PayPoint plc
Preliminary results
Year ended 31 March 2014

HIGHLIGHTS

	52 weeks ended 31 March 2014	53 weeks ended 31 March 2013	Increase[2]
Revenue	**£212.2m**	£208.5m	1.7%
Net revenue[1]	**£113.7m**	£105.7m	7.7%
Gross margin	**45.7%**	43.0%	2.7ppts
Operating profit[3]	**£45.4m**	£41.0m	10.6%
Profit before tax	**£46.0m**	£41.3m	11.5%
Diluted earnings per share	**52.6p**	45.3p	16.1%
Dividend per share (full period)[4]	**35.3p**	30.4p	16.1%

Retail Payments and Services and Collect+
- UK & Ireland retail network net revenue increased 6.0%, with continued strong growth in retail services supported by the expansion of the network
- Romanian bill payment transactions were up 53.5% to 39.1 million, increasing profitability
- Collect+ profitable and now available in 5,600 sites with transactions up 76.4% to 13.6 million

Mobile and Online *(PayPoint.net, PayByPhone and Adaptis)*
- Merged into one business
- Mobile increased transactions to over 32 million, up 44.7%
- Online transactions have grown by 8.7%
- Acquired Adaptis in February 2014

Group
- Record group transaction volume at 768 million, up 3.9%, with growth in Retail and Mobile and Online channels
- Proposed final dividend of 23.9p, up 18.3% on prior period[4], reflects the board's confidence in the business
- Launched new brand

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A presentation for analysts is being held at 11.45am today (29 May 2014) at Finsbury Group, Tenter House, 45 Moorfields London EC2Y 9AE

This announcement is available on the PayPoint plc website: www.paypoint.com

1. Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint, which are recharged to clients and merchants. These costs include retail agent commission, card payment merchant service charges and costs for the provision of call centres for mobile parking clients. Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group.
2. The reported period of 1 April to 31 March 2014 contains 365 days. In the 2012 annual report, we announced we would move reporting to a calendar year basis from the last Sunday in the month of March. Comparative data is given for the 371 day period reported last year (i.e. 26 March 2012 to 31 March 2013). The impact of the extra week last year is generally to reduce stated growth by between 1 to 3 percentage points.
3. Operating profit including our share of joint venture results and excluding the £0.2m (2013: nil) costs associated with the acquisition of Adaptis Solutions Limited in the year.
4. Excludes special dividend in 2013.

CHAIRMAN'S STATEMENT

I am pleased to report strong growth in net revenue and operating profits for the year under review. We are proposing a final dividend of 23.9p per share, an increase of 18.3% on the dividend last year, excluding the 15.0p special dividend.

Our retail networks in the UK, Ireland and Romania delivered profitable growth from our strong client base and breadth of services. Prepaid energy transactions were in line with last year, despite warmer winter weather which reduced gas consumption. The reported growth rate was reduced by there being an extra six days of trading in the prior period. Retail services transaction growth was 25.1%. In Romania, bill payment transactions have grown 53.5%, as we added new clients including RCS & RDS, branded as DIGI, a pay TV and communications supplier and one of Romania's biggest bill issuers, and grew strongly in existing clients.

The market for mobile top-ups continues to decline in all three markets. In Romania, network expansion has countered the market decline. Mobile top-ups accounted for 13.9% of total group net revenues. The Simple Payment service for the DWP has contributed to growth in transactions, but volume has been lower than originally anticipated, as much of the cheque volume the service replaced migrated to other payment methods. Our UK field force has grown the network and driven sales of retail services to increase our average retail yield per site. We are developing a multi-channel product to address the payment challenges faced by utilities, as a result of the UK Government mandated change to smart meters by 2020, building on the credentials we already have in providing online payment solutions for prepayment meters.

Our Collect+ joint venture is now profitable. Parcel transactions rose 76.4% to 13.6 million (2013: 7.7 million) and outlet numbers expanded to 5,600. Collect+ has increased the number of clients served by 54 to 266 by 31 March 2014. We have introduced a new standard two day delivery service in addition to the economy three to five day service and continue to invest in service improvements to encourage growth.

Our Mobile and Online channels, have been combined into one business under our unified group brand and we have strengthened management to address the substantial opportunities available in digital commerce. Transaction growth in the year was 15.8% and net revenue growth 7.7%, with strong growth in mobile net revenue. Transaction growth was mainly from larger merchants, or newer parking clients, who have lower than average net revenues per transaction. Through mobile payments, we gain valuable insight into the development of mobile commerce and although we have continued to grow net revenues and win new clients, including the provision of services for 155,000 parking spaces in central Paris, this remains an early stage venture. In February, we acquired Adaptis, which provides a range of complementary parking services, including electronic parking permits, automatic number plate recognition systems for car parks and penalty charge notices. This small acquisition will strengthen our leading position in mobile parking payments, expanding our range of innovative parking products into off-street locations, fines and permits, and improving our capability to bid for bundled contracts. We also have the potential to extend into other mobile commerce areas, but this will require expenditure in development and marketing.

We have continued to invest in technology. We are in the process of migrating services to the two new data centres we started to fit out in the last financial year. Our objective is to move all systems and transaction processing to the new data centres over the next two years. We have introduced single daily settlement to our retailers, reducing retailer banking costs and our exposure to retail agent debt. As leading suppliers of retail technology, we are researching the functionality for our next generation of point of sale infrastructure, which in due course will replace existing terminals. In Mobile and Online, we are planning to replace and upgrade our internet gateway platform over the next two years and we are developing our technology, which will open the platform to mobile services other than parking.

For the current financial year, trading is in line with the company's expectations. Our retail networks in the UK and Romania should continue to deliver profitable growth from our strong client base and breadth of services. We will continue to invest in network expansion, innovative technology and new services to improve the quality of these retail networks to enhance their competitive advantages and our retail yield. Mobile and Online is an essential element of our strategy to provide multi-channel payments and services, placing us in fast growing markets and providing a bridge from cash to electronic payments. Together, our businesses provide a strong foundation to deliver value for our shareholders.

Andrew Robb, who has served on the board since 2004, was formerly Chairman of the audit committee and is Chairman of the remuneration committee and Senior Independent Director, will retire at the annual general meeting. I would like to thank Andrew for his service and wish him a long and happy retirement.

I am retiring from the end of the forthcoming annual general meeting after serving as Chairman of PayPoint for sixteen years. I have much enjoyed working with the management, in whose very capable hands, together with my successor, Warren Tucker and our non-executive directors, I confidently leave the development of the business.

David Newlands
29 May 2014

CHIEF EXECUTIVE'S REVIEW

David Newlands will be retiring at the annual general meeting in July after more than sixteen years of service as Chairman. Over this period, he has provided strong leadership in the development of PayPoint as the company has evolved from a fragile start-up to the robust multi-channel international payments and services business of today. On behalf of the company, I would like to thank David for the significant contribution he has made to our success and all of us at PayPoint wish him a happy retirement.

PayPoint has continued to deliver earnings growth, in another busy year, in which our businesses have made good progress. Retail Payments and Services (UK, Ireland, Romania) and Collect+ have grown and strengthened their positions in their markets. We have combined PayByPhone, PayPoint.net and the recently acquired Adaptis, to create PayPoint Mobile and Online. This brings mobile and online payment into the centre of our group capability alongside retail payments and services and reinforces our unique multi-channel payment capability, ready to service the needs of our clients, retailers and merchants.

