PayPoint plc
Preliminary results
Year ended 31 March 2018

CONTINUED STRATEGIC AND OPERATIONAL PROGRESS MEANS WE ARE NOW WELL POSITIONED FOR GROWTH

FINANCIAL HIGHLIGHTS

	Year ended 31 March 2018	Year ended 31 March 2017	Change
Revenue	**£213.5m**	£211.9m	0.8%
Net revenue[1]	**£119.6m**	£123.9m	(3.5)%
Gross margin[2]	**46.8%**	50.0%	(3.2)ppts
Operating profit before impairments and business disposal	**£53.5m**	£52.3m	2.3%
Profit before tax	**£52.9m**	£69.1m	(23.4)%
Cash generation[3]	**£65.1m**	£61.1m	6.5%
Earnings per share	**63.0p**	87.5p	(28.0)%
Ordinary dividend per share	**45.9p**	45.0p	2.0%
Additional dividend per share	**36.6p**	36.7p	(<0.1)%
Dividend from sale proceeds per share	**0.0p**	38.9p	(100.0)%

PayByPhone, our mobile payment business and Drop and Collect were sold in December 2016 and are included in last year's reported statutory results making this year's performance not directly comparable. To make a clear comparison of the continuing financial performance of the Retail networks business, we have included highlights of our continuing Retail networks below. The reconciliation from reported statutory income statement for 2016/17 to Retail networks' performance is included in note 1 to the financial statements.

CONTINUING RETAIL NETWORKS HIGHLIGHTS[4]

	Year ended 31 March 2018	Year ended 31 March 2017	Change
Revenue	**£213.5m**	£203.4m	5.0%
Net revenue[1]	**£119.6m**	£117.5m	1.8%
Gross margin[2]	**46.8%**	49.5%	(2.7)ppts
Operating profit	**£53.5m**	£53.3m	0.4%
Profit before tax	**£52.9m**	£53.3m	(0.8)%

Strong delivery against our strategic priorities

- Continued successful rollout of PayPoint One, our new retail platform, with 8,550 sites live at 31 March 2018 and 9,026 today[5]. Growth of c.70 pence in the average weekly PayPoint One service fee per site.
- Agreements reached with Nisa and Booker to provide back office links for the PayPoint One platform.
- Strong pipeline of parcel opportunities, contract discussions underway with the intention to have at least one live before Christmas, the peak season for parcels.
- Payzone Romania integration progressing following its acquisition in October 2017, complementing strong organic growth in the market.
- Business reorganisation implemented to deliver faster and more efficient innovation and execution.

Financial highlights

- Revenue grew by 5.0% to £213.5 million.
- Net revenue[1] grew by £2.1 million (1.8%) to £119.6 million attributable to underlying[6] net revenue growth of £6.3 million in: UK retail services, driven by: the rollout of PayPoint One; good progress with our cards proposition, a strong performance in UK bill payments & top-ups where net revenue grew by 1% to £70 million and Romania where net revenue grew by 29.8% to £11.9 million.

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[1] Net revenue is an alternative performance measure. Refer to note 1 to the financial statements for a reconciliation to revenue.
[2] Gross margin % is an alternative performance measure and is calculated by dividing gross profit by revenue.
[3] Cash generation is operating cash flows before movements in working capital from note 14 to the financial statements.
[4] 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 1 to the financial statements.
[5] As at 21 May 2018.
[6] Underlying net revenue excludes the current year impact from the Collect+ renegotiation of £1.8 million and £2.4 million VAT recovery included in prior year.

- Costs[7] declined by £1.0 million in the second half of the year compared to the second half of the prior year. Full year cost base grew by £2.4 million to £66.6 million reflecting continued investment in PayPoint One, MultiPay, and improving customer service.
- Gross margin reduced to 46.8% due to Payzone acquisition, excluding Payzone gross margin is broadly stable at 49.2%.
- Operating profit increased 0.4% to £53.5 million.
- Profit before tax of £52.9 million delivered slightly ahead of expectations.
- Operating cash flow improved by 6.5% to £65.1 million.
- New financing facility secured until March 2023 for £75 million at improved margins.
- Final ordinary interim dividend of 30.6 pence per share, an increase of 2% year-on-year alongside the additional interim dividend of 15.3 pence per share. Total dividends of £55.9 million paid to shareholders during the period supported by strong cash generation[8] of £65.1 million up on prior year by £4.0 million. Cash at period end was £46.0 million, £18.5 million excluding client funds.

