PayPoint plc
Preliminary results
Year ended 31 March 2017

STATUTORY HIGHLIGHTS

	Year ended 31 March 2017	Year ended 31 March 2016	Change
Revenue	**£211.9m**	£212.6m	(0.3)%
Net revenue[1]	**£123.9m**	£123.6m	0.2%
Gross margin[2]	**50.0%**	49.9%	0.1ppts
Operating profit before impairments and business disposal	**£52.3m**	£50.3m	4.0%
Profit before tax	**£69.1m**	£8.2m	-
Earnings per share	**87.5p**	(3.1)p	-
Ordinary dividend per share	**45.0p**	42.4p	6.1%
Disposal proceeds dividend per share	**38.9p**	21.0p	85.3%
Additional dividend per share	**36.7p**	-	-
Total dividend per share	**120.6p**	63.4p	90.2%

Mobile and Online are included in our statutory results up to the date of their respective disposals resulting in this year's performance not being directly comparable to last year. To more clearly review our financial performance, we have included highlights of our ongoing Retail networks in addition to the reported statutory highlights.

RETAIL NETWORKS HIGHLIGHTS[3]

	Year ended 31 March 2017	Year ended 31 March 2016	Change
Revenue[3]	**£203.4m**	£196.4m	3.6%
Net revenue[1]	**£117.5m**	£110.7m	6.2%
Gross margin[2]	**49.5%**	48.2%	1.3ppts
Operating profit[3]	**£53.3m**	£52.8m	0.9%
Profit before tax[3]	**£53.3m**	£52.8m	0.9%
Earnings per share[3]	**64.3p**	62.5p	2.9%

Strong delivery against our strategic priorities

- PayPoint One, our new retail platform, successfully launched in June, with 3,600 sites at year end and 4,227 today
- Continued growth in Retail networks of 3.2% to 40,500 sites, including 11,300 in Romania
- Collect+ arrangement successfully restructured to allow PayPoint to serve other UK carriers; expected to drive a step change in our parcels business over time
- Sale of Mobile completed in December 2016 for £26.5 million, with gross proceeds of 38.9 pence per share returned to shareholders

Financial highlights

- Good growth in core Retail networks
  - Gross revenue[3] grew by 3.6% to £203.4 million
  - Net revenue[1] grew by 6.2% to £117.5 million
  - Operating profit[3] grew by 0.9% to £53.3 million
- Retail services net revenue[1] grew to £39.9 million, an increase of 31.6%
- Profit on sale of Mobile of £19.5 million. Mobile sale proceeds of £26.5 million returned to shareholders. Mobile goodwill of £30.8 million was fully impaired in 2016
- Final ordinary dividend of 30.0 pence per share, total ordinary dividend of 45.0 pence per share, an increase of 6.1%
- Additional dividend of 36.7 pence per share paid as part of commitment to return surplus cash to shareholders over a five year period to 2021. Total dividends of 120.6 pence per share paid to shareholders in the year to 31 March 2017
- Cash and cash equivalents at year end of £53.1 million, net cash generated from operating activities of £42.2 million

[1] Net revenue is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to revenue.
[2] Gross margin is an alternative performance measure and is calculated by dividing gross profit by revenue.
[3] Retail networks consists of our UK, Ireland and Romanian retail businesses. A reconciliation, for each measure, from the statutory results to Retail networks is included in note 2 to the financial information.

Dominic Taylor, Chief Executive Officer, commented:

“We have continued to deliver a significant transition in our business to respond to the needs of our retail clients and the changing world of payments. Our transition has involved the sale of our Mobile business, a renegotiated agreement with our partner on Collect+ and, most importantly, launched our new terminal PayPoint One, which includes an industry-leading EPoS solution. This past year has seen further good growth in our core retail network, with net revenue up 6% and an increase in sites of 3%, up to 40,500. Looking beyond the current financial year, I see significant opportunities for our retail services business, accelerating the growth of ATM’s, parcels and EPoS and we will continue to work to build our retailer relations. Our strategy is supported by balance sheet strength and the ability to continue to make superior returns to shareholders”

Enquiries

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A presentation for analysts is being held at 11.45am today (25 May 2017) at Canaccord Genuity Limited, 88 Wood Street, London, EC2V 7QR. This announcement is available on the PayPoint plc website: www.paypoint.com

CHAIRMAN'S STATEMENT

Delivering our strategy

I am pleased to report that the past year has been one of further progress as we seek to simplify and refocus the Group on our Retail network business, in line with our declared strategy. The sale of our mobile payments business was completed in December 2016 and concludes our programme of rationalisation. In addition, we have restructured the Collect+ arrangements, enabling us to add new carriers to our UK retail services offering. We also successfully launched PayPoint One, our next generation PayPoint terminal with integrated Electronic Point of Sale Solutions (EPoS), till and card functionality, and had rolled out 3,600 by the end of this financial year. We also continue to drive existing and new retail services while seeking to improve service delivery throughout the network.

The business is now more streamlined and focused on driving value from the strength of our established retail network. Whilst the board recognises there are structural changes in UK cash payments and the energy sector, PayPoint is well positioned to respond to these changes and to deliver continuing growth in its UK retail services and Romanian businesses.

Delivering for our stakeholders

Total dividends declared in the year to 31 March 2017 will deliver a total of £82.1 million or 120.6 pence per share to shareholders. This includes the ordinary dividend of 45.0 pence per share, the first annual instalment of the additional dividend of 36.7 pence per share and the gross proceeds from the sale of Mobile of 38.9 pence per share.

The board recognises that successful execution of the PayPoint strategy is dependent on delivering first class service to our retailers. To ensure we are consistently measuring how we are performing against important key metrics, a new 'Retailer Pledge' has been developed and published.

Our people are critical to the successful execution of the strategy and I would like to thank all colleagues for their hard work and dedication over the past year.

Board appointments

In early 2017, Rachel Kentleton joined the board as Finance Director following George Earle's retirement. I would like to thank George for his significant contribution over his 12 years of service since joining us upon our listing on the London Stock Exchange in 2004. Two of our non-executive directors, Neil Carson and David Morrison, will step down on 26 May 2017 and 26 July 2017 respectively. The board wishes them well and thanks them for their valued contributions. David has served as a director since 1999 and has been instrumental in the development of the Company. We welcome Rakesh Sharma, who was appointed to the board on 12 May 2017 and will chair the Remuneration Committee.

Conclusion

PayPoint is now a significantly more focused business. Looking ahead, our priorities are to continue to drive growth in retail services, manage the decline in cash payments through developing new payment channels, improve our service delivery and to run our business more efficiently. We are also excited by the growth opportunities for our Romanian business as we deepen and extend our presence in a rapidly growing market.

Alongside this, we maintain our commitment to the capital allocation programme outlined in May 2016, to return £125 million of surplus cash to shareholders over five years to 2021 alongside our ordinary dividend. The board remains confident in the prospects for the business and the value creation opportunity for our shareholders.

Nick Wiles
Chairman
25 May 2017

CHIEF EXECUTIVE'S REVIEW

The past year has been one of significant strategic progress in reshaping and simplifying the business. We have restructured the Group, with a new Executive Board in place and a focused single company vision, set of values and culture which together will drive ongoing improvements in effectiveness and customer service. We have rationalised the portfolio of businesses within the Group, with the sale of Online in January 2016 for £14.3 million being followed in the year to 31 March 2017 by the sale of Mobile to VW Financial Services for £26.5 million. We have also concluded our discussions with Yodel, with a new Collect+ arrangement agreed that enables PayPoint to add new carriers to our UK retail services offering.

We continue to focus on the needs of our retail customers. This year we launched our next generation terminal, PayPoint One, which received positive early feedback and at 31 March 2017 there were 3,600 sites operational. The terminal, with enhanced functionality, changes the proposition we can offer retailers and is a critical milestone for the business. We are excited about the growth potential from the rollout of the new terminal across our retail network alongside the other initiatives underway in the business.

Our financial results reflect the refocusing of the business with reported profit before tax of £69.1 million (2016: £8.2 million), including the profit on the sale of Mobile to VW Financial Services of £19.5 million partially offset by the loss of £3.8 million on the restructure of the Collect+ arrangement with Yodel. The 2016 year included impairment charges on Mobile and Online of £49.0 million.

This financial year also saw several non-recurring items, some of which will impact our operating profit performance in the financial year to 31 March 2018. These include a non-recurring VAT recovery of £2.0 million (included in retail services), the agreement to reduce Yodel parcel fees by £3.0 million over the next 3 years effective from December 2016, and the closure by the Department for Work and Pensions ("DWP") of their Simple Payment Service which has been generating over £4.0 million in net revenue per annum.

Our Retail networks business delivered a profit before tax[1] of £53.3 million, an increase of £0.5 million. This was driven by growth in net revenue[2] from retail services of £9.6 million, but offset by a decline in bill payments and top-ups of £2.8 million and additional investment costs arising from PayPoint One, EPoS and MultiPay development and deployment.

In total this financial year we paid £78.5 million to shareholders by means of the £29.5 million ordinary dividend, the first instalment of the additional dividend of £8.3 million and the return of £40.7 million from the proceeds of the sale of Online and Mobile. Our business model continues to be highly cash generative with £42.2 million of cash generated from operating activities in the year.

Business model

We have unrivalled strength in convenience retail payments and services with over 40,000 outlets across the UK and Romania. In both markets our business has two highly complementary business streams, payments and retail services. These operate from a common retail servicing capability and secure technology infrastructure. This technology platform and our site network form the foundation from which we will drive future value.

