPoint has been calculated using historical daily data over a term equal to the expected life of each conditional award.

Other share-based payment plans

The employee Share Incentive Plan is open to all employees of PayPoint Network, PayPoint Collections, PayPoint Retail Solutions and PayPoint.net and provides for a purchase price equal to the market price on the date of purchase. The shares are purchased each month (or employees can opt to purchase 12 months at the start of each year) and are placed in the employee share savings plan for a three to five year period.

	Group		Company	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Authorised share capital				
4,365,352,200 ordinary shares of 1/3p each (2014: 4,365,352,200 ordinary shares of 1/3p each)	**14,551**	14,551	**14,551**	14,551
	14,551	14,551	**14,551**	14,551
Called up, allotted and fully paid share capital				
68,045,059 ordinary shares of 1/3p each (2014: 67,899,699 ordinary shares of 1/3p each)	**227**	226	**227**	226
	227	226	**227**	226
Called up share capital				
At start of period	**226**	226	**226**	226
Arising on issue of shares	**1**	-	**1**	-
At end of period	**227**	226	**227**	226
Share premium				
At start of period	**408**	297	**408**	297
Arising on issue of shares	**1,569**	111	**1,569**	111
At end of period	**1,977**	408	**1,977**	408
Share-based payment reserve				
At start of period	**3,682**	3,265	**3,682**	3,265
Additions in period	**1,570**	1,324	**1,570**	1,324
Released in period	**(1,326)**	(907)	**(1,326)**	(907)
At end of period	**3,926**	3,682	**3,926**	3,682
Translation reserve				
At start of period	**(2,613)**	694	**-**	-
Movement during period	**(1,393)**	(3,307)	**-**	-
At end of period	**(4,006)**	(2,613)	**-**	-
Retained earnings				
At start of period	**101,995**	101,498	**65,430**	93,037
Profit for period	**39,147**	35,916	**18,359**	7,573
Non-controlling interest loss for period included in above (note 25)	**3**	22	**-**	-
Dividends paid	**(24,696)**	(31,632)	**(24,696)**	(31,632)
Adjustment on share scheme vesting (net of tax benefit of £686,000)	**(2,457)**	(3,548)	**(2,457)**	(3,548)
Deferred tax on share based payments	**(644)**	(261)	**-**	-
At end of period	**113,348**	101,995	**56,636**	65,430

NOTES TO THE FINANCIAL STATEMENTS *continued*

25. Non-controlling interest

	31 March 2015 £000	31 March 2014 £000
At start of period	**127**	105
Share of loss for period	**3**	22
At end of period	**130**	127

26. Pension arrangements

The group administers a non-contributory defined contribution scheme for executive directors and employees. The amount charged in the consolidated income statement for the period for pension costs of the group under the scheme was £1,247,000 (2014: £892,000). There is no accrual for pension contributions at the balance sheet date (2014: £nil).

27. Derivatives and other financial instruments

The group's financial instruments comprise cash and various items such as trade receivables, trade payables, other payables, bank loans and accruals, which arise directly from the group's operations. The group's policy is not to undertake speculative trading in financial instruments.

The main risks arising from the group's financial instruments are interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks which are summarised below. These policies have remained unchanged during the period. The group has not used derivative instruments to manage its foreign exchange exposure.

(a) Interest rate risk

The group had no interest bearing financial assets at 31 March 2015 other than sterling, euro, Romanian lei, US dollars and Canadian dollars deposits of £47,198,000 (2014: £41,600,000), including £3,285,000 in assets held for sale. Of these deposits, £3,772,000 (2014: £6,459,000) relates to monies held on behalf of clients where PayPoint has title to the funds for periods of up to seven days.

All sterling funds earn interest at the prevailing rate. The funds are deposited on short-term deposits (normally weekly or monthly) or held in current accounts in cash. The group seeks to maximise interest receipts within these parameters.

(b) Liquidity risk

The group's policy throughout the period ended 31 March 2015 regarding liquidity has been to maximise the return on funds placed on deposit whilst minimising the associated risk.

The group had no financial liabilities at 31 March 2015 other than short-term payables such as trade payables and accruals.

(c) Foreign exchange risk

To date, the group has not engaged in an active programme of foreign exchange risk management. Given the size and nature of the group's non-sterling denominated balances, the directors do not consider hedging necessary.