A single proposition with a new modern identity

We launched the rebranding of the company on 20 May 2014. The context for our new identity is that the world around us is changing, in particular in the ways consumers shop, pay for and acquire products and services. Much of this is being driven by technology (smart mobile devices, faster internet access speeds, increasing connectivity), which is empowering consumers to demand more choice and convenience. As a result, many consumers will no longer want to have their relationship with a service organisation defined by a single payment channel. They prefer to use information rich apps that can be accessed anywhere and anytime embedded with frictionless payment functionality.

These dynamics create increasing complexity for consumer service organisations as they seek to develop platforms to meet these new consumer needs. We are well placed to help our clients to deliver the simplified solutions that their consumers want using our multi-channel payment capability (distinctively with strength in mobile, online and retail). Our experience in developing successful consumer apps in parking, which serve millions, and our innovative fulfilment solution Collect+, also demonstrates our understanding of these evolving consumer dynamics.

We are also refreshing our brand, originally created to target cash paying consumers in shops, to one which is more modern and effective for the multi-channel payment solution that now sits at the heart of PayPoint's offer. Our new logo will be more relevant to all consumers, across all payment channels. The new logo has been recently launched in all B2B relationships and will roll out to our consumer audiences in parking later this year. This new identity communicates all channels through a single brand emphasising the full spectrum of our services. For example, it helps to position our multi-channel offer to the utility sector, as smart meters start to be rolled out to UK households, for which we have already developed a prototype solution integrating mobile apps with web and retail, all with a consistent look and feel to the consumer.

Retail Payments and Services

We have made good progress in the year within our retail businesses. PayPoint's market leadership in retail payments and services remains at the core of our success. We continue to be strongly differentiated through the unique quality and breadth of our client base and retail coverage. This allows us to contract with the best convenience retailers and seek to extend the range of payments and services that we provide, delivering new retail schemes that drive footfall and commission earnings to our retail partners and securing their continuing loyalty.

In the UK and Ireland, convenience retailing is increasingly becoming the first choice for many busy consumers looking for quality products and services. The sector continues to benefit from substantial investment in premises and upgraded product ranges. PayPoint sits at the core of this transformation as the principal innovator of in-store payments and services, to local communities. We have continued to improve technology in store by the introduction of PayPoint Point of Sale, the software version of our terminal on retailers' till systems, notably to the Co-Operative Group and by placing broadband connected terminals which process transactions more quickly. We continue to extend our retail coverage in the UK and Ireland towards 30,000 sites, whilst growing the average yield per site. Our focus on retail services has enabled us increasingly to become the preferred technology gateway for the convenience sector.

Romania has made good progress with strong transaction growth, as we increase our share of over the counter bill payment, driving better profitability. We continue to roll out further sites to get ever closer to where consumers live and work. We are evaluating new retail services to complement our international money transfer proposition, that is developing well through about 1,400 of our sites. The prospects for Romania continue to be good, with the opportunity to extend our share of payments, develop our retail services proposition and start to introduce the group's new multi-channel payment capability to our Romanian client base.

Collect+

This exciting UK retail service, a 50:50 joint venture with Yodel, has developed well over the year with annual parcel volumes growing 76.4%. The company is now in profit and we continue to invest in the proposition and network to support its growth, with an ultimate goal to provide a larger parcel network than the Post Office. Collect+ does not have the same characteristic operational gearing in its business model as PayPoint, as variable costs are much higher. This together with cost increases, including marketing will affect profit, although PayPoint Retail Services will continue to benefit from increased volumes and taken together, the parcels service will continue to increase profit to PayPoint. We attract the best online retailers to the Collect+ service including Amazon, eBay, ASOS, New Look, Boden, John Lewis, House of Fraser, M&S, Asda Direct and Very. The growth of Click & Collect is particularly encouraging.

Mobile and Online

PayByPhone, PayPoint.net and our recent acquisition Adaptis, have been combined into the newly launched PayPoint Mobile and Online. The business is operating under a new single management team and is at the heart of PayPoint's multi-channel strategy. Our ability to understand and engage with the consumer, together with our B2B strength in more traditional transaction processing and value added services, gives us strength and differentiation within the payment sector. Already, we offer internet payment services to our parking clients and mobile payment services to our internet payment clients. We have continued to win large new clients including the City of Paris, although NSL's winning bid for Westminster, did not include our PayByPhone service and this loss will delay profitability for Mobile and Online.

As Mobile and Online has its own customer base of several million consumers in parking, it is well positioned to earn revenues from both consumers and merchants with the potential for new business models beyond transaction revenues. We aim to sell more products to our B2B clients, to generate more sources of revenue per consumer and to have a greater proportion of transactions, where we own the consumer experience.

Consumers

PayPoint has traditionally served consumers though our B2B relationships and we remain, essentially, a B2B2C company in our approach. Our innovation has taken us into services, which have a direct relationship with consumers, such as in parking and Collect+, both of which have growing consumer bases. In addition, some 12 million transactions from unregistered consumers cross our retail counters in an average week and our brand awareness, consumer satisfaction and net promoter ratings are high, endorsed by feedback from our more recent social networking activities. We are working hard to drive greater insight into consumer behaviour and needs, with a view to extending our consumer base and driving further value to them.

Dominic Taylor
Chief Executive
29 May 2014

STRATEGY AND BUSINESS MODEL

Our prime focus is to engage with clients, retailers, merchants and consumers across a multi-channel payment spectrum. This strategic evolution recognises that consumers demand increasing access and convenience and that clients need trusted partners to simplify the complexity of multi-channel payments and services.

In order to increase focus on our offer, we have combined PayByPhone and our internet payments into a new Mobile and Online business, which brings together our highly successful consumer facing mobile apps and services with our deep expertise in card not present payment processing, helping web merchants to transact with their customers across all digital interfaces.

We have also refreshed our brand to create a dynamic identity, which works well in all channels and ensures that the full breadth of our proposition is conveyed to clients, beyond any individual channel or service which attracted them originally.

In all of the vertical sectors in which we specialise – energy, telecoms & media, financial, gaming, public sector, parking & transport, retail, the nature of service delivery is being transformed away from restricted access to fully integrated platforms offering multiple touch points. On PayPoint platforms, payments will increasingly flow as part of the customer service experience, as a consequence of, rather than as an interruption to, the consumers' choices. Integrated service delivery can also extend to fulfilment through Collect+, where appropriate.

An example of this evolution is the advent of smart metering for energy companies, which will significantly expand the prepayment sector in which we are market leaders, but will require flexibility beyond retail cash payments by extension into mobile and online channels. PayPoint is well placed to deliver these multi-channel solutions.

Also, our market leadership in mobile parking gives us a strong platform to extend into broader urban mobility solutions. For example, in Nice we also handle payments for bike and electric vehicle hire, and public transport schemes through a city wide passport application. Mass transportation schemes will extend demand for retail cash solutions.

It follows that, to stay ahead in our chosen markets, we need to engage clients across this broader multi-channel scope.

In addition to our core payment expertise, we bring consumer insight to our solutions for clients. We have created a number of highly popular and heavily used consumer services throughout our history. Across each of the retail, mobile and online channels we handle millions of transactions with a value of billions of pounds, demonstrating our ability to create and deliver successful large scale consumer payment schemes in partnership with our clients and directly. We aim to use our consumer insight to continue to add value to our client offers and, where appropriate, to build our own direct propositions, enabling registered customers to benefit from a broad range of PayPoint services.

In summary, our multi-channel delivery builds through three levels:

1. Core payments and services wherever you see the PayPoint logo – simplified multi-channel consumer propositions for clients
2. Product and service diversification using our vertical market expertise, to maintain and extend our differentiation
3. Generating additional shareholder value through services building on our consumer insight

We already provide services in the UK & Ireland, USA, France, Canada, Romania, Switzerland, Australia and for multi-national merchants. We aim to extend our international reach. Our Mobile and Online channel is international by its nature and this will continue and widen. Our Retail Payments and Services are based in selected domestic markets. We are ready to consider further international retail expansion building on our successful experiences in Romania.