Dominic Taylor, Chief Executive Officer, commented:

"There is now strong momentum across PayPoint One, MultiPay and Romania, in addition to a compelling Parcel proposition reflected in a strong pipeline of client deals, all of which will underpin the future growth of our business.

PayPoint One is already creating value for over 9,000 retailers and our new EPoS Pro product allows retailers to benefit from significant additional efficiencies and drive value within their own businesses. We are delighted to have made good progress in Parcels with the Collect+ network now in over 7,400 sites. We continue to see strong growth in card payments, whilst MultiPay, our omni-channel payment solution, has now processed over 33.9 million transactions since launch in 2016. We have also made significant progress in developing a more efficient organisation and improving service delivery to our retailers. Our Romanian business has advanced since the acquisition of Payzone with the integration progressing and new revenues bolstering organic growth.

Non-recurring items which will impact our operating profit performance in the financial year ending 31 March 2019 include the closure by the Department for Work and Pensions of their Simple Payment Service worth c£4.0 million per annum in net revenue and the second-year impact of £1.0 million reduction in net revenue from the agreement to lower Yodel parcel fees.

Despite these headwinds, and whilst final performance for the forthcoming financial year will be influenced by the timing of and volumes from new parcel contracts, the Board anticipates a progression in profit before tax in this financial year as the growth drivers in our business continue to develop."

Enquiries

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A presentation for analysts is being held at 11.45am today (24 May 2018) at Canaccord Genuity Limited, 88 Wood Street, London, EC2V 7QR. A webcast of the presentation can be accessed at http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=5621. This announcement is available on the PayPoint plc website: http://corporate.paypoint.com.

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7 Comprising of £19.6 million other costs of revenue (see note 3 to the financial statements), administrative expenses £46.5 million and net financing costs of £0.5 million.

8 Cash generation is a non-IFRS measure reflecting operating cash flows before movements in working capital from note 14 to the financial statements.

CHAIRMAN'S STATEMENT

Delivering our strategy
This year was a successful one for PayPoint in which we continued to make progress against our strategy of embedding PayPoint at the heart of convenience retail.

In 2016/17 we simplified our business with the sale of Mobile and the restructuring of the Collect+ arrangement, enabling us to drive value from the strength of our established Retail networks. This positioned us well in 2017/18 to be able to proactively respond to the expected challenging external factors in UK cash payments and ATMs whilst continuing to deliver growth in our UK retail services and Romanian businesses, which included the Payzone acquisition.

In our last annual report, we set out five priorities for 2017/18 and this report sets out the progress we have made against each of those priorities. It also sets out our objectives for the future, building on the platform we have created from our focus on the simplification and reshaping of our business to deliver future growth and returns for shareholders through the continued disciplined implementation of our PayPoint One, Parcels, Romanian and MultiPay growth drivers. Considerable progress has also been made on upgrading the skills within the business, improving efficiency and the service delivery to our retailers and we have renewed our financing facility.

The Board is confident in the strong business platform from which we can resume earnings growth and continue to drive strong cash flows and shareholder returns. Our additional dividend programme of £25m per annum continues until 2021 alongside our ordinary dividend policy. For both our ordinary and additional dividend, we will transition from 1 April 2019 to a programme of four equal dividends payments, in July, September, December and March in order to more effectively manage working capital.

Our stakeholders
The Board recognises the need for effective engagement with all stakeholders and we have surveyed our employees, retailers and shareholders to better understand their perspectives on PayPoint and its relative strengths and weaknesses. We have formulated clear action plans to address this feedback. For employees we will set up an employee forum, chaired by Katy Wilde our HR Director and we have widened the talent pool with PayPoint to drive greater accountability to the Executive Board and key operational managers. For retailers we now have a full programme underway to deepen our interaction and to improve our retailers' experience of PayPoint. The Board is grateful for the feedback our shareholders shared with us through the independently conducted perception audit.

Board changes
Tim Watkin-Rees, Business Development Director, stepped down as an executive director of the Company on 31 March 2018. I would like to thank Tim for his dedicated service on the Board where he has played a significant role in the development and growth of PayPoint since its inception in 1996. I am also grateful that Tim will continue his services as a valuable employee taking on the title of Founder, focusing on driving new product and service innovation.

Conclusion
We are now a significantly more focused and efficient business. We have a clear roadmap against which to implement our strategy and a strong and motivated management team. The Board is confident in the prospects for the business and the value creation opportunity for all our shareholders.