Our first business stream, **payments**, provides convenient bill payment channels for the customers of major utilities and service companies. The PayPoint network supports the broadest range of payment types including bills, energy prepayments, mobile and eMoney top-ups, licences, rents, taxes, transport tickets, debt collection, deposits and repayments. We also pay out cash benefits and rebates. In payments, our retail partners are our distributors, earning commission and benefiting from the hundreds of millions of customer visits we generate. Some customers prefer to pay online and our MultiPay product extends to mobile app, web-site, IVR and text payments so we can help our clients to help customers pay in the way that suits them best.

Our second business area builds on the strength of our retail networks and our technology, enabling us to provide multiple **retail services** to retailers. These additional services are highly competitive offers to retailers, charging fees for some services and earning commission for others. The range of retail services is already extensive but we continually innovate to generate new revenue streams. Our retail partners, in turn, are able to offer their customers a widening range of convenience payment products and services which keeps them coming into the store. The principal retail services are ATMs, card and other non-cash electronic payment solutions, Western Union agencies, SIM card sales, parcels and EPoS. As noted above, we have recently renegotiated the terms of our parcels joint arrangement with Yodel, to allow PayPoint to open the Collect+ network to other carriers. Our intention is to create the definitive industry solution, allowing consumers to pick up and drop off parcels at their local shop irrespective of the carrier. Retail services have continued to grow strongly in recent years and this business area is becoming increasingly significant within our business mix.

In payments, we remain committed to delivering our strategy which is focused on delivering multi-channel payments solutions and services to our customers where we have retail networks. In retail services, we see significant growth opportunities for our unique retailer network and our differentiated and established technology platform to benefit from the high street evolution towards convenience.

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[1] Retail networks consists of our UK, Ireland and Romanian retail businesses. A reconciliation, for each measure, from the statutory results to Retail networks is included in note 2 to the financial information.

[2] Net revenue is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to revenue.

In order to execute our strategy we have set out five clear priorities for the year ahead:

1. Drive profitable growth in UK retail services

Market context

PayPoint's services are particularly attractive to the convenience retail sector which includes newsagents, general convenience stores, off licences and petrol station forecourts. We are also complementary to the convenience offers of larger format supermarkets. We build our relationship with retailers through our field sales force of 50 professionals located throughout the UK and through our contact centre which is situated in Welwyn Garden City. We also hold quarterly Retailer Forums attended by PayPoint retailers and management to ensure open dialogue and communication.

PayPoint has payment relationships extending to over 29,000 UK outlets drawn from an available market of approximately 51,000 stores comprising 37,500 independents (of which 14,000 symbol-affiliated stores) and 13,500 multiple and managed symbol stores. These 51,000 stores are PayPoint's core marketplace, with growth and any extension beyond the convenience sector also representing an opportunity for our retail services. Historically, PayPoint has restricted supply of its branded payments footfall rather than looking to achieve blanket coverage of the entire convenience retail sector. As a result, PayPoint retailers are typically of good quality, desired by our clients and envied by our competitors. Overall, PayPoint pays our retailers over £50 million annually in commission for their critical role in our payments and retail services delivery.

Our retailers can be segmented into 3 broad sub-groups. We have 8,500 outlets that are in multiple chains, including The Co-op, McColls, One Stop and many other fuel and convenience chains. We also have coverage in all Asda stores, many Sainsbury's Locals and increasingly in Tesco Express, as even the major grocers see the power of our footfall generation. The balance of our network is in independents, who may be unaffiliated or linked to a symbol group such as Spar, Costcutter, Nisa or Booker Premier. We have 11,500 unaffiliated independents, out of 23,500 in the UK and a further 9,000 symbol-affiliated outlets out of 15,400 independent and managed symbol stores in the UK.

To serve multiples, we deploy our PPoS solution, a virtual terminal that integrates into the retailer's own EPoS system for maximum operational efficiency.

For independents, we offer a standalone terminal. Most of our retailers have our second generation yellow machine (T2) that has been deployed since 2003. Last year we launched PayPoint One, a transformational terminal platform, with a full range of connectivity options including WiFi and Bluetooth, which we will rollout across our estate over the next few years. With PayPoint One, we have also introduced a new EPoS capability which has seen encouraging uptake to date and that we expect to be a platform for significant future growth. PayPoint One provides our retailers with the ability to serve customers quickly, while providing advanced connectivity and improving business efficiency all within a flexible and fully-supported technology platform.

Each of our retail services has its own market context and competitive dynamics, which are explained briefly here:

ATMs – we provide 4,100 ATMs out of an overall population in the LINK network of 70,000, of which 52,000 are non-bank branch machines[i]. Our machines are typically located in-store and are filled by our retailers using their own cash, including much of the money collected from our bill payments. We offer both free to use and surcharge machines with most new deployments being free to use. In general, cash withdrawal volumes are expected to decline steadily as the use of cash is eroded by contactless payments. However, while this decline is reflected in a rise in bank branch closures, growth in non-bank branch ATMs has continued and PayPoint's position in the market gives us plenty of scope to grow.

Card Payments – we provide 10,000 of our retailers with in-store card payment solutions including Chip and PIN and contactless cards and mobile schemes such as Apple and Android Pay. We earn a margin on each payment through revenue share arrangements with merchant acquirers. In common with the market generally, we have been experiencing very strong contactless payment growth. These payments have a lower transaction value, earning us slightly less per transaction but for a much greater volume. This is a highly competitive market with many offers from merchant acquirers and intermediaries.

Money Transfer – we provide 1,100 outlets in the UK with Western Union agencies to serve the international money transfer market. This is a value-added, rather than strategic, service and we expect to remain a minor player.

SIM sales – we are selling mobile phone SIMs to 15,000 outlets and have approximately a 6% market share, making a strong net revenue contribution. We earn commissions based on the top-up values on activated SIMs which we share with our retailers, and bonuses for achieving predetermined targets.

EPoS – this is a new market for PayPoint which we entered in June last year, with a price scanning solution built on the Android tablet characteristics of PayPoint One, with its large interactive screen, ergonomic design and advanced scanning capability. PayPoint One provides an integrated all-in-one solution, combining EPoS with card payments, bill payments, proprietary hardware, cloud management, business intelligence, service support and Android applications to support our retailers' businesses. We expect our EPoS solution to be attractive to the independent sector, many of whom may be first time users, but we also expect strong symbol group adoption when we launch our Pro version in summer 2017. The Pro version will have sophisticated stock management and ordering capability, managed in the cloud, representing a step change in EPoS market technology. We are also currently putting in place the necessary links to integrate with symbol group wholesalers, to make the product more attractive.

There are numerous EPoS providers in the UK typically serving more than one vertical, such as retail and hospitality. In convenience retailing, EPoS provision is more fragmented outside of the suppliers to the multiple chains. Suppliers service a few thousand locations at most and often work with legacy software, sitting on older Microsoft Windows platforms, with localised back office functions which do not take advantage of cloud technology. EPoS products tend to carry an upfront hardware investment, with additional charges for installation and ongoing fees for service, support and licensing. As a consequence take up can be limited. With PayPoint's modern technology and no upfront fees for the hardware, we expect to make inroads into this market and have been encouraged by the early take up.

Overall, the launch of PayPoint One integrates PayPoint's payments stream with card payments and EPoS into a single leading edge hardware device. Our retail services success over many years has built a balanced portfolio of strong and highly competitive products with a good mix of strategic and tactical services across high growth and maturing markets. The market leading qualities of the PayPoint One platform will enable us to significantly increase our revenue over time by charging fees for the platform and its EPoS capabilities.

Progress in year
Overall, retail services accounted for 36% of UK net revenues, generating £39.0 million net revenue which represented growth of 30.9% on the previous year. We enjoyed continued growth in ATMs, card payments and SIMs net revenues. We also secured a VAT recovery of £2.4 million in card payments. The recurring net revenue benefit from the corrected treatment is approximately £1.0 million per annum.

We launched PayPoint One and have installed over 3,600 new terminals of which 60% have EPoS activated, with the remainder opting just to upgrade from our second generation terminal to use our Till App. We have also largely completed our EPoS Pro development for testing ahead of launch in a few months' time and have secured our first symbol group integration agreement.

Future Delivery
We expect to achieve a PayPoint One network size of 8,000 sites by March 2018, with high EPoS and card payment attachment. This will include symbol retailers as the Pro version of EPoS is launched and wholesaler links are implemented. Nisa is the first symbol retailer to contract to be integrated with our EPoS Pro platform and we expect to sign up others soon. Our card payments volume should continue to grow strongly. We will focus on protecting margins in a fiercely competitive market fuelled by the growth in contactless payments, which has made the convenience sector increasingly attractive. This year we plan to extend our net settlement capability from ATMs to card payments which should be a unique differentiator for PayPoint by off-setting our retailers' banking costs.

We will be investing in our ATM network to continue to expand our presence throughout our retail network and to upgrade legacy hardware.

2. Deliver parcels volume growth in the UK
Market context
We provide 6,100 outlets with our Collect+ service, our joint arrangement with Yodel, a leading carrier. Collect+ was the first successful parcel collections and returns retail network in the UK, launched in 2009. The service has subsequently been copied by several other carriers but has not been matched in scale or customer popularity. This is a large market; IMRG states there are 250 million parcel returns a year and 165 million click & collect parcels, both growing rapidly.

Progress in the year
Collect+ is available in over 6,100 sites and the number of parcels processed in the year was over 23 million. Collect+ has gained a Trust Pilot score of 9.2 out of 10 and is now a trusted and well regarded consumer brand. The restructured terms of the Collect+ joint arrangement are now in place. In return for a reduced transaction fee, PayPoint is no longer exclusively tied to using Yodel and now has the opportunity to extend the network of carriers we work with.