In countries where we offer retail networks, we increase retail yield through delivering and extending a portfolio of retail services further demonstrating the success of our product and service diversification.

We recognise that many businesses are investing in mobile and online solutions and that success will only come from those who really understand the consumer, can be trusted to deliver by the client and have a strongly differentiated and relevant offer. We believe that we have these attributes through our unique strength across traditional retail and newer digital channels, our ability to bring new popular B2B2C services to market, our proven technology and our pedigree in building and operating successful services at scale.

Further information about our business model can be found on page 31 in the section entitled "About PayPoint".

KEY PERFORMANCE INDICATORS

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

Measuring our performance

Strategic focus	KPI	Description	2014	2013
Shareholder return	Earnings per share (diluted)	Profit after tax attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period (including the impact of shares which are likely to be issued under share schemes).	**52.6p**	45.3p
	Dividends per share	Proposed final dividend and interim dividend divided by the number of fully paid shares at the end of the period (excludes special dividend in 2013).	**35.3p**	30.4p
	Economic profit	Operating profit (including PayPoint's share of joint venture results and excluding exceptional costs, relating to the cost of acquisitions) after tax and a charge for capital employed, excluding cash, based upon the group's cost of capital.	**£28.1 million**	£24.0 million
Growth	Retail networks transactions	Number of transactions processed in the period on our terminals, ATMs and on our retailers' EPoS systems.	**635.4 million**	624.8 million
	Mobile and Online transactions	Number of transactions processed in the period by Mobile and Online.	**132.2 million**	114.1 million
	Transaction value	The value of transactions processed via our terminals, retailers' EPoS systems,online merchants, ATMs, mobile payments and the sale of other retail services.	**£14.7 billion**	£14.1 billion
	Net revenue	Revenue less: commissions paid to retail agents; the cost of mobile top-ups and SIM cards where PayPoint is principal; acquiring bank charges and call centre costs recharged to clients.	**£113.7 million**	£105.7 million
	Operating margin	Operating profit including our share of joint venture results and excluding exceptional costs, relating to the cost of acquisitions, as a percentage of net revenue.	**39.9%**	38.8%
Asset optimisation	Return on capital employed	Total operating profit for the period divided by average month end capital employed (net assets excluding cash).	**62.6%**	60.8%
	Growth in retail networks yield per site	Growth in net revenue from retail networks, excluding Simple Payment service set up, divided by the average number of sites in the period.	**3.9%**	8.7%
People	Labour turnover	Number of permanent employees who left during the period divided by average total permanent employees:		
		UK & Ireland	**20.7%**	23.0%
		Rest of world	**8.7.%**	17.3%

REVIEW OF BUSINESS

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

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

Growth opportunities include: provision of single solution, multi-channel payments and services to new and existing clients; the extension of services in each payment channel across the existing client base, new and existing client development and retail services in the UK and Romanian retail networks; the expansion of these retail networks; building and developing Collect+; new merchants and new services for online payments; new parking contracts, driving consumer adoption and the development of other mobile services.

We announced in the 2012 annual report that, going forward, the company would change to calendar month end dates for reporting to shareholders. In the period ending 31 March 2013, the final Sundays in the months of September and March coincided with the calendar month end but that period also included an extra week, at the beginning of the year as a consequence of previously reporting to the last Sunday in the month in the period ended 25 March 2012. These results cover a period of 365 days (2013: 371 days) and as a consequence of an extra week in the prior period, percentage increases in the period under review are lower. The impact of the extra week is generally to reduce stated net revenue growth by between 1 to 3 percentage points.

The channel and product analysis is as follows:

Retail Payments and Services:
Bill and general (prepaid energy, bills and cash out services)
Top-ups (mobile, e-money vouchers, prepaid debit cards and lottery)
Retail services (ATM, debit/credit, parcels, money transfer, SIMs, broadband, receipt advertising, charges for failed direct debits and paper invoicing)

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

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

Formerly, we disclosed separately: transaction numbers and value; revenue and net revenue for internet payments and PayByPhone, but following their combination, they are reported in total under Mobile and Online.

We also previously reported separately other revenue and net revenue for the recharge of development costs, early settlement fees, settlements of claims and other fees. These have now been allocated to bill and general, top-ups and retail services based on the client to which the income relates. The prior year figures have been restated accordingly. The impact of the restatement is the removal of £5.4 million (2013: £4.9 million) from other, which has been divided between bill and general £1.8 million (2013: £2.3 million), top-ups £1.5 million (2013: £1.0 million) and retail services £2.1 million (2013: £1.6 million). The overall increase before restatement is largely as a consequence of higher early settlement fees, the size of which is unpredictable, and income from broadband (enabling faster terminals).

OPERATING REVIEW

		52 weeks ended 31 March 2014	53 weeks ended 31 March 2013	Increase %
Transactions	'000	**767,520**	738,991	3.9
Transaction value	£000	**14,742,667**	14,095,423	4.6
Revenue	£000	**212,158**	208,526	1.7
Net revenue [1]	£000	**113,740**	105,657	7.7

Transactions have increased to 767.5 million (2013: 739.0 million), up 1.7% in the retail networks and 15.8% in Mobile and Online.

Transaction value increased to £14.7 billion (2013: £14.1 billion), up 6.0% in the Retail Payments and Services (retail networks) and 1.8% in Mobile and Online.

Revenue has increased to £212.2 million (2013: £208.5 million), up 1.1% in the retail networks and 9.3% in Mobile and Online. Revenue growth is lower than transaction volume due to higher transaction growth in some larger online merchants who benefit from lower pricing and from charges to newer parking clients, which are lower than those to existing clients.

Net revenue has increased to £113.7 million (2013: £105.7 million), up 7.6% in the retail networks and 7.7% in Mobile and Online. Net revenue growth is higher than revenue in retail networks, mainly as a consequence of the introduction of the Simple Payment service management fee from September 2012, offset by a reduction in the final tranche of Simple Payment service set up fees, compared to the prior period; the renewal of a utility contract at better margins; and a richer transaction mix from other bill and general clients.

Operating profit, including our share of Collect+ and excluding exceptional costs, relating to the cost of acquisitions, was £45.4 million (2013: £41.0 million), an increase of 10.6%. The increase in the operating profit is the result of the strong growth of our retail networks and Collect+ turning to profit.

1. Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint, which are recharged to clients and merchants. These costs include retail agent commission, card payment merchant service charges and costs for the provision of call centres for mobile parking clients. Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group.

Bill and general

		52 weeks ended 31 March 2014	53 weeks ended 31 March 2013	Increase %
Transactions	'000	**445,597**	432,793	3.0
Transaction value	£000	**8,306,601**	7,751,965	7.2
Revenue	£000	**85,341**	82,070	4.0
Net revenue [1]	£000	**54,000**	50,391	7.2

Bill and general transactions were ahead of last year as a result of a 53.5% increase in Romanian bill payment transactions. Growth in UK transactions was supressed by the impact of the extra week of trading in the prior period and the warmer weather during the winter. Simple Payment service transactions continue to be lower than originally expected, as a substantial proportion of the cheque volume it was designed to replace, migrated to other payment methods. The strong growth in Romania, where we processed 39.1 million transactions (2013: 25.5 million) was due to increasing market share and adding new clients.