The group's currency exposures comprise those transactional exposures that give rise to the net currency gains and losses recognised in the income statement. Such exposures comprise the monetary assets and monetary liabilities of the group that are not denominated in the operating (or functional) currency of the operating unit involved. At 31 March 2015, these exposures were £nil (2014: £nil).

(d) Borrowing facilities

At the period end, the group had an undrawn, unsecured £45 million revolving loan facility expiring in May 2019.

(e) Fair value of financial assets and liabilities

The directors consider there to be no material difference between the book value and the fair value of the group's financial instruments at 31 March 2015.

(f) Market price risk

The group's exposure to market price risk comprises interest rate exposure. Group funds are invested in money market cash deposits with the objective of maintaining a balance between accessibility of funds and competitive rates of return. In practice, this has meant that no deposits were made with a maturity greater than 30 days during the period.

(g) Capital risk management

The group's objectives when managing capital (the definition of which is consistent with last year and is the group's assets and liabilities including cash) are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

(h) Credit risk

The group's financial assets are cash, trade and other receivables and investments. The group's credit risk is primarily attributable to its trade receivables and retailer debt to the extent that PayPoint bears the credit risk. Clients, retailers and merchants are credit checked to mitigate credit risk and in all new client contracts, we have the right of set-off of funds collected against monies due. The group's maximum exposure, at 31 March 2015, was £46,318,000 (2014: £45,578,000).

(i) Financial instrument sensitivities

Financial instruments affected by market risk include deposits, trade receivables and trade payables. Any changes in market variables (exchange rates and interest rates) will have an immaterial effect on these instruments.

28. Related party transactions

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

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Short-term benefits and bonus[1]	**2,624**	2,443
Pension costs[2]	**202**	195
Long-term incentives[3]	**597**	2,995
Other[4]	**9**	17
Total	**3,432**	5,650

1. Includes salary, fees, benefits in kind and annual bonus
2. Pension costs include contributions to the defined contribution pension scheme, of which two current directors are members.
3. Long term incentives: includes the value of 2012 DSB award expected to vest after the period end (2014: 2011 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. The directors' remuneration is disclosed in the remuneration committee report on pages 26 to 40.

NOTES TO THE FINANCIAL STATEMENTS *continued*

28. Related party transactions continued

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 received repayments of £0.15 million from Drop and Collect Limited, bringing the total loan to £5.4 million.

The terms of the loan are:

- Interest payable annually at a rate of three 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 £12.4 million (2014: £9.5 million) and PayPoint held a trade debtor at year end for Collect+ of £0.4 million (2014: £0.3 million).

29. Notes to the cash flow statement

	Group		Company	
	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000	**Year ended 31 March 2015 £000**	Year ended 31 March 2014 £000
Profit before tax	**49,561**	46,008	**18,363**	8,405
Adjustments for:				
Depreciation of property, plant and equipment	**5,383**	4,551	**-**	-
Amortisation of intangible assets	**1,147**	615	**-**	-
Share of profits in joint venture	**(1,317)**	(892)	**-**	-
Gain on disposal of investment	**-**	(691)	**-**	(691)
Loss/(profit) on disposal of fixed assets	**7**	(15)	**-**	-
Investment revenues	-	-	**(18,279)**	(6,199)
Net interest income	**(56)**	(147)	**(1,009)**	(2,452)
Share-based payment charge	**1,570**	1,324	**1,570**	1,324
Operating cash flows before movements in working capital	**56,295**	50,753	**645**	387
(Increase)/decrease in inventories	**(25)**	390	**-**	-
(Increase)/decrease in receivables	**(971)**	718	**(571)**	(10,863)
(Decrease)/increase in payables			**-**	-
– client cash	**(2,687)**	(492)	**-**	-
– other payables	**995**	4,448	**10,007**	41,970
Cash generated by operations	**53,607**	55,817	**10,081**	31,494
Corporation tax paid	**(8,614)**	(10,301)	**-**	(1,220)
Bank charges paid	**(97)**	(82)	**-**	-
Net cash from operating activities	**44,896**	45,434	**10,081**	30,274