Future delivery
PayPoint has an exciting opportunity to capture a significant share of the market. We have appointed a new Parcel Services Director with a significant track record in the parcels market to lead our efforts to capture new volumes.

In the coming years, we expect strong growth with many more outlets and millions of extra parcels as the new approach beds in, supported by strong continuing delivery from our existing partner, Yodel. The new approach has come at a short-term cost as we have agreed to progressively reduce fees received from Yodel by £3.0 million over three years. On a like-for-like volume basis this is expected to impact the year to 31 March 2018 by £1.7 million with a further £1.0 million impact in the year to 31 March 2019.

3. Optimise profits in UK bill payments and top-ups
Market context
Payments have traditionally been PayPoint's most successful business area and we have developed a market leadership position in payment collection through convenience retail outlets. Our UK network numbers 29,100 sites, meaning that we are in the majority of available convenience retail outlets and we handle approximately 500 million transactions per annum through the network to a value of £9.0 billion.

There are over 4.9 billion regular consumer payments a year[ii], but the majority of these are made by direct debit through the banks, which would be the billers' preferred collection method. However, this does not suit all customers. PayPoint's strength is in serving the millions of householders who prefer to pay their bills in cash over the counter. This has been a resilient sector which has fuelled our growth despite the long-term steady decline in cash as a payment method in the UK economy, relative to electronic and card payments.

PayPoint has always been particularly strong in energy payments as the breadth of our coverage in convenience retail outlets, combined with extended opening hours, provides an ideal solution for those who need to quickly and conveniently switch their energy back on. Growth in the prepay energy sector peaked four years ago when a combination of factors including high tariffs, cold weather, high energy debts and high prepay meter installation rates created strong demand. Recently however growth has slowed, as the impact of these factors has reduced.

We expect that the introduction of smart meters, which has been subject to delays in commissioning by the Data Communications Company (DCC), will open more digital payment options for consumers, and that payments by app or web-site will erode some cash volumes in prepay mode. As of 31 December 2016 there was a total of 22.8 million gas meters and 27.5 million electricity meters[iii] operated by large and small energy suppliers in domestic properties across Great Britain. Active smart meters (gas and electric) accounted for 4.9 million of the total number of meters, an increase of 2.9 million compared to 2015. In order to address this opportunity, PayPoint has been developing its MultiPay service in recent years and is well placed to serve retail and digital payments through an integrated platform for energy clients.

From 1 April 2017 the Competition and Markets Authority has introduced a price cap for prepayment customers which it estimates will reduce households' heating bills by on average £75[iv] a year. It is too early to fully understand the impact this will have on PayPoint, however we estimate each prepay customer's average top-up value is around £15 a visit.

The slowdown in the energy payments sector and uncertainty around smart meters, combined with the longer term decline in mobile top-ups and in cash as a payment method in the UK economy means that we anticipate reducing net revenue in PayPoint's traditional sectors. As a result, our focus is on maximising profitability in UK bill payments and top-ups, managing margins and cashflow through both continuing innovation and a relentless focus on business process and cost efficiency.

Progress in year

Bill payment volumes reduced by 6.6% in the year because of softening energy prepay and a reduction in CashOut transactions. CashOut transactions reduced as a consequence of the two year government electricity rebate scheme coming to an end. Top-up transactions declined 15.3% as a result of the continuing long-term decline in UK mobile top-ups. Payments account for 64% of overall UK net revenues. Net revenues held up better than volumes as bigger clients lost share to challengers, benefiting our pricing mix.

MultiPay volumes have been growing strongly and we handled 10.3 million payments, up 4.9 million from last year, through our non-retail digital channels. We have also recently completed the implementation for SSE, our first big 6 energy client for MultiPay. The service is also proving particularly attractive to some of the main challengers in the energy market as well as smaller suppliers. At the end of the financial year 15 clients had contracted to use the service.

We have had a steady stream of new business and have added 67 new schemes in the year including, for the first time, local authorities deciding to work with us directly and exclusively, having previously split their volumes across the Post Office and PayPoint. We have also added clients for digital voucher services, including a new arrangement with Amazon which is still in its early days.

We also went live with our new FCA regulated Payment Institution, PayPoint Payment Services Limited, which allows us to provide certain regulated payment services and to extend the range of our CashOut services.

Future delivery

The payments business is likely to continue to be affected by the uncertainty relating to smart meters and the general long-term decline of cash and top-ups. However, there is a strong residual demand for cash payment that we will continue to serve successfully and expand where possible, with new schemes and products for our customers. As more challenger businesses take share from the big traditional suppliers, we would also expect to see some margin benefits through less revenue concentration. We have also been able to renegotiate terms with retailers and symbol groups, improving margin, as a result of the diminishing importance of mobile top-up volumes.

We expect the year ahead to be adversely affected by a recent decision of the DWP to discontinue its Simple Payment Service from this summer, for which we have been the retail partner. Unfortunately, the service has been a victim of its own success in migrating customers away from the traditional girocheque into other methods, giving the DWP the ability to close down the option. This service has generated revenue for PayPoint of over £4 million per annum historically.

PayPoint will continue to handle hundreds of millions of payments for the UK's leading consumer service organisations and payments will remain a critical element in our business mix going forward. Our unique payments portfolio is central to the popularity of our brand with retailers and consumers and provides the platform on which our retail services are thriving. In addition, we are well placed to drive further MultiPay growth with more challengers, our first volumes for a big 6 supplier and the potential to extend into other bill payment sectors, including housing.

4. Drive continued organic growth in Romania

Market context

PayPoint Romania follows a similar business model to the UK, but in a market in which cash bill payment is a mass market proposition. Over 10 years, PayPoint has become one of Romania's most successful and popular financial brands, handling on average 24% of our clients' payments. We expect cash to be the dominant bill payment method well into the future. The range of payments solutions offered by PayPoint is extensive including energy, telecoms and pay TV bills, road tax, eMoney vouchers, insurance premiums and loan repayments. As in the UK, we work with all the leading suppliers.

Romania is also a strong remittance market, mainly as receivers of payments from overseas. As in the UK we work with the market leaders Western Union in what is still a high growth sector.

Progress in year

We have continued to make strong organic progress in the year growing our net revenues in Romania to £9.1 million, an increase of 28.2% on the prior year. Our retail network has grown to 11,300 sites and includes strong representation from independents and multiples, including Profi, Cora and Carrefour. We enjoyed record volumes of 75 million transactions, including growth in mobile top-ups, not just bill payments.

Future delivery

The Romanian payments market continues to evolve with clients moving away from the local post office creating further opportunities for us. We will continue to expand our market share with existing clients and to add new clients. In the year we successfully added our first local authority which we will use as a case study to entice other local authorities.

We plan to extend our retailer services offering in Romania. We are trialling a parcels service, Colet Expres, in Bucharest, working with the leading Romanian carrier, FAN courier. The home shopping market in Romania is still developing and is generally based on cash on delivery, but we are excited about the opportunity the parcels service presents. In addition, we are trialling a card payment service for retailers.

We currently have an agreed offer to buy Payzone in Romania, which is subject to competition authority approval.

5. Business optimisation

Our refocus on our retail businesses has highlighted opportunities for us to invest in tools and capabilities to enable our client and field teams to more effectively sell a portfolio of products. In conjunction with the rollout of PayPoint One, we have also publicly pledged to our UK retailers that we intend to deliver first class servicing of their requirements through the entire lifecycle of on-boarding, operational support and status changes. This will require us to invest in efficient workflow and billing systems with accurate and timely supporting information, for our retailers and ourselves, so we can serve them effectively. We are making a considerable investment of £4.0 million over 18 months in these tools and capabilities but are expecting significant improvements in sales and operational efficiencies.

We are also reviewing our processes to ensure we are innovating efficiently and driving maximum return from our investments in product and technology.

Outlook

We have made good progress in reshaping the business, including the disposal of Mobile and Online. This enables greater focus on our retail network specifically by providing EPoS solutions to our retailers and on pursuing a multi-carrier strategy for parcels, both of which are exciting prospects going forward. In time I believe there will be opportunities to further extend our geographic footprint, leveraging the scale and capability of our platform, however international expansion will be a lower priority for the immediate future.

To support our growth agenda, we are making incremental investment in capabilities and tools to improve our sales productivity, foster continued innovation, accelerate commercial deployment and deliver greater operational efficiencies.

For the current financial year, we expect robust net revenue growth in UK retail services and Romania. This will broadly offset the impact of our additional investments, the reduced fees earned from Yodel and the expected continuing net revenue reduction in UK cash payments, including the ending of the Simple Payment Scheme and the changing energy market dynamics.

We are confident that PayPoint is well positioned to continue to drive sustainable medium-term earnings growth, generate cash and support superior returns to shareholders.

Dominic Taylor
Chief Executive
25 May 2017

KEY PERFORMANCE INDICATORS

In order to realise its strategic aims, PayPoint has identified areas of strategic focus and records a number of KPIs to measure progress against them. The KPIs presented this year have changed in that they exclude the disposed activities of Mobile and Online. Whilst these KPIs are helpful in measuring the Group's performance, they are not exhaustive and the Group uses many other measures to monitor progress.