Growth in net revenue of 7.2% exceeded that of revenue growth, mainly as a consequence of the introduction of the recurring Simple Payment service management fee from September 2012, offset by a reduction in the Simple Payment set up fees; the renewal of a utility contract at better margins; and a richer transaction mix from other clients.

Top-ups

		52 weeks ended 31 March 2014	53 weeks ended 31 March 2013	Decrease %
Transactions	'000	**97,465**	118,270	(17.6)
Transaction value	£000	**866,321**	1,006,234	(13.9)
Revenue	£000	**73,680**	81,360	(9.4)
Net revenue [1]	£000	**22,543**	22,825	(1.2)

Top-up transactions decreased over last year as a result of the continued decline in mobile top-up volumes in the UK and Ireland of 17.3%. Other top-up transactions were also lower than last year. The reduction in UK and Irish mobile transactions was only partly offset by a small increase in Romanian mobile top-ups, where the impact of a larger network has offset market decline.

The reduction in top-up transaction value was lower than that of transaction numbers as the average value of mobile top-ups increased, which also helped mitigate the reduction in revenue and net revenue as did the increase in e-money top-ups.

The decline in net revenue was driven by fewer transactions in the UK and Ireland, offset by an increase in Romanian mobile top-ups and an increase in early settlement fees, the size of which is unpredictable.

1. Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint, which are recharged to clients and merchants. These costs include retail agent commission, card payment merchant service charges and costs for the provision of call centres for mobile parking clients. Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group.

Retail services

		52 weeks ended 31 March 2014	53 weeks ended 31 March 2013	Increase %
Transactions	‘000	**92,308**	73,785	25.1
Transaction value	£000	**667,303**	522,929	27.6
Revenue	£000	**35,883**	29,317	22.4
Net revenue	£000	**22,105**	18,427	20.0

Retail services volumes have increased across all products. ATM transactions increased by 21.2%, credit and debit transactions by 18.4%, SIM card sales by 4.5%, money transfer transactions by 58.9% and parcels by 76.4% over last year.

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

Strong net revenue growth of 20.0% was driven by the increases in credit and debit, parcels, and income from broadband (enabling faster terminals) but held back by a flat ATM performance in the first half of the year, where the increase in ATMs in the network had not yet shown in net revenue and the impact of an extra week of trading last year, which occurred in the first half.

Collect+

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

Collect+ at 100%		52 weeks ended 31 March 2014	53 weeks ended 31 March 2013	Increase %
Transactions	‘000	**13,555**	7,686	76.4
Revenue	£000	**34,093**	17,753	92.0
Profit/(loss)	£000	**1,784**	(1,929)	n/a

Transactions have grown substantially, with a richer mix of consumer parcels driving an increase in revenue ahead of transactions. The business was profitable in the year for the first time following the strong growth in revenue.

Mobile and Online

		52 weeks ended 31 March 2014	53 weeks ended 31 March 2013	Increase %
Transactions	‘000	**132,150**	114,143	15.8
Transaction value	£000	**4,902,442**	4,814,295	1.8
Revenue	£000	**17,254**	15,779	9.3
Net revenue	£000	**15,092**	14,014	7.7

Transactions increased by 15.8% with online transactions of 100 million up 8.7% and mobile transactions of 32 million up 43.7%.

Transaction growth from online services was driven by the continued addition of large merchants and the organic growth in existing merchants.

We have continued to add key mobile parking contracts with councils and parking authorities across the UK, North America and France as we provide a more convenient and cost effective method for collecting parking charges.

Lower growth in transaction value is due to a decrease in average online transaction values of 6.9% to £48.05 (2013: £51.59). Mobile transaction values also increased by less than volume growth, with average transaction value down over the prior period as newer clients’ parking charges were lower than existing clients.

Strong growth in mobile revenue and net revenue was offset by a fall in online revenue, due to the prior period impact of one off software development income and the extra week of trading. Online revenue growth was also less than transaction and value growth due to higher transaction growth in some larger merchants which benefit from lower pricing.

Mobile revenues and net revenues have grown increasingly strongly, justifying the continued expenditure in technology, product development, sales and marketing to take this early stage venture forward.

Adaptis Solutions Limited was acquired on 3 February 2014 and is included in the Mobile and Online performance although volumes and revenues have not been material in the period since acquisition.

Network growth

Terminal sites overall have increased by 9.8% to 35,596.

In the UK and Ireland, site numbers have expanded by 2,172, an increase of 9%. In 8,838 of these sites, we provide debit and credit card acceptance, including the capability for retailers to accept convenient contactless card transactions. During the year, we continued to roll out our PPoS integrated solution to retailers, which combines a virtual terminal (our software on the retailer's till system) with a plug in reader, to provide the service at lower cost. As well as enhancing our service to retailers, this allows us to redeploy terminals for use in Romania. In addition to these 6,015 PPoS solutions, there were 7,874 broadband enabled terminals (which offer a faster service than PSTN enabled terminals for transactions where the terminal has to contact the client's host) at 31 March 2014.

In Romania, we increased the number of terminal sites by 1,015 in the period.

We added over 590 new merchants for online payments during the year and the overall reduction in merchants, since 31 March 2013, is largely the result of the churn of low volume merchants.

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

Analysis of sites	**31 March 2014**	31 March 2013	Increase/ (decrease) %
UK & Ireland terminal sites	**27,242**	25,070	8.7
Romania terminal sites	**8,354**	7,339	13.8
Total terminal sites	**35,596**	32,409	9.8
Internet merchants	**5,168**	5,511	(6.2)
Collect+ sites	**5,582**	5,255	6.2

FINANCIAL REVIEW

Income statement

Revenue for the period was 1.7% higher, at £212.2 million (2013: £208.5 million), from growth across the majority of services. Cost of sales reduced to £115.2 million (2013: £118.9 million). The cost of mobile top-ups in Ireland and Romania[1] has fallen to £31.3 million (2013: £32.0 million). Retailers' commission decreased to £64.9 million (2013: £69.1 million) as a result of lower mobile top-up commission. These reductions in cost were offset by higher depreciation (on increased capital expenditure). Gross profit margin improved to 45.7% (2013: 43.0%) mainly as a consequence of the reduction in the cost of sales.

Net revenue[2] of £113.7 million (2013: £105.7 million) was up 7.7% from the growth in bill payment, retail services and mobile parking.

Operating costs (administrative expenses) increased 10.5% to £52.7 million (2013: £47.7 million) reflecting:

- the increasing cost of IT operations and development required to support new products and improve the efficiency of IT delivery; and
- the continued investment in Mobile and Online to support our focus on these fast moving markets.

Operating costs included £0.2 million of expenditure relating to professional fees for the acquisition of Adaptis Solutions Limited in February 2014.

We plan to continue to increase expenditure in Mobile and Online in the current year.

Our share of the profit in our parcels joint venture, Collect+, was £0.9 million (2013: £1.0 million loss). The integration of new merchants, heightened consumer awareness, growth in activity from existing clients and improvements in service levels for peak trading all helped to drive up revenues which led to the business becoming profitable.

Operating margin[3] rose to 39.9% (2013: 38.8%) as a consequence of the improvement seen in Collect+ profitability.

Profit before tax was £46.0 million (2013: £41.3 million), an increase of 11.5%, and included a £0.7 million profit on disposal of a small investment. The tax charge of £10.1 million (2013: £10.3 million) represents an effective rate of 21.9% (2013: 25.0%). The reduction in tax rate reflects the decrease in the UK corporate tax rate, the use of past losses to be offset from current and future profits in Romania and the benefit of higher than expected research and development claims relating to prior periods. The reduction in UK corporation tax nominal rate to 21% became effective after the year end.