Movements in items in the course of collection (see note 18) and settlement payables (see note 20) 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									
	2006 £m	**2007 £m**	**2008 £m**	**2009 £m**	**2010 £m**	**2011 £m**	**2012 £m**	**2013 £m**	**2014 £m**	**2015 £m**
Revenue	120.0	157.1	212.1	224.4	196.6	193.2	200.0	208.5	212.2	**218.5**
Net revenue	46.1	57.7	69.9	77.4	77.4	82.7	90.4	105.7	113.7	**123.1**
Profit before tax	**20.3**	**26.6**	**30.4**	**34.6**	**32.6**	**34.5**	**37.2**	**41.3**	**46.0**	**49.6**
Tax	3.4	7.9	9.4	10.8	10.5	10.6	10.3	10.3	10.1	**10.4**
Profit after tax	**16.9**	**18.7**	**21.0**	**23.8**	**22.1**	**23.8**	**26.9**	**31.0**	**35.9**	**39.1**
Earnings per share										
Basic	25.0p	27.7p	31.1p	35.6p	32.9p	35.2p	39.8p	45.7p	52.9p	**57.6p**
Diluted	24.7p	27.3p	30.8p	35.3p	32.7p	35.1p	39.8p	45.3p	52.6p	**57.4p**
Dividend per share (excluding special dividends)	7.5p	9.1p	10.4p	11.6p	21.8p	23.4p	26.5p	30.4p	35.3p	**38.5p**

This table does not form part of the audited financial statements or notes (as listed in the Independent Auditor's Report on pages 42 to 44). All numbers quoted are reported under IFRS

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, bank manager, solicitor, tax adviser, accountant or other independent professional adviser. If you have recently sold or otherwise transferred all of your shares in PayPoint plc, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer, so they can pass these documents to the person who now holds the shares as soon as possible.

PayPoint plc

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2015 annual general meeting of PayPoint plc will be held at the offices of Canaccord Genuity, 88 Wood Street, EC2V 7QR, on Wednesday, 22 July 2015 at 12 noon. You will be asked to consider and pass the resolutions below. Resolutions 15, 16 and 17 will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

ORDINARY BUSINESS

1. To receive the annual accounts and reports for the financial year ended 31 March 2015.

2. To approve the directors' remuneration report for the financial year ended 31 March 2015, other than the part containing the directors' remuneration policy, as set out on pages 26 to 40 of the company's annual report and accounts for the year ended 31 March 2015.

3. To declare a final dividend of 26.1 pence per ordinary share of the company.

4. To elect Mr Neil Carson as a director.

5. To re-elect Mr George Earle as a director.

6. To re-elect Mr David Morrison as a director.

7. To re-elect Mr Stephen Rowley as a director.

8. To re-elect Mr Dominic Taylor as a director.

9. To re-elect Mr Tim Watkin-Rees as a director.

10. To re-elect Mr Nick Wiles as a director.

11. To elect Ms Gill Barr as a director.

12. To re-appoint Deloitte LLP as auditor of the company.

13. To authorise the directors to determine the auditor's remuneration until the conclusion of the next annual general meeting of the company at which the accounts are laid.

SPECIAL BUSINESS

14. That the directors are authorised in accordance with section 551 of the Companies Act 2006 (the Act) to exercise all the powers of the company to allot shares in the company or grant rights to subscribe for, or convert any security into, shares in the company up to an aggregate nominal amount of £68,045.06 provided that this authority shall expire on the conclusion of the annual general meeting of the company to be held in 2016 or, if earlier, on the date which is 15 months from the date of this resolution, save that the company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or rights to be granted after such expiry and the directors shall be entitled to allot shares or grant rights pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the directors under section 1 of the Act are revoked (save to the extent that the same are exercisable pursuant to section 551(7) of the Act by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date).

15. That the directors are empowered in accordance with sections 570 and 573 of the Act to allot equity securities (as defined in section 560 of the Act) for cash (under the authority conferred by resolution 14 above) or by way of a sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

    (a) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities to or in favour of (i) the holders of ordinary shares on the register of members at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date(s), and (ii) the holders of other equity securities if this is required by the rights of those securities or, if the directors consider it necessary, as permitted by the rights of those securities and subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and

b) the allotment (otherwise than under sub-paragraph (a) above) to any person or persons of equity securities up to an aggregate nominal amount of £10,206.76.

and shall expire upon the expiry of the general authority conferred by resolution 14 above, save that the company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

16. That subject to, and in accordance with the company's articles of association and pursuant to section 701 of the Act, the company is authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 1/3 of one penny of the company provided that:

(a) the maximum number of ordinary shares that may be purchased under this authority is 10,199,954;

(b) the minimum price (exclusive of expenses) which may be paid for an ordinary share is the nominal value of such share;

(c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than the higher of: (i) 105 per cent. of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid for an ordinary share in the company on the trading venue where the purchase is carried out;

(d) this authority shall expire on the conclusion of the annual general meeting of the company to be held in 2016 or, if earlier, on the date which is 15 months from the date of this resolution; and

(e) the company may make any purchase of its ordinary shares under a contract concluded before this authority expires and which will or may be executed wholly or partly after the expiry of such authority.