Strategic focus	KPI	Description and purpose	2017	2016
Maximise shareholder return	Earnings per share (Retail networks)[1]	Retail earnings (see note 6) divided by the weighted average number of ordinary shares in issue during the year (including potential dilutive ordinary shares) Earnings per share is a measure of the profit of the ongoing business attributable to each share	**64.3p**	62.5p
	Dividends per share	Proposed final dividend and interim dividend divided by the number of fully paid shares at the end of the year Dividend per share provides a measure of the return to our shareholders	**45.0p**	42.4p
	Economic profit[1]	Operating profit before impairments and profit on business disposals after tax and a charge for capital employed, excluding cash, based upon the Group's cost of capital Economic profit provides a consistent measure of the profit aligned to the remuneration of management	**£39.2 million**	£32.8 million
Drive profitable growth in UK retail services and continued organic growth in Romania	Retail networks transactions	Number of transactions processed in the year on our terminals and ATMs Transaction volume provides a measure of the source of revenue which is earned on a per transaction basis	**654.8 million**	668.2 million
	Retail networks transaction value	The value of transactions processed via our terminals and ATMs Transaction value provides a measure of the source of revenue which is earned on a percentage of the transaction value	**£10.4 billion**	£10.4 billion
	Retail networks net revenue[1]	Revenue less: commissions paid to retail agents and the cost of mobile top-ups and SIM cards where PayPoint is principal Net revenue reflects the benefit attributable to PayPoint's performance eliminating pass-through costs and is a reliable indication of contribution from business operations	**£117.5 million**	£110.7 million
	PayPoint One sites	The number of sites with our PayPoint One platform This provides a measure of the source of service fee revenue from PayPoint One terminals and EPoS	**3,601**	38
Business optimisation	Retail networks operating margin[1]	Operating profit before impairments and profit on business disposals as a percentage of net revenue Operating margin provides a broad overview of the efficient and effective management of the cost base.	**45.3%**	47.7%
	Return on capital employed[1]	Operating profit before impairments and business disposal including our share of joint venture result for the year divided by average month end capital employed (net assets excluding cash) Return on capital employed provides a broad overview of the efficient and effective use of capital in our business	**184.3%**	70.4%
	Growth/ (decline) in retail networks yield per site[1]	Growth / (decline) in net revenue from retail networks divided by the average number of sites in the year Network yield provides a broad overview of the efficient and effective use of our network	**2.2%**	(2.9%)
People	Labour turnover	Number of permanent employees who left during the year divided by average total permanent employees Labour turnover provides an indication of employee job satisfaction	**29.0%**	33%

[1] These KPIs are alternative performances measures and are not directly comparable to statutory measures.

REVIEW OF BUSINESS
The review of business presented includes highlights on page 1, the Chairman's statement on page 3 and the Chief Executive's review on pages 4 to 8.

OPERATING REVIEW
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 Board to develop products across the business, prioritised on an economic value basis (generally by product), rather than on a subsidiary by subsidiary basis and therefore the Group has only one operating segment.

We have however, included an analysis of the number and value of consumer transactions, revenue and net revenue distinguishing between our Retail networks and Mobile and Online.

Retail networks
The Group has established retail networks in the UK, Ireland and Romania which continued to grow by 3.2% to 40,478 sites.

	Year ended 31 March 2017	Year ended 31 March 2016	Change %
UK & Ireland Retail network	**29,176**	29,087	0.3
Romania Retail network	**11,302**	10,141	11.4
Total sites	**40,478**	39,228	3.2

In the first half of the year our focus was on the rollout of PayPoint One terminals with 3,601 terminals installed at sites by 31 March 2017. Our focus on rollout of PayPoint One to our existing sites resulted in low growth in the total number of UK sites of 0.3%. PayPoint One will replace the previous version of our terminal and is a platform from which we can launch and offer new services to retailers.

We continue to rollout PPoS to symbol groups who want to provide PayPoint services, but have their own till and EPoS applications and do not take our PayPoint One platform. At year end there were 8,487 PPoS sites (2016: 8,101 PPoS).

In Romania, we increased the number of terminal sites by 1,161 in the year, an increase of 11.4%.

Within retail networks we distinguish between three business categories, namely bill and general, top-ups and retail services and each is reviewed separately below. Overall transactions declined by 13.4 million to 654.8 million (2016: 668.2 million), with UK declining by 3.6% offset by robust growth in Romania of 12.1%. Average transaction values in prepaid energy and UK mobile top-ups continue to increase which has offset the declining transaction volume. Transaction value of £10.4 billion (2016: £10.4 billion) was broadly in line with last year.

	Year ended 31 March 2017	Year ended 31 March 2016	Change %
UK transactions (million)	**579.8**	601.3	(3.6)
Romania transactions (million)	**75.0**	66.9	12.1
Total transactions (million)	**654.8**	668.2	(2.0)
Transaction value (£m)	**10,409.6**	10,390.8	0.2
Revenue (£m)[1]	**203.4**	196.4	3.6
Net revenue[2] (£m)	**117.5**	110.7	6.2

Despite the decline in transactions, revenue[2] increased £7.0 million to £203.4 million (2016: £196.4 million) due to card payment VAT (discussed below), change in mix of clients and growth in setup and service fees.

In prior years, card payment revenue was treated as standard rated for VAT purposes with the VAT element deducted from revenue. To bring our treatment in line with the industry practice, this was changed to be VAT exempt, resulting in a VAT recovery from HMRC of £2.4 million relating to prior years. We expect that on an annualised basis revenue will be approximately £1.0 million higher than when treated as standard rated. As a result of the change in VAT treatment, irrecoverable VAT, which is included as a cost in administrative expenses, increased by £1.2 million including £0.4 million related to prior years.

1 Retail networks consists of our UK, Ireland and Romanian retail businesses. A reconciliation from the statutory results to Retail networks is included in note 2 to the financial information.

2 Net revenue is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to revenue.

Net revenue has increased by £6.8 million to £117.5 million (2016: £110.7 million) for the same reasons as revenue set out above, plus a reduction of retailer commission (£1.3 million).

Bill and general

Bill and general is our most established category and consists of prepaid energy, bill payments and CashOut services.

	Year ended 31 March 2017	Year ended 31 March 2016	Change %
Transactions (million)	**430.5**	449.2	(4.2)
Transaction value (£m)	**8,489.9**	8,557.7	(0.8)
Revenue (£m)	**82.5**	85.8	(3.7)
Net revenue[1] (£m)	**58.5**	59.5	(1.7)

Bill and general transactions were lower than the previous year by 4.2%. UK and Irish bill and general transactions were down 6.6% due to lower prepaid and CashOut energy transactions. MultiPay continued to grow strongly with transactions for the year ended 31 March 2017 reaching 10.3 million (2016: 5.4 million).

Growth in Romanian bill payment transactions continued with an increase of 11.6% to 67.2 million (2016: 60.2 million). Romania continued to expand its market share with existing clients to 23.8% in March (2016: 21.8%) and also continued to add new clients across new sectors, including its first local authority.

Net revenue of £58.5 million was 1.7% down on last year's £59.5 million, the mix of clients (increase in smaller but higher yielding clients) and changes to our retail commission terms reduced the impact from the decline in transaction volume.

Top-ups

Top-ups include transactions where consumers can top up their mobiles and prepaid debit cards. They can also purchase eMoney vouchers and lottery tickets. 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 revenue and the corresponding costs deducted when deriving net revenue.

	Year ended 31 March 2017	Year ended 31 March 2016	Change %
Transactions (million)	**68.9**	79.0	(12.8)
Transaction value (£m)	**731.6**	767.4	(4.7)
Revenue (£m)	**63.6**	63.3	0.4
Net revenue[1] (£m)	**19.1**	20.9	(8.4)

Top-up transactions decreased 12.8% to 68.9 million. The reduction in UK mobile top-up transactions and The Health Lottery was only partly offset by an increase in other UK and Romanian top-up transactions. Romania increased its top-up transactions by 16% to 7.3 million.

The average value of UK mobile top-ups continued to increase which mitigated the reduction in net revenue, which declined 8.4% to £19.1 million.

Retail services

Retail services are those we provide to retailers who form part of our networks. Services include providing the PayPoint One platform, which has a basic till application, EPoS, ATMs, card payment, parcels, money transfer and SIMs.

	Year ended 31 March 2017	Year ended 31 March 2016	Change %
Transactions (million)	**155.4**	140.0	11.0
Transaction value (£m)	**1,188.1**	1,065.7	11.5
Revenue (£m)	**57.3**	47.3	21.0
Net revenue[1] (£m)	**39.9**	30.3	31.6

[1] Net revenue is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to revenue.

Retail services transaction volume has increased across all major products: ATM transactions increased by 8.0%, card payment transactions by 12.2% and parcels by 12.6% over last year.

Net revenue growth of 31.6% to £39.9 million exceeded the growth in transactions as a result of the benefit from the change in VAT rating in card payments (see page 10 for further details), the growth of service fees from PayPoint One, a reduction in the card payment wholesale rate and bonuses earned on our SIM activations.

The number of sites in the UK with retail services is as follows:

	Year ended 31 March 2017	Year ended 31 March 2016	Change %
PayPoint One	**3,601**	38	-
Collect+	**6,167**	5,936	3.9
Card payment	**10,024**	10,111	(0.9)
ATM	**4,165**	4,120	1.1

Mobile and Online
The Group disposed of its online payments business on 8 January 2016 and its mobile payments business on 23 December 2016. The results below reflect the trading of these businesses up to the date of their respective disposals.

	Year ended 31 March 2017	Year ended 31 March 2016	Change %
Transactions (million)	**40.3**	150.5	(73.2)
Transaction value (£m)	**136.0**	3,650.9	(96.3)
Revenue (£m)	**8.5**	16.2	(47.4)
Net revenue[1] (£m)	**6.3**	13.0	(50.9)

FINANCIAL REVIEW
Mobile and Online are included in our statutory results up to the date of their respective disposals resulting in this year's performance not being directly comparable to last year. In order to assist users to more clearly review our financial performance for the year we have provided an analysis of our reported statutory results split between the ongoing Retail networks and the now disposed of Mobile and Online.