Statement of financial position

Net assets of £103.6 million (2013: £105.9 million) reflect a strong financial position, including cash of £41.6 million (2013: £46.6 million) and no debt.

Cash flow

Cash generated by operations was £55.8 million (2013: £50.7 million), reflecting strong conversion of profit to cash. Corporation tax of £10.3 million (2013: £10.6 million) was paid. Capital expenditure of £11.3 million (2013: £9.7 million) comprised expenditure on IT infrastructure, developments for new products, terminals, ATMs and prepaid energy card and key readers for PPoS (PayPoint Point of Sale, the software version of our terminal that can be loaded onto retailers' till systems). The amount paid for the acquisition of Adaptis in the year was £3.2 million. Share incentive schemes settled in cash absorbed £5.3 million (2013: nil). Equity dividends paid were £31.6 million (2013: £19.0 million) which included a 15.0p per share special dividend, in total £10.2 million. Cash and cash equivalents were £41.6 million (including client cash of £6.5 million and cash in Romania of £13.5 million) lower than £46.6 million (including client cash of £7.0 million and cash in Romania of £7.0 million) at 31 March 2013, mainly because of: the payment of the special dividend; the increased cost of the share incentive schemes which vested in the period; and the acquisition of Adaptis.

1. In Ireland and Romania, PayPoint is principal in the sale of mobile top-ups and, accordingly, the face value of the top-up is included in sales and the corresponding costs in cost of sales.
2. Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint, which are recharged to clients and merchants. These costs include retail agent commission, card payment merchant service charges and costs for the provision of call centres for mobile parking clients. Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group.
3. Operating profit including our share of joint venture results and excluding exceptional costs, relating to the cost of acquisitions, as a percentage of net revenue.

Economic profit
PayPoint's economic profit (operating profit less tax and capital charge) was £28.1 million (2013: £24.0 million), an increase of 17.0%.

Dividend
We propose to pay a final dividend of 23.9p per share on 24 July 2014 (2013: 20.2p) to shareholders on the register on 27 June 2014, subject to the approval of the shareholders at the annual general meeting. An interim dividend of 11.4p (2013: 10.2p) was paid on 19 December 2013, making a total dividend for the period of 35.3p (2013: 30.4p, excluding the 15.0p special dividend paid with the final dividend in 2013), up 16.1%, in line with earnings.

Liquidity and going concern
The group has cash of £41.6 million (including client cash of £6.5m) and had, at the period end, an undrawn, unsecured loan facility of £35 million, which has an unexpired term of two years. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group, taking account of risks (pages 15 and 16). The financial statements have, therefore, been prepared on a going concern basis.

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

Charitable donations
During the year, the group made charitable donations of £23,879 (2013: £23,808) to charities serving the communities in which the group operates. We encourage employees to raise funds for charity and the company matches funds raised by the employees, subject to certain limits.

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

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

Economic climate
The company's bill and general payments service, which accounts for 47.5% (2013: 47.7%) of our net revenue, has continued to be resilient, as consumers' discretion in expenditure is limited for essential services and our service continues to be popular. Utility providers continue to install new prepay gas and electricity meters, which will have a beneficial impact on our transaction volumes. The online payment market continues to grow substantially. There has been an adverse impact on our mobile top-ups as mobile operators continue to offer more airtime at lower cost and to promote prepay less than contract. Mobile and Online is able to offer parking authorities a more cost effective collection system for parking compared to pay and display machines.

PayPoint's exposure to retail agent debt in the UK and Ireland is limited as credit granted to retail agents is restricted by daily direct debiting for all UK and Irish transactions, other than EPoS mobile top-ups (which are collected weekly). There is some concentration of risk in multiple retail agents. Most of PayPoint's clients in the UK, other than for top-ups, bear the cost of retail agent bad debt. In PayPoint Romania, the risk of bad debt lies with the company. In Mobile and Online, exposure is limited to receivables from online merchants for fees, except in the case of bureau online merchants, where PayPoint.net retains credit risk on merchant default for credit card charge backs, a risk mitigated in part by cash retention and to receivables from parking authorities.

Trends and factors on future development
For the current financial year, trading is in line with the company's expectations. Our retail networks in the UK and Romania should continue to deliver profitable growth from our strong client base and breadth of services. We will continue to invest in network expansion, innovative technology and new services to improve the quality of these retail networks to enhance their competitive advantages and our retail yield. Mobile and Online is an essential element of our strategy to provide multi-channel payments and services, placing us in fast growing markets and providing a bridge from cash to electronic payments. Together, our businesses provide a strong foundation to deliver value for our shareholders.

29 May 2014

RISKS

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

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

Risk area	Potential impact	Mitigation strategies
Technology change may render products obsolete	There are rapid changes in technology in the payments industry including the development of new payment methods, particularly on smart phones and tablets, but also as a consequence of technology changes in other areas e.g. smart meters, which will replace the use of the energy keys and gas cards currently used to pay for prepaid energy.	IT development resource is directed at a group level and developments are in hand to ensure the group has relevant products in place to meet the demands brought about by changing technology. For smart meters, a multi-channel product is under development.
Exposure to materially adverse litigation	The group contracts with a number of large service organisations for which it provides services essential to their customers. Failure to perform in accordance with contractual terms could give rise to litigation.	The group seeks to limit exposure in its contracts. Mitigating actions are taken where contractual exposures are above the norm, including insurance coverage, where appropriate and economically sustainable.
Exposure to country and regional risk (political, financial, economic, social) in North America, United Kingdom, Romania, France and Ireland	The group's geographic footprint subjects its businesses to economic, political and other risks associated with international sales and operations. A variety of factors, including changes in a specific country's or region's political, economic or regulatory requirements, as well as the potential for geopolitical turmoil, including terrorism and war, could result in loss of services, prevent our ability to respond to agreed service levels or fulfil other obligations. These risks are generally outside the control of the group.	The group's portfolio is diversified by geography, by product, by sector and by client in order to protect itself against many of these fluctuations, especially those that are restricted to individual territories and market sectors, although the bulk of its operations and revenues are UK based.
Exposure to consolidation among clients and markets	Consolidation of retailers and clients could result in reductions in the group's revenue and profits through price compression from combined service agreements or through a reduced number of clients.	No single client accounts for more than 9% of the group's net revenue, and no single retailer accounts for more than 5% of the group's net revenue, which reduces the probability of this potential risk having a significant impact on the group's business. In addition, the group continues to expand in its developing businesses, and in CashOut (reversing the flow of money through its retail networks).
Acquisitions may not meet expectations	The group's acquisitions, strategic alliances and joint ventures may result in financial outcomes that are different than expected.	The group assesses all acquisitions rigorously, using both in-house experts and professional advisers. In addition, the group conducts regular reviews to monitor performance.
Exposure to the unpredictability of financial markets (foreign exchange, interest rate and other financial risks)	As the group operates on an international basis, it is exposed to the risk of currency fluctuations and the unpredictability of financial markets in which it operates.	The group's financial risk management focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the group's financial performance.
Exposure to increasing competition	The group operates in a number of geographic, product and service markets that are highly competitive and subject to technological developments for example the introduction of smart meters and new payment solutions. Competitors may develop products and services that are superior to ours or that achieve greater market acceptance than our products and services, which could result in the loss of clients, merchants and retailers or a reduction in revenue.	The group is committed to continued research and investment in new data sources, people, technology and products to support its strategic plan.
Loss or infringement of intellectual property rights	The group's success depends, in part, upon proprietary technology and related intellectual property rights. Some protection can be achieved but in many cases, little protection can be secured. Third parties may claim that the group is infringing their intellectual property rights or our intellectual property rights could be infringed by third parties. If we do not enforce or defend the group's intellectual property rights successfully, our competitive position may suffer, which could harm our operating results.	The group, where appropriate and feasible, relies upon a combination of patent, copyright, trademark and trade secret laws, as well as various contractual restrictions, to protect our proprietary technology and continues to monitor this situation. The group also vigorously defends all third party infringement claims.
Data centre security breaches	The group is highly dependent on information technology networks and systems to process, transmit and store electronic information. Fraudulent or unauthorised access, including security breaches of our data centres, could create system disruptions, shutdowns or unauthorised disclosure of confidential information.	The group's data centres are protected against physical break-ins. The group has strict standards and procedures for security and fraud prevention.