Nick Wiles
Chairman
24 May 2018

CHIEF EXECUTIVE'S REVIEW

We have made good progress in the year as we continue to embed PayPoint at the heart of convenience retail. Through the deployment of PayPoint One in the UK we are able, from a single device, to bring together our leadership in bill payment solutions with a wide range of retail services, creating an evolving ecosystem which will benefit retailers and serve millions of consumers in the UK and in time Romania, whether they are paying a household bill or collecting a parcel.

Performance over the past year has been good across our retail businesses with net revenue increasing by £2.1 million to £119.6 million, up 1.8% from the same period last year, with underlying net revenue growth of £6.3 million driven by service fee revenue and Romania with improved margins in bill payment & top-ups overcoming the reduced transaction volumes from UK energy and mobile top-ups. Profit before tax of £52.9 million was delivered slightly ahead of expectations and there was strong control of costs in the second half of the year.

The three areas covered in this report are:

A. Our achievements in 2017/18: showing our good progress against our 2017/18 priorities.
B. Embedding PayPoint in the heart of convenience retail: covering our business model and the markets within which we operate.
C. Our strategic roadmap: setting our priorities for future years.

A. ACHIEVEMENTS IN 2017/18

In our full year results for 2016/17 we set out five priorities for the year ending 31 March 2018 as follows:

1. Drive profitable growth in UK retail services.
2. Deliver parcels volume growth in the UK.
3. Optimise profits in UK bill payments and top-ups.
4. Drive continued organic growth in Romania.
5. Business optimisation.

We are proud of the progress made against these priorities despite some challenges faced during the year. We have set out our progress against each of these below:

1. Drive profitable growth in UK retail services

Core to this priority has been the deployment of PayPoint One, in 8,550 sites at 31 March 2018, an increase of 4,949 resulting in PayPoint One being the largest EPoS capable estate in the UK convenience sector. This growing estate will increasingly be the platform through which we can drive service fee revenue from EPoS solutions in future years. In this regard, we are pleased with our launch of EPoS Pro, providing stock management capability to complete our product suite, along with our EPoS mobile app which allows our retailers to manage their EPoS system from any device anywhere. We have also signed agreements with Booker and Nisa to integrate EPoS Pro into their fulfilment systems, enabling their members to benefit from PayPoint One.

Card payments processed across our retail platform have grown by 4.9% to 94.5 million payments, driven significantly by contactless. Our card payments rebate net revenue has increased by 7.4% driven by the increase in transactions and the full year benefit of improved margins.

We have replaced over 500 legacy ATMs with broadband connected machines which are faster, more reliable and improve the consumer experience. Following planned reductions in the LINK interchange rate, we have adjusted our network plans to enhance site performance and maintain revenue levels.

2. Deliver parcels volume growth in the UK

Collect+ remains the clear market leader in parcel shop services as demonstrated by a Trust Pilot rating of 9.2 and our network of 7,436 sites remains the largest of its type outside that of the traditional Post Office. In the year we processed 23.4 million parcels, an increase of 2.0%. Since renegotiating our Collect+ arrangements in December 2016, we have been transitioning to a multi-carrier proposition. We have a strong pipeline of parcel opportunities and contract discussions underway with the intention to have at least one live before Christmas, the peak season for parcels.

3. Optimise profits in UK bill payment and top-ups

UK bill payment and top-up net revenue was slightly ahead of last year at £70.0 million (2017: £69.3 million) helped by a combination of cold weather in the final quarter, a delay in the rollout of smart meters due to the late commissioning of the Data Communications Company and the lack of deployable SMETS2 meters. The growth from improvements to client mix, renegotiation of symbol performance incentives, increased average top-up values and increased eMoney volumes which have a higher margin per transaction, was partially offset by a 9.1% reduction in transaction volume. Our MultiPay proposition has performed well, with transactions up 88% to 19.4 million, now serving 22 client brands.

We have renewed or extended contracts with eight bill payment clients, including the BBC and AllPay and launched Amazon Top Up as Amazon's exclusive partner in the UK. The Department of Work and Pensions Simple Payment Service was extended to 31 March 2018 and we have now implemented a replacement service, albeit at a significantly lower value than the previous contract. The annual value of the previous contract was c£4.0 million net revenue per year.