Revenue
Revenue for the year was £211.9 million (2016: £212.6 million) and consists of Retail networks revenue of £203.4 million (2016: £196.4 million) and Mobile and Online revenue of £8.5 million (2016: £16.2 million) up to the date of their respective disposals. Revenue and net revenue analysis is included in the operating review on pages 10 to 12.

Cost of revenue
In the current year 'cost of sales' was renamed 'cost of revenue' to better reflect the nature of the costs included in this category. The costs allocated to this category are consistent with prior year's allocations.

Statutory
Cost of revenue reduced by £0.5 million to £106.0 million (2016: £106.5 million), with a reduction from Mobile and Online of £1.5 million offset by an increase in Retail networks of £1.0 million.

Retail networks
Cost of revenue in Retail networks increased to £102.7 million (2016: £101.7 million). The revenue growth achieved in Romanian top-ups, where PayPoint acts as principal, increased the cost of top-ups by £4.2 million to £32.3 million (2016: £28.1 million). Depreciation and amortisation increased by £1.7 million principally due to the launch and rollout of PayPoint One. The above increases were partially offset by a reduction in transaction costs from the lower level of energy CashOut schemes and commissions paid to retailers reducing to £53.7 million. Retailer commissions reduced as a result of the decline in UK bill payments and top-up transactions and revenue and changes to the level of commission share with symbol retailers.

Statutory gross profit margin remained broadly similar to last year at 50.0% (2016: 49.9%), with Retail networks gross margins increasing from 48.2% to 49.5% driven by the £2.4 million VAT recovery and changes to the level of commission share.

[1] Net revenue is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to revenue.

Operating costs

Statutory

Operating costs (administrative expenses) decreased £2.1 million (3.8%) to £53.6 million (2016: £55.7 million) caused by a £7.6 million reduction from Mobile and Online with Retail networks increasing £5.5 million.

Retail networks

Retail networks' operating costs increased by £5.5 million to £47.5 million as a result of:

- lower VAT input recovery resulting from the VAT treatment change for card payments;
- the rollout of PayPoint One;
- increase in IT people costs; and
- an increase in LTIP and DABS bonus scheme costs.

Share of profit in joint venture

The accounting policy for joint arrangements and details of the arrangement with Yodel are included in note 1 and note 8 to the financial information. Our share of the Drop and Collect Limited profit up to the date it was disposed of as part of the arrangement was £1.2 million (2016: loss of £0.2 million). A loss on disposal of £3.8 million was recorded at the date of sale.

The new Collect+ joint arrangement has been accounted for as a joint operation with the Group's share of the royalty fee included in revenue. Our share of income from 16 December 2016 to 31 March 2017 was £0.3 million.

Operating margin

Statutory

The improved operating margin of 1.5ppts to 42.2% (2016: 40.7%) includes the benefit of reduced losses in the Group results from Mobile and Online and the improved result from the Drop and Collect joint venture.

Retail networks

Operating margin in retail networks declined by 2.4ppts to 45.3% (2016: 47.7%), as a result of increased operating costs.

Profit on sale of Mobile

Mobile was sold to Volkswagen Financial Services AG for £26.5 million. After deducting sale costs, a profit on sale of £19.5 million was recorded, details of which are included in note 7 to the financial information. The gross proceeds of £26.5 million from the sale were distributed to shareholders on 11 January 2017.

Profit before tax and taxation

The tax charge of £9.5 million (2016: £10.2 million) on profit before tax of £69.1 million (2016: £8.2 million) represents an effective tax rate[1] of 17.8% (2016: 20.5%). The effective tax rate reduced due to an adjustment to prior year taxes following finalisation of those tax returns (£1.1 million, effective tax rate reduced by 2.0%), reduction in Mobile losses for which there was no tax relief and the increase of a deferred tax asset for share based payments, taking into account the increased likelihood of share schemes vesting and related tax relief. The statutory tax rate reduced to 13.8% (2016: 125.7%) primarily as a result of no goodwill impairments being recognised in the current year (2016: £49.0 million).

Statement of financial position and capital expenditure

Non-current assets of £47.6 million were £8.4 million higher than last year driven by substantially higher capital expenditure (£17.5 million). Working capital increased by £7.4 million caused by reduced client funds within trade and other payables. Prior year client funds held were higher than in previous years and this year due to the early Easter holiday delaying transfers to clients.

Cash flow and liquidity

Cash generated by operations was £51.0 million (2016: £69.0 million), reflecting strong conversion of profit to cash and the reduction in client funds from last year.

Corporation tax of £8.6 million (2016: £9.9 million) was paid in the current year and was net of refunds for over payments made in prior years. Capital expenditure of £17.5 million (2016: £8.2 million) comprised the purchase of the freehold of the adjacent building at Welwyn Garden City for £3.6 million, which we already partly occupied, PayPoint One terminals, EPoS and MultiPay development, data centre development and purchase of ATMs.

Share incentive schemes settled in cash absorbed £0.4 million (2016: £0.6 million). Dividends paid were £78.5 million (2016: £27.4 million) details of which are included in note 5 to the financial information.

The Group has cash of £53.1 million, and has an undrawn £45.0 million revolving term credit facility expiring in May 2019. Cash includes amounts held to settle short-term client settlement obligations, which at the year end, amounted to £20.2 million.

The additional dividend and final dividend, if approved by shareholders, will utilise £37.1 million cash. The financial statements have been prepared on a going concern basis having regard to the identified risks and viability statement on pages 15 and 16. The Group's cash and borrowing capacity provide sufficient funds to meet the foreseeable needs of the Group including dividends.

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[1] Effective tax rate is the tax cost as a percentage of operating profit before impairments and profits and losses on business disposals.

Economic profit
PayPoint's own measure of economic profit (defined as operating profit excluding impairment and profit on disposals of businesses, less tax and a nominal capital charge of 10%) was £39.2 million (2016: £32.8 million), an increase of 19.6%.

Dividend
We propose to pay a final dividend of 30p per share on 31 July 2017 (2016: 28.2p) to shareholders on the register on 23 June 2017, subject to the approval of the shareholders at the annual general meeting together with the additional dividend of 24.5p per share. An interim dividend of 15.0p (2016: 14.2p) was paid on 15 December 2016, making a total ordinary dividend for the year of 45.0p per share (2016: 42.4p), up 6.1%.

Rachel Kentleton
Finance Director
25 May 2017

PRINCIPAL RISKS AND UNCERTAINTIES

Risks

PayPoint's business, financial condition or operations could be materially and adversely affected by the risks summarised below. Although management takes steps to mitigate risks where possible or where the cost of doing so is reasonable in relation to the probability and seriousness of the risk, it may not be possible to avoid the occurrence of some or all of such risks. The Group's level of risk in each area remains broadly the same as last year except for exposure to country and regional risk which has reduced due to the sale of the mobile business, together with the risk of acquisitions not meeting expectations and the addition of the risk associated with Brexit.

Risk area	Potential impact	Mitigation strategies
Cyber, technology & process and Fraud		
Loss or inappropriate usage of data	The Group's business requires the appropriate and secure use of consumer and other sensitive information. Electronic commerce requires the secure transmission of confidential information over public networks. Increasingly, internal systems make use of third party hosted services (cloud services) 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 physical security controls at its data centres and has rigorous cyber security, anti-fraud and whistleblowing standards, procedures, recruitment and training schemes, which are embedded throughout its business operations. The Group also screens new employees carefully. Continued investments are made in cyber security, including the significant use of data and communications encryption technology, improvements in e-mail and web filtering and testing and removal of system vulnerabilities. We have also developed plans for responding to a breach of security.
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.
Clients, agents & other third parties		
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.
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.	The Group monitors client and retailer concentration risk to ensure that no one client or retailer accounts for a disproportionate share of the Group's net revenue. In addition, the Group continues to acquire new clients and retailers to reduce reliance on existing sources of revenue.
Legal, regulatory & compliance		
Legislation or regulatory reforms and risk of non-compliance	The Group is largely unregulated by financial services regulations, although in the UK we have Payment Institution status (through PayPoint Payment Services Limited) which enables the provision of regulated payment services, under the Payments Services Regulations 2009, including certain CashOut services. The Group's agents which offer money transfer on behalf of third party clients are licensed as Money Service Businesses by HMRC. We are subject to Payment Card Industry Data Security Standards regulated by the card schemes. Regulatory reform could increase the cost of the Group's operations or deny access to certain territories in the provision of certain services. Non-compliance with law, regulation, privacy or information security laws could have serious implications in cost and reputational damage to the Group.	The Group's legal department works closely with senior management to adopt strategies to educate 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. A review is underway to ensure that the Group is compliant with the requirements of the General Data Protection Regulations prior to the May 2018 deadline.

Risk area	Potential impact	Mitigation strategies
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.
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 defends vigorously all third party infringement claims.
HR/Personnel		
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 team reviews talent potential twice a year and retention plans are put in place for individuals identified at risk of leaving. Compensation and benefits programmes are competitive and also reviewed regularly.
Economic growth		
Brexit	The effect on inter-company transactions and the Group's international expansion plans may be adversely affected by the outcomes of the negotiations between the UK government and the other member countries during the UK's exit from the European Union.	Due to the current uncertainties of the Brexit negotiations the Group is still considering appropriate mitigation strategies. However, the bulk of the Group's operations and revenues are UK based. Romania and Ireland will remain within the EU and are unlikely to be significantly affected by Brexit.
Foreign exchange fluctuations	As the Group operates in Romania and Ireland, 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.
Product/project management		
Technological changes and increasing competition	The Group operates in a number of geographic, product and service markets that are highly competitive and subject to rapid technological changes, for example the introduction of smart meters, new payment solutions and the movement of UK consumers away from cash payments. 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. 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, MultiPay has been launched.