CONSOLIDATED INCOME STATEMENT

	Note	52 weeks ended 31 March 2014 £000	53 weeks ended 31 March 2013 £000
Continuing operations			
Revenue	2	**212,158**	208,526
Cost of sales		**(115,184)**	(118,876)
Gross profit		**96,974**	89,650
Administrative expenses		**(52,696)**	(47,670)
Operating profit		**44,278**	41,980
Share of profit/(loss) of joint venture		**892**	(965)
Investment income		**231**	314
Finance costs		**(84)**	(62)
Other gains and losses		**691**	-
Profit before tax		**46,008**	41,267
Tax	3	**(10,092)**	(10,316)
Profit for the period	10	**35,916**	30,951
Attributable to:			
Equity holders of the parent		**35,938**	30,979
Non-controlling interests		**(22)**	(28)
		35,916	30,951
Earnings per share			
Basic	5	**52.9p**	45.7p
Diluted	5	**52.6p**	45.3p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	52 weeks ended 31 March 2014 £000	53 weeks ended 31 March 2013 £000
Items that may subsequently be reclassified to the consolidated income statement:			
Exchange differences on translation of foreign operations	10	**(3,307)**	1,054
Tax effect thereof		**-**	-
Other comprehensive (loss) / income for the period		**(3,307)**	1,054
Profit for the period		**35,916**	30,951
Total recognised income and expenses for the period		**32,609**	32,005
Attributable to:			
Equity holders of the parent		**32,631**	32,033
Non-controlling interests		**(22)**	(28)
		32,609	32,005

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31 March 2014 £000**	31 March 2013 £000
Non-current assets			
Goodwill		**57,717**	56,570
Other intangible assets		**6,252**	4,637
Property, plant and equipment		**21,956**	17,729
Investment in joint venture	6	**686**	43
Deferred tax asset		**2,191**	2,208
Investments		**-**	435
		88,802	81,622
Current assets			
Inventories		**731**	1,161
Trade and other receivables	7	**162,653**	198,803
Cash and cash equivalents	8	**41,600**	46,618
		204,984	246,582
Total assets		**293,786**	328,204
Current liabilities			
Trade and other payables	9	**186,291**	216,821
Current tax liabilities		**3,845**	5,339
		190,136	222,160
Non-current liabilities			
Other liabilities		**79**	169
		79	169
Total liabilities		**190,215**	222,329
Net assets		**103,571**	105,875
Equity			
Share capital	10	**226**	226
Share premium	10	**408**	297
Share based payment reserve	10	**3,682**	3,265
Translation reserve	10	**(2,613)**	694
Retained earnings	10	**101,995**	101,498
Total equity attributable to equity holders of the parent company		**103,698**	105,980
Non-controlling interest		**(127)**	(105)
Total equity		**103,571**	105,875

These financial statements were approved by the board of directors and authorised for issue on 29 May 2014 and signed on behalf of the board of directors.

Dominic Taylor
Chief Executive
29 May 2014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Share premium £000	Investment in own shares £000	Share based payment reserve £000	Translation reserve £000	Retained earnings £000	Total equity attributable to equity holders of the parent company £000	Non-controlling interest £000	Total equity £000
Opening equity 26 March 2012		**226**	**25**	**(216)**	**3,138**	**(360)**	**88,629**	**91,442**	**(77)**	**91,365**
Profit for the period		-	-	-	-	-	30,979	30,979	(28)	30,951
Dividends paid	4	-	-	-	-	-	(18,957)	(18,957)	-	(18,957)
Movement in investment in own shares	10	-	-	216	-	-	-	216	-	216
Exchange differences on translation of foreign operations	10	-	-	-	-	1,054	-	1,054	-	1,054
Movement in share based payment reserve	10	-	-	-	127	-	-	127	-	127
Share premium arising on issue of shares	10	-	272	-	-	-	-	272	-	272
Adjustment on share scheme vesting	10	-	-	-	-	-	(58)	(58)	-	(58)
Deferred tax on share based payments	10	-	-	-	-	-	905	905	-	905
Closing equity 31 March 2013		**226**	**297**	**-**	**3,265**	**694**	**101,498**	**105,980**	**(105)**	**105,875**
Profit for the period		-	-	-	-	-	35,938	35,938	(22)	35,916
Dividends paid	4	-	-	-	-	-	(31,632)	(31,632)	-	(31,632)
Exchange differences on translation of foreign operations	10	-	-	-	-	(3,307)	-	(3,307)	-	(3,307)
Movement in share based payment reserve	10	-	-	-	417	-	-	417	-	417
Share premium arising on issue of shares	10	-	111	-	-	-	-	111	-	111
Adjustment on share scheme vesting (net of tax benefit of £1,053,000)	10	-	-	-	-	-	(3,548)	(3,548)	-	(3,548)
Deferred tax on share based payments	10	-	-	-	-	-	(261)	(261)	-	(261)
Closing equity 31 March 2014		**226**	**408**	**-**	**3,682**	**(2,613)**	**101,995**	**103,698**	**(127)**	**103,571**

CONSOLIDATED CASH FLOW STATEMENT

	Note	**52 weeks ended 31 March 2014 £000**	53 weeks ended 31 March 2013 £000
Net cash inflow from operating activities	12	**45,434**	40,060
Investing activities			
Investment income		**231**	187
Proceeds on disposal of investments		**1,127**	-
Purchases of property, plant and equipment and technology		**(11,343)**	(9,700)
Proceeds from disposal of property, plant and equipment		**211**	54
Loan to joint venture	6	**(225)**	(950)
Repayment of loan by joint venture	6	**475**	-
Acquisition of subsidiary		**(3,214)**	-
Net cash used in investing activities		**(12,738)**	(10,409)
Financing activities			
Cash settled share based remuneration		**(5,334)**	-
Dividends paid:			
- Final and interim	4	**(21,450)**	(18,957)
- Special	4	**(10,182)**	-
Net cash used in financing activities		**(36,966)**	(18,957)
Net (decrease) / increase in cash and cash equivalents		**(4,270)**	10,694
Cash and cash equivalents at beginning of period		**46,618**	35,487
Effect of foreign exchange rate changes		**(748)**	437
Cash and cash equivalents at end of period		**41,600**	46,618

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

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

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

The financial information set out above does not constitute the company's statutory accounts for the periods ended 31 March 2014 or 31 March 2013, but is derived from those accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies and those for 2014 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 44 to 47 of the 2013 annual report and accounts. No subsequent material changes have been made to the group’s accounting policies.

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

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

(i) Segmental information

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

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

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

(ii) Revenue, net revenue and cost of sales

Revenue comprises the value of sales (excluding sales taxes) of services in the normal course of business.