4. Drive continued organic growth in Romania
Romania has had a good year of organic growth, supplemented by the acquisition of Payzone in October 2017. Transaction volume grew by 21.4 million (28.6%) to 96.4 million, with Payzone adding 17.0 million transactions. Overall net revenue of £11.9 million (2017: £9.2 million) increased by £2.7 million (29.8%) driven largely by transaction volume growth. Our integration of Payzone is progressing with the Payzone people now co-located in PayPoint's office and further sustainable cost efficiencies have been identified. The acquisition has expanded our client base to more than 160, increased our network to over 20,000 sites and has increased our share of bill payments issued by our clients to 33% (2017: 23.6%).

Our network in Romania is extensive across cities, towns and villages from which we will benefit as new services are demanded in Romania from the government or consumers, as is the case with card payments, mandated in shops by the government, where we have recently extended a commercial trial to over 400 sites.

5. Business optimisation
With our focus on driving value to retailers and on providing them with first class service, there are a number of key actions we have taken during the course of the year including:
- Delivery of CRM for client management where we have made good progress in preparing for the deployment of CRM into our operations and sales functions – this is essential to provide a single view of the customer.
- Reorganising our technology development structure to bring our product and development teams closer to each other in the recently renovated unit 2 building. This will deliver faster, more agile and efficient innovation.
- Commencing the implementation of an agile development workstream focusing initially on PayPoint One and MultiPay.
- Launching the 'Operations Management Group' consisting of senior functional managers to take ownership of reviewing and resolving operations processes to improve effectiveness, efficiency and customer service.

B. EMBEDDING PAYPOINT IN THE HEART OF CONVENIENCE RETAIL

PayPoint is well positioned for growth through the combination of its business model, market opportunity and the execution of its strategic roadmap.

Business model
We provide a wide range of revenue generative products and services for consumers, retailers and clients leveraging our scalable, broadly fixed cost technology platform. This platform consists of differentiated and resilient technology that we deploy in stores, such as PayPoint One, combined with robust financial settlement systems, through which we process £10 billion per annum, 24/7 operational technology support and comprehensive support for our retailers, either through our call centre or via our field sales representatives. We are able to launch complementary products and services, such as Parcels and ATMs, that leverage this platform without the need to create bespoke platforms as single product competitors do. As a result, our business model delivers strong margins and is highly cash generative which allows us to pay a superior dividend and continue to invest in the business.

Critical to this model is the need to support and provide excellent customer service to our retailers. Progress in this is a high priority over the coming years and will attract significant investment in systems. During the year, we paid £49.1 million in commissions to our retailers.

Market opportunity
Payments & top-up business (Payments) market
Cash bill payments has traditionally been PayPoint's key driver for growth for which we have developed a market leading position in payment collection through our convenience Retail network. Our UK and Ireland network of 29,000 stores handles over 380 million bill payments & top-up transactions per annum with a value of £7.3 billion, whilst our Romanian network of 20,000 sites handles over 95 million transactions with a value of £1.8 billion.

In the UK, the market is undergoing significant levels of change:
- Cash payments relative to all other payment methods are in steady decline. In 2006, 62% of all payments were cash; in 2016 this reduced to 40% and by 2026, it is predicted this will fall to 21%[9].
- Energy transactions which account for 70% of our bill payment & top-up transactions have also been impacted by:
  - Continuous review of energy prices.
  - Improving efficiencies in household energy consumption.
  - Rollout of smart meters - smart meters now represent 20%[10] of all domestic energy meters.
  - Delays by the Data Communications Company and the lack of deployable SMETS2 meters.
  - Level of switching from the Big Six energy providers to challenger operators.

In contrast, Romania cash bill payment remains a mass market proposition with local utility cash offices closing and the local post office losing its largest clients. We process on average 33% of our clients' payments.

Given our strategic focus on our UK and Romanian operations where we have market leadership, we will be winding down our small Ireland network of 450 sites.

[9] According to figures from UK Finance.org.
[10] Department of Business, Energy & Industrial Strategy smart meters report December 2017.

In the UK and Romania, we will continue to sustain our leadership as a bill payment & top-up service provider with our comprehensive geographic coverage in convenience stores. Our MultiPay product is designed to recapture part of the volume that will likely migrate to digital channels through the rollout of smart meters.

Retail services business market
In the UK, we operate within a retail sector of approximately 66,000 stores comprising 56,000 convenience retailers (including forecourts, specialist and Confectionary, Tobacconist, News (CTN) stores) and 10,000 large format supermarket sites[11]. Within the convenience retail sector, independents and symbol groups make up 44,000 stores with multiples accounting for the remaining share of 12,000.