All shares purchased shall either: (i) be cancelled immediately on completion of the purchase; or (ii) be held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act.

17. That any general meeting of the company that is not an annual general meeting may be called on not less than 14 clear days' notice.

BY ORDER OF THE BOARD
Susan Court
Company Secretary
28 May 2015

Registered Office:
1 The Boulevard
Shire Park
Welwyn Garden City
Hertfordshire
AL7 1EL

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. A form of proxy is enclosed with this notice for use by shareholders. To be valid, a proxy must be received by the company's registrar, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not less than 48 hours before the time of the annual general meeting. Completion and return of a form of proxy does not preclude a shareholder from attending the annual general meeting and voting in person.

2. A member entitled to attend, speak and vote at the annual general meeting may appoint a proxy (who need not be a member of the company) to exercise all or any of his or her rights to attend and to speak and vote on his or her behalf. A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her. To appoint more than one proxy you may photocopy the proxy form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

   In order to be valid, an appointment of proxy must be returned by one of the following methods:

   - in hard copy form by post to the company's registrar, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF;
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below; or
   - by courier or by hand to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

   and in each case must be received by the company not less than 48 hours before the time of the meeting.

   You must inform the company's registrar in writing of any termination of the authorities of a proxy.

3 Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the annual general meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

4. The statement of the rights of shareholders to appoint a proxy in paragraphs one and two above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the company. Nominated Persons are reminded that they should contact the registered holder of their shares (and not the company) on matters relating to their investments in the company.

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting and any adjournment thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a CREST proxy instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of annual general meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedure in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

7. To be entitled to attend and vote at the annual general meeting or any adjournment thereof (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the company by 6pm on 20 July 2015 (or 6pm on the date being two days before any adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

8. Biographical details of the directors of the company are shown on page 23 of the 2015 annual report.

9. Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, in accordance with section 319A of the Companies Act 2006 and subject to some exceptions, the company must cause such questions to be answered. However no such answer need be given if:

   (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
   (b) the answer has already been given on a website in the form of an answer to a question; or
   (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

10. Information relating to the meeting which the company is required by section 311A of the Companies Act 2006 to publish on a website in advance of the meeting may be viewed at www.paypoint.com. A member may not use any electronic address provided by the company in this document or with any proxy appointment form or in any website for communicating with the company for any purpose in relation to the meeting other than as expressly stated in it.

11. It is possible that, pursuant to members' requests made in accordance with section 527 of the Companies Act 2006, the company will be required to publish on a website a statement in accordance with section 528 of that Act setting out any matter that the members concerned propose to raise at the meeting relating to: (i) the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the annual general meeting; or (ii) any circumstances connected with an auditor of the company ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The company cannot require the members concerned to pay its expenses in complying with those sections. The company must forward any such statement to its auditor by the time it makes the statement available on the website. The business which may be dealt with at the meeting includes any such statement.

12. The issued share capital of the company as at 28 May 2015 was 68,045,059 ordinary shares of 1/3 pence each, carrying one vote each. The company holds no treasury shares or unallocated shares for the purpose of employee share schemes, therefore, the total number of voting rights in the company on 28 May 2015 is 68,045,059.

13. The directors' service agreements and letters of appointment are available for inspection at the registered office of the company and at the PayPoint office situated at Finsbury Square, London, EC2A 1AE during normal business hours on any weekday and will be available at the place of the annual general meeting from 15 minutes before the meeting until it ends

Recommendation and voting intentions

With respect to resolutions 4 and 11, the board recommends that Neil Carson and Gill Barr be elected as directors. In both cases this opinion is based on the recommendation of the nomination committee following the external searches that were commissioned. The board considers that Neil Carson and Gill Barr meet the desired criteria for their respective roles as directors.

With respect to resolutions 5 to 10 (inclusive), the Chairman confirms that, based on the performance valuation undertaken during the period, each of the retiring director's performance continues to be effective and to demonstrate commitment to the role. The board has considered this and recommends that each director who wishes to serve again be proposed for re-election. This opinion is based on an assessment of each director's relevant knowledge and experience and the conclusion that, in each case, their informed opinions are of significant value and contribute greatly to board discussions. The directors' biographies can be found on page 23 of the 2015 annual report.