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

Net revenue	**52 weeks ended 31 March 2014 £000**	53 weeks ended 31 March 2013 £000
Revenue – transaction processing	**211,196**	207,437
– service charge income from ATMs	**962**	1,089
	212,158	208,526
less:		
Commission payable to retail agents	**(64,925)**	(69,099)
Cost of mobile top-ups and SIM cards as principal	**(31,331)**	(32,004)
Card scheme sponsors' charges	**(2,162)**	(1,766)
Net revenue	**113,740**	105,657

Cost of sales

	52 weeks ended 31 March 2014 £000	53 weeks ended 31 March 2013 £000
Cost of sales		
Commission payable to retail agents	**64,925**	69,099
Cost of mobile top-ups and SIM cards as principal	**31,331**	32,004
Card scheme sponsors' charges	**2,162**	1,766
Depreciation and amortisation	**5,166**	4,071
Other	**11,600**	11,936
Total cost of sales	**115,184**	118,876

Geographical information

Revenue		
UK	**168,181**	167,294
Ireland	**11,672**	14,880
Romania	**28,258**	24,288
North America	**4,047**	2,064
Total	**212,158**	208,526

Non-current assets (excluding deferred tax)		
UK	**84,706**	77,660
Romania	**1,373**	1,450
North America	**532**	304
Total	**86,611**	79,414

3. Tax

	52 weeks ended 31 March 2014 £000	53 weeks ended 31 March 2013 £000
Current tax		
Charge for current period	**10,773**	10,756
Adjustment in respect of prior periods	**(437)**	(38)
Current tax charge	**10,336**	10,718
Deferred tax		
Credit for current period	**(244)**	(425)
Adjustment in respect of prior periods	**-**	23
Deferred tax credit	**(244)**	(402)
Total income tax		
Income tax charge	**10,092**	10,316
The income tax charge is based on the United Kingdom statutory rate of corporation tax for the period of 23% (2013: 24%)		
The charge for the period can be reconciled to the profit before tax as set out in the consolidated income statement		
Profit before tax	**46,008**	41,267
Tax at the UK corporation tax rate of 23% (2013: 24%)	**10,582**	9,904
Tax effects of:		
Losses in countries where the tax rate is different to the UK	**(189)**	(110)
Disallowable expenses	**106**	307
Utilisation of tax losses not previously recognised	**(222)**	(117)
Losses in companies where a deferred tax asset was not recognised	**492**	523
Adjustments in respect of prior periods	**(437)**	(15)
Research and development allowance	**(132)**	(133)
Tax impact of share based payments	**56**	(122)
Revaluation of deferred tax asset from 23% to 21%	**156**	79
Deferred tax asset recognised for past losses in subsidiary	**(320)**	-
Actual amount of tax charge	**10,092**	10,316

4. Dividends on equity shares

	52 weeks ended 31 March 2014 £000	53 weeks ended 31 March 2013 £000
Equity dividends on ordinary shares:		
Interim dividend paid of 11.4p per share (2013: 10.2p)	**7,739**	6,906
Proposed final dividend of 23.9p per share (2013: paid 20.2p per share)	**16,205**	13,728
Proposed special dividend of nil pence per share (2013: 15.0p per share)	**-**	10,182
Total dividends paid and recommended of 35.3p per share (2013: 45.4p per share)	**23,944**	30,816
Amounts distributed to equity holders in the period:		
Final dividend for the prior period	**13,711**	12,051
Special dividend for the prior period	**10,182**	-
Interim dividend for the current period	**7,739**	6,906
	31,632	18,957

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

5. Earnings per share

Basic earnings per share

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

	52 weeks ended 31 March 2014 £000	53 weeks ended 31 March 2013 £000
Profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**35,938**	30,979

	31 March 2014 Number of shares	31 March 2013 Number of shares
Weighted average number of ordinary shares in issue (for basic earnings per share)	**67,895,495**	67,847,512
Potential dilutive ordinary shares:		
Long-term incentive plan	**312,532**	488,772
Deferred share bonus	**89,337**	82,787
Diluted basis	**68,297,364**	68,419,071

6. Investment in joint venture

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

PayPoint's share of aggregated amounts relating to joint ventures	**31 March 2014 £000**	31 March 2013 £000
Total assets	**4,212**	1,877
Total liabilities	**(9,076)**	(7,634)
Share of net assets	**(4,864)**	(5,757)
Loan to joint venture	**5,550**	5,800
Investment in joint venture	**686**	43

PayPoint's share of aggregated amounts relating to joint ventures	**52 weeks ended 31 March 2014 £000**	52 weeks ended 31 March 2013 £000
Revenues	**17,046**	8,876
Profit/(loss) for period	**892**	(965)

7. Trade and other receivables

	31 March 2014 £000	31 March 2013 £000
Trade receivables [1]	**15,808**	21,111
Allowance for doubtful debts	**(1,313)**	(1,552)
	14,495	19,559
Items in the course of collection [2]	**137,043**	171,982
Other receivables	**1,717**	2,573
Prepayments and accrued income	**9,398**	4,689
	162,653	198,803

1 The average credit period on the sale of goods is 27 days (2013: 32 days).

2 Items in the course of collection represent amounts collected for clients by retail agents, of which PayPoint bears credit risk and will have title to the cash collected on only £28,053,000 of this balance at 31 March 2014 (2013: £39,477,000). Credit risk is mitigated by daily direct debiting and the suspension of terminals where direct debits fail. At the date of this report, all but £9,000 has been collected from retailers.

8. Cash and cash equivalents

Included within group cash and cash equivalents is £6,459,000 (2013: £6,951,000) relating to monies collected on behalf of clients where PayPoint has title to the funds (client cash). An equivalent balance is included within trade payables (note 9).

The group operates cash pooling amongst its various bank accounts in the UK and therefore individual accounts can be overdrawn without penalties being incurred so long as the overall position is in credit. At 31 March 2014, the group's cash was £41,600,000 (2013: £46,618,000).

9. Trade and other payables

	31 March 2014 £000	31 March 2013 £000
Amounts owed in respect of client cash[1]	**6,459**	6,951
Other trade payables [2]	**25,491**	20,872
Trade payables	**31,950**	27,823
Settlement payable [3]	**137,043**	171,982
Other taxes and social security	**1,836**	1,999
Other payables	**4,875**	2,722
Accruals	**9,709**	9,593
Deferred income	**878**	2,702
	186,291	216,821

1 Included within trade payables is £6,459,000 (2013: £6,951,000) relating to monies collected on behalf of clients where the group has title to the funds (client cash). An equivalent balance is included within cash and cash equivalents (note 8).

2 The group aims to pay its creditors promptly, in accordance with terms agreed for payment. The group had 40 days purchases outstanding at 31 March 2014 (2013: 32 days) based on the average daily amount invoiced by suppliers during the period.

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

10. Equity

	2014 £000	2013 £000
Authorised share capital		
4,365,352,200 ordinary shares of 1/3p each (2013: 4,365,352,200 ordinary shares of 1/3p each)	**14,551**	14,551
	14,551	14,551
Called up, allotted and fully paid share capital		
67,899,699 ordinary shares of 1/3p each (2013: 67,880,234 ordinary shares of 1/3p each)	**226**	226
	226	226
Called up share capital		
At start of period	**226**	226
At end of period	**226**	226
Investment in own shares		
At start of period	**-**	(216)
Used on share scheme vesting	**-**	216
At end of period	**-**	-
Share premium		
At start of period	**297**	25
Arising on issue of shares	**111**	272
At end of period	**408**	297
Share based payment reserve		
At start of period	**3,265**	3,138
Additions in period	**1,324**	1,332
Released in period	**(907)**	(1,205)
At end of period	**3,682**	3,265
Translation reserve		
At start of period	**694**	(360)
Movement during period	**(3,307)**	1,054
At end of period	**(2,613)**	694
Retained earnings		
At start of period	**101,498**	88,629
Profit for period	**35,916**	30,951
Non-controlling interest loss for period included in above	**22**	28
Dividends paid	**(31,632)**	(18,957)
Adjustment on share scheme vesting (net of tax benefit of £1,053,000)	**(3,548)**	(58)
Deferred tax on share based payments	**(261)**	905
At end of period	**101,995**	101,498

The long term incentive plan tranche fully vested in June 2013. Under IFRS 2, the fair value charges of £709,000 relating to this tranche, that had been previously charged to the income statement, are reversed through equity. The deferred share bonus also fully vested in June 2013 and accordingly the fair value charge of £198,000 was also released through equity.