Viability and going concern statements

The directors consider the Group's viability over a three year period, on an annual basis, as part of their risk monitoring programme. The three year period is considered appropriate as it aligns with the Group's financial planning cycle. In determining the Group's viability its business activities together with factors likely to affect its future development and performance described in the Chief Executive's review on pages 4 to 8 (in particular changes to the Group's structure, strategy and priorities) and the principal risks set out on pages 15 and above were considered. It was determined that none of the individual risks in isolation would compromise the Group's viability and therefore a number of different severe but plausible principal risk combinations were considered. These included the downside scenario of the loss of large clients, slower than anticipated growth in retail services and a quicker than expected decline in the cash payments business. In making the assessment, the directors have also considered the Group's robust capital position, the cash-generative nature of the business, the ability of the company to reduce costs and the access to available credit.

The financial statements have, therefore, been prepared on a going concern basis and the directors have a reasonable expectation that the Group will remain viable over the three year assessment period.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Continuing operations			
Revenue	2	**211,924**	212,556
Cost of revenue	3	**(106,008)**	(106,539)
Gross profit		**105,916**	106,017
Administrative expenses		**(53,640)**	(55,689)
Operating profit before impairments and business disposals		**52,276**	50,328
Impairments	7	**-**	(48,986)
Disposal of businesses	7	**15,660**	7,014
Operating profit after impairments and business disposals		**67,936**	8,356
Share of joint venture result	8	**1,193**	(224)
Investment income		**132**	123
Finance costs		**(120)**	(103)
Profit before tax		**69,141**	8,152
Tax	4	**(9,508)**	(10,247)
Profit / (loss) for the year		**59,633**	(2,095)
Attributable to:			
Equity holders of the parent		**59,622**	(2,111)
Non-controlling interest		**11**	16
		59,633	(2,095)
Earnings / (loss) per share			
Basic	6	**87.5p**	(3.1)p
Diluted	6	**87.2p**	(3.1)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Items that may subsequently be reclassified to the consolidated income statement:			
Exchange differences on translation of foreign operations		**675**	968
Accumulated foreign exchange translation recycled to the income statement (net of nil tax)	7	**2,047**	-
Other comprehensive income for the year		**2,722**	968
Profit / (loss) for the year		**59,633**	(2,095)
Total comprehensive income / (expense) for the year		**62,355**	(1,127)
Attributable to:			
Equity holders of the parent		**62,344**	(1,143)
Non-controlling interest		**11**	16
		62,355	(1,127)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31 March 2017 £000**	31 March 2016 £000
Non-current assets			
Goodwill		**8,236**	8,068
Other intangible assets		**11,867**	8,038
Property, plant and equipment		**27,168**	21,452
Investment in joint venture	8	**-**	1,629
Deferred tax asset		**354**	-
		47,625	39,187
Current assets			
Inventories		**357**	523
Trade and other receivables	9	**98,771**	109,247
Cash and cash equivalents	10	**53,080**	80,831
Assets held for sale		**-**	4,794
		152,208	195,395
Total assets		**199,833**	234,582
Current liabilities			
Trade and other payables	11	**121,603**	140,095
Current tax liabilities		**4,548**	3,487
Liabilities directly associated with assets classified as held for sale		**-**	3,070
		126,151	146,652
Non-current liabilities			
Trade and other payables	11	**537**	-
Deferred tax liability		**-**	67
		537	67
Total liabilities		**126,688**	146,719
Net assets		**73,145**	87,863
Equity			
Share capital	12	**227**	227
Share premium		**2,633**	2,365
Share-based payment reserve		**4,404**	3,956
Translation reserve		**(316)**	(3,038)
Retained earnings		**66,197**	84,467
Total equity attributable to equity holders of the parent		**73,145**	87,977
Non-controlling interest		**-**	(114)
Total equity		**73,145**	87,863

These financial statements were approved by the board of directors and authorised for issue on 25 May 2017 and were signed on behalf of the board of directors.

Dominic Taylor
Chief Executive
25 May 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Share premium £000	Share based payment reserve £000	Translation reserve £000	Retained earnings £000	Total equity attributable to equity holders of the parent £000	Non-controlling interest £000	Total equity £000
Opening equity 1 April 2015		**227**	**1,977**	**3,926**	**(4,006)**	**113,348**	**115,472**	**(130)**	**115,342**
(Loss) / profit for the year		-	-	-	-	(2,111)	(2,111)	16	(2,095)
Exchange differences on translation of foreign operations		-	-	-	968	-	968	-	968
Equity-settled share-based payment expense		-	-	1,660	-	-	1,660	-	1,660
Vesting of share scheme		-	388	(1,630)	-	666	(576)	-	(576)
Dividends		-	-	-	-	(27,436)	(27,436)	-	(27,436)
Closing equity 31 March 2016		**227**	**2,365**	**3,956**	**(3,038)**	**84,467**	**87,977**	**(114)**	**87,863**
Profit for the year		-	-	-	-	59,622	59,622	11	59,633
Exchange differences on translation of foreign operations		-	-	-	675	-	675	-	675
Exchange differences transferred to income statement on sale of business	7	-	-	-	2,047	-	2,047	103	2,150
Equity-settled share-based payment expense		-	-	1,552	-	-	1,552	-	1,552
Vesting of share scheme	13	-	268	(1,329)	-	651	(410)	-	(410)
Deferred tax on share-based payments		-	-	225	-	-	225	-	225
Dividends	5	-	-	-	-	(78,543)	(78,543)	-	(78,543)
Closing equity 31 March 2017		**227**	**2,633**	**4,404**	**(316)**	**66,197**	**73,145**	**-**	**73,145**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Year ended 31 March 2017 £000**	Year ended 31 March 2016 £000
Net cash inflow from operating activities	15	**42,217**	59,014
Investing activities			
Investment income		**132**	123
Purchases of property, plant and equipment		**(12,116)**	(4,633)
Purchases of intangible assets		**(5,335)**	(3,586)
Net proceeds on disposal of businesses		**22,674**	11,966
Net cash from investing activities		**5,355**	**3,870**
Financing activities			
Cash-settled share-based remuneration		**(410)**	(576)
Dividends paid		**(78,543)**	(27,436)
Net cash used in financing activities		**(78,953)**	**(28,012)**
Net (decrease) / increase in cash and cash equivalents		**(31,381)**	**34,872**
Cash and cash equivalents at beginning of year		**83,221**	47,198
Effect of foreign exchange rate changes		**1,240**	1,151
Cash and cash equivalents at end of year	10	**53,080**	83,221

Reconciliation of cash and cash equivalents

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Corporate cash	**32,876**	50,665
Client cash	**20,204**	30,166
Cash and cash equivalents on the statement of financial position	**53,080**	80,831
Cash and cash equivalents included in assets held for sale	**-**	2,390
Cash and cash equivalents on the statement of cash flows	**53,080**	**83,221**

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

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

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2017 or 31 March 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the company's annual general meeting.

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

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

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.

Alternative performance measures
Non-IFRS measures or alternative performance measures are used by the directors and management for performance analysis, planning, reporting and incentive setting purposes and have remained consistent with prior years. These measures are included in these financial statements to provide additional useful information on performance and trends to shareholders.

These measures are not defined terms under IFRS and therefore they may not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures. These measures include net revenue, Retail networks earnings per share and effective tax rate.

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

Net revenue reflects the benefit attributable to PayPoint's performance eliminating pass-through costs and further assists with comparability of performance where PayPoint acts as a principal for some clients and as an agent for others. Net revenue is a reliable indication of contribution on a business sector and product basis and is shown in the operating and financial review.

The reconciliation of revenue to net revenue is as follows:

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Service revenue	**173,880**	179723
Sale of goods	**37,695**	32,833
Royalties	**349**	-
Revenue	**211,924**	212,556
less:		
Retail agent commissions	**(53,645)**	(57,650)
Cost of mobile top-ups and SIM cards as principal	**(32,296)**	(28,082)
Card scheme sponsors' charges	**(2,130)**	(3,191)
Net revenue	**123,853**	123,633

Reconciliation from the Group statutory income statement to Retail networks

Following the sale of Mobile and Online, the ongoing business of the Group is Retail networks. In order to assist users, a reconciliation has been presented of the Group's results for the year from Group's statutory income statement to Retail networks to aid with the users' understanding of the results for the year. Neither Mobile nor Online met the definition of a discontinued operation set out in IFRS 5 Non-current assets held for sale and discontinued operations as each did not constitute a separate major line of business.

For the year ended 31 March 2017	Statutory result £000	Less Mobile and Online £000	Less Collect+ £000	**Retail networks £000**
Revenue	211,924	(8,495)	-	**203,429**
Cost of revenue	(106,008)	3,348	-	**(102,660)**
Gross profit	105,916	(5,147)	-	**100,769**
Administrative expenses	(53,640)	6,131	-	**(47,509)**
Operating profit before impairments and business disposals	52,276	984	-	**53,260**
Impairments	-	-	-	**-**
Profit on disposals business	15,660	(19,503)	3,843	**-**
Operating profit after impairments and business disposals	67,936	(18,519)	3,843	**53,260**
Share of joint venture result	1,193	-	(1,193)	**-**
Investment income	132	-	-	**132**
Finance costs	(120)	11	-	**(109)**
Profit before tax	69,141	(18,508)	2,650	**53,283**
Tax	(9,508)	-	-	**(9,508)**
Profit for the year	59,633	(18,508)	2,650	**43,775**

For the year ended 31 March 2016	Statutory result £000	Less Mobile and Online £000	Less Collect+ £000	**Retail networks £000**
Revenue	212,556	(16,160)	-	**196,396**
Cost of revenue	(106,539)	4,841	-	**(101,698)**
Gross profit	106,017	(11,319)	-	**94,698**
Administrative expenses	(55,689)	13,754	-	**(41,935)**
Operating profit before impairments and business disposals	50,328	2,435	-	**52,763**
Impairments	(48,986)	48,986	-	**-**
Profit on disposals of business	7,014	(7,014)	-	**-**
Operating profit after impairments and business disposals	8,356	44,407	-	**52,763**
Share of joint venture result	(224)	-	224	**-**
Investment income	123	-	-	**123**
Finance costs	(103)	23	-	**(80)**
Profit before tax	8,152	44,430	224	**52,806**
Tax	(10,247)	-	-	**(10,247)**
Profit for the year	(2,095)	44,430	224	**42,559**

Significant accounting policies
Cost of revenue
In the current year 'cost of sales' has been renamed 'cost of revenue' to better reflect the nature of the costs included in this category. The costs allocated to this category are consistent with prior year's allocations.