The directors consider that all the resolutions to be put to the meeting are in the best interests of the company and its shareholders as a whole and most likely to promote the success of the company for the benefit of those shareholders. Those directors who are shareholders will be voting in favour of the resolutions and unanimously recommend that you do so as well.

Explanatory notes to certain of the resolutions to be proposed at the annual general meeting

Resolution 2: Directors' remuneration report

Shareholders are asked to approve the directors' remuneration report that appears on pages 26 to 40 other than the part containing the Directors' Remuneration Policy, of the annual report and accounts. This vote is advisory, and the directors' entitlement to remuneration is not conditional on it.

Resolution 14: Directors' authority to allot shares

By virtue of section 551 of the Companies Act 2006 (the Act), the directors require the authority of shareholders of the company to allot shares or grant rights to subscribe for or convert any security into shares. The resolution numbered 14 authorises the directors to make allotments of up to 22,681,686 ordinary shares (representing approximately one-third (33.33%) of the issued share capital of the company (excluding treasury shares) as at the date of this document). If approved at the forthcoming annual general meeting, the authority will expire no later than 15 months from the date on which the resolution is passed or on the conclusion of the annual general meeting of the company to be held in 2016, whichever is the sooner. The directors have no present intention of exercising the authority proposed to be conferred pursuant to resolution 14.

Resolution 15: Authority for disapplication of statutory pre-emption rights

By virtue of section 561 of the Act, any issue by the company of equity capital for cash made otherwise than to existing shareholders on a proportional basis requires the consent of shareholders of the company unless the company has obtained their authority under sections 570 and 573 of the Act. The resolution numbered 15 is for that purpose. It authorises the directors to allot shares by way of rights issue or pursuant to an open offer or otherwise than strictly pro rata when the directors consider that it is expedient to do so and also allows them to issue for cash up to 3,402,253 ordinary shares (representing approximately five per cent) of the issued share capital of the company (excluding treasury shares) as at the date of this document other than on a pre-emptive basis. If approved at the forthcoming annual general meeting, the authority will expire no later than 15 months from the date on which the resolution is passed or on the conclusion of the annual general meeting of the company to be held in 2016, whichever is the sooner.

Resolution 16: Authority to make market purchases of ordinary shares

By virtue of section 701 of the Act, the company may make market purchases of its own ordinary shares if authorised to do so by shareholders. Under resolution 16, the directors seek to renew an annual authority to make market purchases of shares: each year the directors will seek to further renew this authority at the company's annual general meeting. Any ordinary shares purchased under this authority would either be (i) cancelled immediately on completion of the purchase and the number of ordinary shares in issue reduced accordingly; (ii) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act; or (iii) transferred to an employee benefit trust for the satisfaction of awards under the company's existing share schemes.

The maximum number of ordinary shares which could be purchased under this authority is 10,199,954, being 14.99 per cent of the issued share capital of the company (excluding treasury shares) as at the date of this document. Any repurchase of ordinary shares carried out by the company would be at a maximum price per ordinary share of 105 per cent. of the average middle market price of such a share for the five business days immediately preceding the date of the purchase, the price equal to the last independent trade or the highest current independent bid and at a minimum price equal to the nominal value. The authority to repurchase ordinary shares will, if approved by shareholders, only be exercised after careful consideration by the directors and if such exercise would result in an increase in earnings per share and be in the best interests of shareholders generally. If approved at the forthcoming annual general meeting, the authority will expire no later than 15 months from the date on which the resolution is passed, or on the conclusion of the annual general meeting of the company to be held in 2016, whichever is the sooner.

Resolution 17: Authority to allow any general meeting of the company that is not an annual general to be called on not less than 14 clear days' notice.

Further to the implementation of the shareholder rights regulations, the directors seek authority to hold general meetings, other than annual general meetings, on 14 rather than 21 days notice. If approved at the forthcoming annual general meeting, the authority will expire at the company's next annual general meeting, when it is currently intended that a similar resolution will be proposed, or on the conclusion of the annual general meeting of the company to be held in 2016, whichever is the sooner.

FORM OF PROXY

PayPoint plc – annual general meeting

I/We,.. (NAME)

of...(ADDRESS)

hereby appoint the Chairman of the meeting OR the following person...(NAME OF PROXY)

of.. (ADDRESS)

as my/our proxy to exercise all or any of my rights to attend, speak and vote in respect of my/our voting entitlement of ……………………………….. shares on my/our behalf at the annual general meeting of the company to be held at 12 noon on 22 July 2015 at the offices of Canaccord Genuity, 88 Wood Street, EC2V 7QR and at any adjournment thereof.