11. Related party transactions

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

	52 weeks ended 31 March 2014 £000	53 weeks ended 31 March 2013 £000
Short term benefits and bonus [1]	**2,443**	2,272
Pension costs [2]	**195**	161
Long term incentives [3]	**2,995**	3,973
Other [4]	**17**	9
Total	**5,650**	6,415

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 2011 DSB and LTIP awards expected to vest after the period end (2013: 2010 DSB and LTIP awards)
4 SIP matching and dividend shares awarded in the year

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

PayPoint has entered into a loan agreement with its 50:50 joint venture Drop and Collect Limited (trading as Collect+) and during the period it has received net repayments of £0.25 million from Drop and Collect Limited (additional loan of £0.225 million made followed by repayments of £0.475 million), bringing the total loan to £5.55 million.

The terms of the loan are:

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

The company and its subsidiaries, in the ordinary course of business, enter into various sales, purchase and service transactions with Collect+. These transactions are under terms that are no less favourable than those arranged with third parties. Amounts received from Collect+ during the year totalled £9.5 million (2013: £5.4 million) and PayPoint held a trade debtor at year end for Collect+ of £0.3 million (2013: £0.4 million).

PayPoint had a small investment in OB10, a company that specialises in electronic invoicing which was fully disposed in the year for a profit on disposal of £0.7 million.

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

Directors' shareholding in OB10	**31 March 2014 %**	31 March 2013 %
David Newlands	-	2.87
Dominic Taylor	-	1.44
George Earle	-	0.40
Nick Wiles	-	1.02
Eric Anstee	-	0.08

12. Notes to the cash flow statement

	52 weeks ended 31 March 2014 £000	53 weeks ended 31 March 2013 £000
Profit before tax	**46,008**	41,267
Adjustments for:		
Depreciation of property, plant and equipment	**4,551**	3,891
Amortisation of intangible assets	**615**	180
Share of (profits)/losses in joint venture	**(892)**	965
Gain on disposal of investment	**(691)**	-
Profit on disposal of fixed assets	**(15)**	-
Net interest income	**(147)**	(252)
Share based payment charge	**1,324**	1,332
Operating cash flows before movements in working capital	**50,753**	47,383
Decrease in inventories	**390**	123
Decrease/(increase) in receivables	**718**	(5,378)
(Decrease)/increase in payables		
– client cash	**(492)**	1,878
– other payables	**4,448**	6,662
Cash generated by operations	**55,817**	50,668
Corporation tax paid	**(10,301)**	(10,559)
Bank charges paid	**(82)**	(49)
Net cash from operating activities	**45,434**	40,060

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

Trading history

	Period ended March									
	2005 £m	**2006 £m**	**2007 £m**	**2008 £m**	**2009 £m**	**2010 £m**	**2011 £m**	**2012 £m**	**2013 £m**	**2014 £m**
Revenue	89.1	120.0	157.1	212.1	224.4	196.6	193.2	200.0	208.5	212.2
Net revenue	36.9	46.1	57.7	69.9	77.4	77.4	82.7	90.4	105.7	113.7
Profit before tax	**8.1**	**20.3**	**26.6**	**30.4**	**34.6**	**32.6**	**34.5**	**37.2**	**41.3**	**46.0**
Tax	2.2	3.4	7.9	9.4	10.8	10.5	10.6	10.3	10.3	10.1
Profit after tax	**5.8**	**16.9**	**18.7**	**21.0**	**23.8**	**22.1**	**23.8**	**26.9**	**31.0**	**35.9**
Earnings per share										
Basic	8.7p	25.0p	27.7p	31.1p	35.6p	32.9p	35.2p	39.8p	45.7p	52.9p
Diluted	8.7p	24.7p	27.3p	30.8p	35.3p	32.7p	35.1p	39.8p	45.3p	52.6p
Dividend per share (excluding special dividends)	5.2p	7.5p	9.1p	10.4p	11.6p	21.8p	23.4p	26.5p	30.4p	35.3p

This table does not form part of the audited financial statements or notes (as listed in the Independent Auditor's Report in the company's statutory accounts for the period ended 31 March 2014). All numbers quoted are reported under IFRS.

ABOUT PAYPOINT

Today, there is an ever expanding number of ways to pay. Customers increasingly expect to pay the way they want, wherever they are and at any time. PayPoint is the answer to that demand. We take all the complexity of multi-channel payments and translate it into convenient, simple, value-added solutions.

We are an international leader in our field, and a pioneer of a range of payment technologies. Every year, we handle over £14 billion in payments, for more than 6,000 clients and merchants. Our solutions transform payments for everyone from consumer and financial services companies to retailers, utilities, media, gaming and government clients. They are delivered through a unique combination of local shops, mobile and online distribution channels.

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

In the UK, our growing network already includes over 26,700 terminals in local shops including Co-op, Spar, McColls, Costcutter, Sainsbury's Local, Tesco Express, One Stop, Asda, Londis and thousands of independent outlets. These outlets are quick and convenient places to make energy meter prepayments, bill payments, benefit payments, mobile phone top-ups, transport tickets, BBC TV licences, cash withdrawals and a range of other transactions. They are made available to customers by most leading utilities, and a range of telecoms and consumer service companies.

Our Romanian network is growing too. We have more than 8,350 terminals in local shops across the country, helping people make cash bill payments, money transfers, road tax payments and mobile phone top-ups.

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

In fact, the network is bigger still, thanks to the additional services we provide to retail agents. In the UK, our Collect+ joint venture with Yodel offers parcel drop-off and pick-up services in 5,600 convenience stores. Customers use Collect+ to handle parcels from major retailers including Amazon, eBay, ASOS, New Look, Boden, John Lewis, House of Fraser, M&S, Asda Direct and Very.

The UK network also includes over 3,600 LINK branded ATMs, and 8,800 of our terminals enable retailers to accept debit and credit cards.

Mobile and Online
Our unique mix of digital payments solutions helps maximise success in a complex and rapidly changing world. Every year, PayPoint Mobile and Online (formerly trading as PayPoint.net, PayByPhone and Adaptis) handles over 130 million payments for parking, payments and consumer services. In major cities in the UK, Canada, USA, France, Switzerland and Australia, our parking solutions make it easy for people to pay for parking by mobile – increasingly through our own app. We also provide electronic parking permits, automatic number plate recognition systems for car parks, and penalty charge notices. If you are registered to our parking solution, you can also use other PayPoint services including payment for electric vehicles, bicycles, taxis and buses.

Our core online payments platform is linked to 16 major acquiring banks in the UK, Europe and North America. It delivers secure credit and debit card payments for over 5,100 online merchants, including Hungryhouse, Moonpig, WHSmith, London and Zurich Insurance, Moneysupermarket.com and British Gas. Our complete suite of products ranges from transaction gateway to a bureau service, in which we take the merchants' credit risk and manage settlement for them. We also offer a variety of value-added services such as FraudGuard, an advanced service that mitigates the risk of fraud in card not present transactions.

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

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