Cost of revenue primarily consists of expenses related to delivering our services and products. These include commissions payable to retailers, cost of mobile top-ups and SIM cards (where PayPoint is principal), card scheme sponsors' charges, transaction costs, terminal and ATM maintenance costs, telecommunications costs, field service/customer service employee costs and depreciation and amortisation.

Joint arrangements
A joint arrangement is an arrangement in which two or more parties have contractually agreed to sharing of control of an arrangement which requires the unanimous consent when making decisions about the relevant activities.

Joint arrangements are classified as either:
- A joint venture whereby the Group has the right to net assets through joint control with third parties; or
- A joint operation whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

Joint ventures are accounted for using the equity method, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets.

Joint operations are accounted for by recognising, in relation to the interest in the joint operation:
- the assets, including its share of any assets held jointly;
- the liabilities, including its share of any liabilities incurred jointly;
- the revenue from the sale of its share of the output arising from the joint operation;
- the share of the revenue from the sale of the output by the joint operation; and
- the expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

2. Segment reporting
As explained in the operating review on page 10, the Group provides a number of different services and products, however these do not meet the definition of different segments under IFRS 8 and the Group has only one operating segment.

Geographical information

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Revenue		
UK	**161,664**	168,172
Ireland	**5,110**	6,371
Romania	**39,765**	31,956
North America	**4,459**	5,303
France	**926**	754
Total	**211,924**	212,556

Non-current assets (excluding deferred tax)

	31 March 2017 £000	31 March 2016 £000
UK	**38,164**	30,143
Romania	**9,107**	9,044
Total	**47,271**	39,187

3. Cost of revenue

In the current year 'cost of sales' was renamed to 'cost of revenue' to better reflect the nature of the costs included in this category. The costs allocated to this category are consistent with prior year's allocations.

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Commission payable to retail agents	**53,645**	57,650
Cost of mobile top-ups and SIM cards as principal	**32,296**	28,082
Card scheme sponsors' charges	**2,130**	3,191
Depreciation and amortisation	**7,473**	5,784
Other	**10,464**	11,832
Total cost of revenue	**106,008**	106,539

4. Tax

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Current tax		
Charge for current year	**10,596**	9,909
Adjustment in respect of prior years	**(892)**	(860)
Current tax charge	**9,704**	9,049
Deferred tax		
Charge for current year	**-**	420
Adjustment in respect of prior years	**(196)**	778
Deferred tax charge	**(196)**	1,198
Total income tax		
Income tax charge	**9,508**	10,247

The income tax charge is based on the United Kingdom statutory rate of corporation tax for the year of 20% (2016: 20%). The charge for the year is reconciled below to the profit before tax as set out in the consolidated income statement.

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Profit before tax	**69,141**	8,152
Tax at the UK corporation tax rate of 20% (2016: 20%)	**13,828**	1,630
Tax effects of:		
Losses in countries where the tax rate is different to the UK	**(213)**	(228)
Disallowable expenses/(non-taxable income)	**107**	(52)
Utilisation of tax losses not previously recognised	**-**	(38)
Losses in companies where a deferred tax asset was not recognised	**-**	459
Adjustments in respect of prior years	**(1,088)**	(43)
Tax impact of share-based payments	**(10)**	208
Revaluation of deferred tax asset due to change in tax rate	**16**	(25)
Disallowable loss on Collect+ arrangement	**769**	-
Disallowable impairments and profit on disposal	**(3,901)**	8,336
Actual amount of tax charge	**9,508**	10,247

Profit before tax for purposes of calculating the effective tax rate is as follows:

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Profit before tax	**69,141**	8,152
Impairments	**-**	48,986
Profit on disposals	**(15,660)**	(7,014)
Profit before tax for purposes of calculating the effective tax rate	**53,481**	**50,124**

5. Dividends per share

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Equity dividends on ordinary shares:		
Interim ordinary dividend paid of 15.0p (2016: 14.2p) per share	**10,218**	9,667
Proposed final ordinary dividend of 30.0p (2016: 28.2p) per share	**20,436**	19,199
Interim additional dividend paid 12.2p per share	**8,333**	-
Additional final dividend 24.5p per share	**16,667**	-
Disposal dividend 38.9p (2016: 21.0p) per share	**26,493**	14,300
Total dividends paid and recommended	**82,147**	43,166
Amounts distributed to equity holders in the year:		
Final ordinary dividend for the prior year	**19,199**	17,769
Interim ordinary dividend for the current year	**10,218**	9,667
Interim additional dividend for the current year	**8,333**	-
Disposal dividend	**40,793**	-
	78,543	27,436

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

6. Earnings / (loss) per share

Basic and diluted earnings per share are calculated on the following profit / (loss) and number of shares:

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Profit / (loss) for statutory basic and diluted earnings per share is the net profit / (loss) attributable to equity holders of the parent	**59,622**	(2,111)
Adjustments:		
(Profit) / loss related to Mobile and Online (note 2)	**(18,508)**	44,430
Non-controlling interest	**11**	16
Loss related to Collect+ (note 2)	**2,650**	224
Profit for the purpose of basic and diluted earnings per share (Retail networks)	**43,775**	42,559

	31 March 2017 Number of shares	31 March 2016 Number of shares
Weighted average number of ordinary shares in issue (for statutory and Retail networks' basic earnings per share)	**68,118,438**	68,080,179
Potential dilutive ordinary shares:		
Long-term incentive plan	**190,484**	-
Deferred share bonus	**59,725**	147,156
SIP and other	**373**	-
Weighted average number of ordinary shares in issue (for statutory and Retail networks' diluted earnings per share)	**68,369,020**	68,227,335

7. Impairments and disposal of businesses

In the current year (23 December 2016) the Group disposed of its interest in the mobile payments business which comprised PayByPhone Technologies Inc., PayByPhone Limited, Mobile Payment Services SAS and Adaptis Solutions Limited. Included in the Group's results in the current year was a net loss of £1.0 million (2016: £2.2 million) related to Mobile's operations up to the date of its sale.

In the prior year (8 January 2016) the Group disposed of the online payments business. Included in the Group's results in the prior year was a net loss from the online business of £0.2 million.

The profit on disposal of these businesses is set out as follows:

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Other intangible assets	**-**	4,258
Property plant and equipment	**614**	178
Deferred tax asset	**-**	43
Trade and other receivables	**2,830**	1,313
Cash and cash equivalents	**1,959**	334
Trade and other payables	**(3,063)**	(840)
Net carrying value of disposed businesses	**2,340**	5,286
Exchange differences recognised in equity	**2,047**	-
Non-controlling interests	**103**	-
Gain on disposal	**19,503**	7,014
Total consideration	**23,993**	12,300
Satisfied by:		
Gross consideration	**26,500**	14,300
Disposal costs	**(2,507)**	(2,000)
	23,993	12,300
Net cash inflow arising on disposal:		
Gross consideration received	**26,500**	14,300
Less: disposal costs paid	**(1,596)**	(2,000)
Less: cash and cash equivalents disposed of	**(1,959)**	(334)
	22,945	11,966

Net profit / (loss) on disposal

Together with the loss on disposal of Drop and Collect Limited (note 8), the profit / (loss) resulting from the disposal of businesses is shown below:

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Disposal of Online	**-**	7,014
Disposal of Mobile	**19,503**	-
Disposal of Drop and Collect Limited (note 8)	**(3,843)**	-
	15,660	7,014

Impairments

In the year no goodwill impairments were recognised. In the prior year the carrying value of the Mobile and Online assets were tested for impairment with impairments recorded as follows:

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Online	**-**	18,207
Mobile	**-**	30,779
	-	48,986

8. Joint arrangements

Joint venture

On 15 December 2016, PayPoint entered into an arrangement with Yodel Delivery Network Limited ("Yodel") regarding its investment in Drop and Collect Limited. The arrangement included the formation of the Collect+ Group consisting of Collect+ Holdings Limited, held 50:50 by PayPoint and Yodel, and its wholly owned subsidiary Collect+ Brand Limited. Yodel and PayPoint sold their respective investments in Drop and Collect Limited to Collect+ Holdings Limited. The Collect+ brand was transferred from Drop and Collect Limited to Collect+ Limited. Drop and Collect Limited was then sold to Yodel. This resulted in PayPoint retaining its 50% share in the Collect+ brand but disposing of its share in the remaining operations and assets of Drop and Collect Limited. The result of the Group's share of Drop and Collect Limited up to the date of disposal as follows:

	31 March 2017 £000	31 March 2016 £000
Opening balance	**1,629**	1,853
Result for the year	**1,193**	(224)
Carrying value de-recognised at the date of sale	**(2,822)**	-
Closing balance	**-**	1,629

PayPoint's share of aggregated amounts relating to joint ventures	**Year ended 31 March 2017 £000**	Year ended 31 March 2016 £000
Revenues	**21,393**	24,794
Result for year	**1,193**	(224)

The loss recognised relating to the sale of Drop and Collect Limited was as follows:

	Year ended 31 March 2017 £000
Net carrying value of Drop and Collect Limited prior to disposal	**2,822**
Disposal costs	**1,021**
Loss on disposal	**3,843**
Gross cash inflow arising on disposal	**-**
less disposal costs paid	**(271)**
Net cash outflow from the disposal of Drop and Collect Limited	**(271)**

Joint operation

The new joint operation, the Collect+ Group, has licenced the use of the Collect+ brand to both Drop and Collect Limited (now a wholly owned subsidiary of Yodel) and PayPoint. In consideration, PayPoint and Drop and Collect Limited will pay royalties to the joint operation for each parcel they introduce to the Collect+ network. The royalties in the arrangement will then be distributed equally to Yodel and PayPoint on a regular basis.