I/We would like my/our proxy to vote on the resolutions proposed at the meeting as specified below. Unless otherwise instructed the proxy may vote as he or she sees fit or abstain in relation to any business of the meeting. On any other business arising at the meeting (including any motion to amend a resolution or to adjourn the meeting) my/our proxy will act at his or her discretion.

Please indicate by ticking the box opposite if this proxy appointment is one of multiple appointments being made.

For the appointment of one or more proxy, please refer to explanatory note 2 (below).

Items 1 to 13 are items of ordinary business, items 14 to 17 are items of special business

	RESOLUTION ORDINARY BUSINESS	FOR	AGAINST	WITHHELD
1	To receive the annual reports and accounts for the year ended 31 March 2015.			
2	To approve the directors' remuneration report for the year ended 31 March 2015.			
3	To declare a final dividend of 26.1p per ordinary share of the company.			
4	To elect Mr Neil Carson as a director of the company.			
5	To re-elect Mr George Earle as a director of the company.			
6	To re-elect Mr David Morrison as a director of the company.			
7	To re-elect Mr Stephen Rowley as a director of the company.			
8	To re-elect Mr Dominic Taylor as a director of the company.			
9	To re-elect Mr Tim Watkin-Rees as a director of the company.			
10	To re-elect Mr Nick Wiles as a director of the company.			
11	To elect Ms Gill Barr as a director of the company.			
12	To re-appoint Deloitte LLP as auditor of the company.			
13	To authorise the directors to determine the auditor's remuneration			
SPECIAL BUSINESS				
14	ORDINARY RESOLUTION: To authorise the directors to allot shares in accordance with Section 551 of the Companies Act 2006.			
15	SPECIAL RESOLUTION: To disapply statutory pre-emption rights in accordance with Section 570 of the Companies Act 2006.			
16	SPECIAL RESOLUTION: To authorise the company to make market purchases of its ordinary shares up to 14.99% of the issued share capital.			
17	SPECIAL RESOLUTION: To allow any general meeting (other than an annual general meeting to be called on 14 days' notice			

To assist with arrangements, if you intend to attend the meeting in person, please place an 'X' in the box opposite.

Signature..Date...2015

In the case of a corporation, this proxy must be given under its common seal or signed on its behalf by an officer duly authorised, stating their capacity (e.g. director, company secretary)

Explanatory notes:

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as his or her proxy to exercise all or any of his or her rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank, your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
2. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, may not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the company in accordance with section 146 of the Companies Act 2006 (nominated persons). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
4. The vote withheld option above is provided to enable you to abstain on any particular resolution. However, it should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against a resolution.
5. Entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the register of members of the company at 6pm on the day which is two days before the day of the meeting or adjourned meeting. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
6. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number RA10) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The completion and return of this form will not preclude a member from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
8. To be effective, all votes must be lodged not less than 48 hours before the time of the meeting at the office of the company's registrars at: Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF.
9. This form is issued only to the addressee(s) and is specific to the unique designated account printed hereon. This personalised form is not transferable between different (i) account holders; or (ii) uniquely designated accounts. The company and Capita Asset Services accept no liability for any instruction that does not comply with these conditions.

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1st FOLD

PXS 1
34 Beckenham Road
Beckenham
BR3 4ZF

2nd FOLD

Officers and professional advisers

Directors
E Anstee*
G Barr*†
N Carson*
G Earle
D Morrison*
S Rowley*
D Taylor
T Watkin-Rees
N Wiles (Chairman)*

* Non-executive directors
† Agreed to join on 1 June 2015

Company Secretary
S Court

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1 The Boulevard
Shire Park
Welwyn Garden City
Hertfordshire, AL7 1EL
United Kingdom

Registered in England and Wales
number 03581541

Independent auditor
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2 New Street Square
London, EC4A 3BZ
United Kingdom

Brokers
J.P. Morgan Cazenove
25 Bank Street
London, E14 5JP
United Kingdom

Canaccord Genuity
88 Wood Street
London, EC2V 7QR
United Kingdom

Jefferies/Hoare Govett
Vintners Place
68 Upper Thames Street
London, EC4V 3BJ
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Capita Registrars
The Registry
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United Kingdom

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