The only source of revenue for the Collect+ Group in the period was the royalty income received from licencing the brand to Drop and Collect Limited. The Group's share of £0.3 million has been included in revenue and there were no operating costs incurred by the arrangement.

9. Trade and other receivables

	31 March 2017 £000	31 March 2016 £000
Trade receivables[1]	**14,743**	18,645
Items in the course of collection[2]	**78,340**	83,252
Revenue allowance[2]	**(3,640)**	(2,803)
	89,443	99,094
Other receivables	**1,161**	1,071
Prepayments and accrued income	**8,167**	9,082
	98,771	109,247

1 The average credit period on the sale of goods is 25 days (2016: 33 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 £13.5 million of this balance at 31 March 2017 (2016: £17.8 million). 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 £47,300 has been collected from retailers.

10. Cash and cash equivalents

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.

Included within Group cash and cash equivalents are balances relating to funds collected on behalf of clients where PayPoint has title to the funds (client cash). An equivalent balance is included within trade payables (note 11).

11. Trade and other payables

	31 March 2017 £000	31 March 2016 £000
Amounts owed in respect of client cash[1]	**20,204**	21,539
Settlement payables[2]	**78,340**	83,252
Client payables	**98,544**	104,791
Trade payables[3]	**6,019**	22,920
Other taxes and social security	**2,406**	1,540
Other payables	**2,047**	1,867
Accruals	**12,383**	8,058
Deferred income	**741**	919
	122,140	140,095

Disclosed as:

Current	**121,603**	140,095
Non-current	**537**	-
Total	**122,140**	140,095

1 Relates 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.

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

3 The Group aims to pay its creditors promptly, in accordance with terms agreed for payment. The Group had 22 days purchases outstanding at 31 March 2017 (2016: 27 days) based on the average daily amount invoiced by suppliers during the year.

12. Share capital

	31 March 2017 £000	31 March 2016 £000
Authorised share capital		
4,365,352,200 ordinary shares of 1/3p each	**14,551**	14,551
Allotted and fully paid share capital		
68,133,611 (2016: 68,080,179) ordinary shares of 1/3p each	**227**	227

13. Share based payments

The total charge of £1.3 million recognised directly in equity for the LTIP 2013, which lapsed, and DBS scheme, which vested, was transferred from share-based payments reserve to retained earnings during the period. On 2 June 2016 the 2016 LTIP award was granted with vesting based on a TSR performance over a three-year period ending on 2 June 2019. The performance period and the vesting period are the same. The number of shares granted was 271,508.

14. Related party transactions

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

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Short term benefits and bonus[1]	2,162	1,570
Pension costs[2]	235	219
Long term incentives[3]	445	353
Other[4]	29	9
Total	2,871	2,151

1 Includes salary, fees, benefits in kind and annual bonus.
2 Defined contribution pension scheme, of which two current directors are members.
3 Long term incentives: includes the value of 2014 DSB and LTIP awards expected to vest after the year end (2016: 2013 DSB and LTIP awards).
4 SIP matching and dividend shares awarded in the year.

Amounts received from Drop and Collect Limited during the year totalled £17.8 million (2016: £13.3 million) and PayPoint held a trade debtor at year end of £0.6 million (2016: £0.5 million).

15. Notes to the consolidated statement of cash flows

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Profit before tax	**69,141**	8,152
Adjustments for:		
Depreciation of property, plant and equipment	**5,302**	4,698
Amortisation of intangible assets	**2,171**	1,086
Share of joint venture result	**(1,193)**	224
Research and development credit	**(171)**	(522)
Impairments	**-**	48,986
Profit on disposal of businesses	**(15,660)**	(7,014)
Loss on disposal of fixed assets	**414**	25
Net interest income	**(12)**	(20)
Share-based payment charge	**1,552**	1,442
Operating cash flows before movements in working capital	**61,544**	57,057
movement in inventories	**196**	193
movement in receivables	**(338)**	(1,500)
movement in payables		
– client cash	**(11,641)**	17,762
– other payables	**1,219**	(4,516)
Cash generated by operations	**50,980**	68,996
Corporation tax paid	**(8,643)**	(9,877)
Bank charges paid	**(120)**	(105)
Net cash from operating activities	**42,217**	59,014

Movements in items in the course of collection (see note 9) and settlement payables (see note 11) have not been included in this reconciliation as the directors do not consider them to be operating working capital balances.

TRADING HISTORY

	Year ended March									
	2008 £m	**2009 £m**	**2010 £m**	**2011 £m**	**2012 £m**	**2013 £m**	**2014 £m**	**2015 £m**	**2016 £m**	**2017 £m**
Revenue	212.1	224.4	196.6	193.2	200.0	208.5	212.2	218.5	212.6	211.9
Net revenue	69.9	77.4	77.4	82.7	90.4	105.7	113.7	123.1	123.6	123.9
Profit before tax[1]	**30.4**	**34.6**	**32.6**	**34.5**	**37.2**	**41.3**	**46.0**	**49.6**	**50.1**	**53.5**
Tax	9.4	10.8	10.5	10.6	10.3	10.3	10.1	10.4	10.3	9.5
Profit after tax	**21.0**	**23.8**	**22.1**	**23.8**	**26.9**	**31.0**	**35.9**	**39.1**	**39.8**	**44.0**
Earnings per share[1]										
Basic	31.1p	35.6p	32.9p	35.2p	39.8p	45.7p	52.9p	57.6p	58.6p	64.2p
Diluted	30.8p	35.3p	32.7p	35.1p	39.8p	45.3p	52.6p	57.4p	58.4p	63.9p
Dividend per share (excluding special dividends)	10.4p	11.6p	21.8p	23.4p	26.5p	30.4p	35.3p	38.5p	42.4p	45.0p

This table does not form part of the audited financial statements or notes (as listed in the Independent Auditor's Report in the company's statutory accounts for the year ended 31 March 2017).

[1] 2017 profit before tax and earnings per share excludes the profit on disposal of Mobile of £19.5 million and the loss on the Collect+ restructure of £3.8 million (2016: impairments of £49.0 million and the profit on disposal of the online payments business of £7.0 million).

ABOUT PAYPOINT

We support market leading national networks across 40,400 convenience stores in the UK and Romania so that our customers are always close to a PayPoint store. In thousands of locations, as well as at home or on the move, people use us better to control their household finances, essential payments and in-store services, like parcels. Our UK network contains more branches than all banks, supermarkets and Post Offices together, putting us at the heart of communities for over 10 million regular weekly customers.

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

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

Multichannel payments

MultiPay is our multichannel payment service, offering consumer service providers a ready-made solution for their full range of payments via app, web, phone, text and IVR, complementing our cash in store services.

Clients benefit from streamlining their consumer payment processing and transaction routing in a seamlessly integrated and cost-effective solution. The services are available either as a full portfolio or by the client's choice of preferred channels, including our app which has a 4 star rating on the Google Play and Apple App Stores. Clients can choose to access our services as a full outsourced model or by linking their own digital solutions to our MultiPay payment suite.

MultiPay is particularly targeted to serve the rollout of smart meters within the energy market. For example, our service has helped Utilita to become the fastest growing, challenger prepay energy supplier and we have also signed several other energy companies, including SSE, our first Big 6 energy client. Among other relevant sectors, MultiPay is available to the local authority and social housing sectors through a framework with Procurement for Housing.

Retail networks

In the UK, our network includes over 29,200 local shops including Co-op, Spar, Sainsbury's Local, Tesco Express and thousands of independent outlets. These outlets are quick and convenient places to make energy meter prepayments, bill payments, benefit payments, mobile phone top-ups, transport ticket payments, TV licence payments, cash withdrawals and more.

Our Romanian network continues to grow profitably. We have more than 11,300 local shops, helping people to make cash bill payments, money transfers, road tax payments and mobile phone top-ups. Our clients include all the major utilities and telcos and many other consumer service companies.

In the UK, our Collect+ network offers parcel collection and return services in over 6,100 convenient outlets. Customers use Collect+ for their parcels from major retailers including Amazon, eBay, ASOS, New Look, John Lewis, House of Fraser, M&S and Very. The Collect+ brand is jointly owned with Yodel.

The UK network also includes over 4,100 LINK branded ATMs, and 10,000 of our terminals enable retailers to accept debit, credit and contactless payments, including Apple Pay. We operate over 4,100 Western Union agencies in the UK and Romania for international and domestic money transfers.

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[i] www.link.co.uk/about-link/statistics/
[ii] Payments UK: 2016 UK Payment Markets – Summary
[iii] Department for Business, Energy, & Industrial Strategy: Smart Meters Quarterly Report to end December 2016
[iv] Competition and Markets authority: Modernising the Energy Market 24 June 2016