The convenience market is growing but is also becoming more competitive:

- Convenience sector sales increased to £40 billion[12] in 2017 up 7% in the year and is forecast to grow by £7 billion by 2022.
- Consumers habits are changing to using smaller local stores entailing more frequent visits.
- Large multiple brands such as Sainsbury's, Tesco and Co-op are increasing their presence in convenience.

With competition growing, combined with increased consumer demands, independent retailers must adapt to remain relevant in this modern age. Our service offering will help retailers benefit from footfall driven from payments and parcels. Our retail services, centred on PayPoint One and its associated EPoS solutions, will enable retailers not only to become more efficient, but also to transition from a shopkeeper to a business person, providing solutions to support consumers in their local communities.

We provide many services in the UK that span many markets. Key services are:

ATMS – PayPoint is the fourth largest non-bank ATM provider on the LINK network with approximately 4,200 ATMs:

- In 2017 LINK's ATM transactions declined 2.0% from 3,170 million to 3,102 million transactions[13].
- LINK's ATM sites reduced from 70,020 in 2016 to 69,610 in 2017[2] with non-surcharge machines increasing their share of all ATMs.
- Interchange fee reduction of 5% for the half year from July 2018 with a further three annual reductions of 5% starting January 2019 affecting non- surcharge machines - 45% of our estate.

Card payments – We have over 10,000 sites using our card payments service:

- Contactless payments are growing in importance, accounting for 38% of volumes in 2017, up from 24% in 2016[14]. Average transaction values are trending downwards but are offset by transaction volume growth.
- Highly competitive market with many offers from merchant acquirers and other intermediaries.

Parcels – Collect+ remains the largest retail parcel point network (excluding the Post offices) with 7,400 local convenience stores.

- The UK parcel market is estimated to be 2.5 billion deliveries per annum, growing strongly by 14.2%[15] in the 12 months to February 2018.

EPoS – This solution is highly beneficial for symbol affiliated and independent retailers who need a cloud based EPoS solution:

- The target universe represents approximately 38,000 stores in the UK – equating to 74% of the convenience market (excluding CTNs and specialist stores).
- Retailers have a low investment base of £6,000 to £8,000 per annum, with many competing priorities (fridge, lighting, building maintenance shelving, signage, etc) creating a barrier for EPoS adoption. Our recurring service fee, with no up-front cost to the retailer, eliminates the initial investment barrier.
- Only 30-40% of independents and 60-70% of symbol group retailers have EPoS[16].

[11] William Reed IGD – Grocery Retail Structure 2017
[12] ACS -The local shop report 2017.
[13] https://www.link.co.uk/about/statistics-and-trends.
[14] UK Finance Card expenditure statistics – October 2017.
[15] IMRG MetaPack UK Delivery Index Report March 2018.
[16] ACS -The local shop report 2017.

C. STRATEGIC ROADMAP

We have a clear roadmap to realise the opportunity available to PayPoint, built around four key strategic priorities listed below. These build on last year's priorities and are the foundation of our Company plan by which we will measure our progress over the coming years.

1. Embed PayPoint at the heart of convenience retail (in the UK and Romania).
2. PayPoint becomes the definitive parcel point solution.
3. Sustain leadership in 'pay-as-you-go' and grow digital bill payments.
4. Innovate for future growth & profits.

Underpinning our four priorities we will continue to develop and invest in our people and organisation including:

- The successful implementation of Salesforce as our CRM system and a new billing system.
- Delivering our new agile technology implementation, working closely with our product organisation.
- Continuing to develop a performance based culture; with focus on empowerment and customer service.

Priority 1: Embed PayPoint at the heart of convenience retail

In the UK and Romania, we will continue to provide and develop new products and services which enhance the retailer's offer to their customers. We will also seek to support retailers with innovation and first-class customer service to allow them to evolve their stores to achieve their full potential.

In the **UK,** PayPoint One is critical to this evolution and so it is a strategic priority to embed this technology across our retail base as a platform to drive value to retailers. We are very pleased with the speed with which we have been able to rollout our PayPoint One estate to date and therefore we intend to grow our estate to 12,400 sites by March 2019. We consider our T2 (second generation) terminal as legacy and we will stop supporting it in the UK sometime from the end of 2019. As the PayPoint One estate continues to grow we will seek to connect this platform to other symbol operators and wholesalers and move our retailers through the EPoS product range to provide them with more value and increase our average weekly service fee per site. We believe this platform will provide for further revenue generative solutions as its ecosystem evolves. ATMs allow retailers to recycle cash received from bill payments thereby creating additional revenue and footfall opportunities and simultaneously reducing retailers' banking costs. We will explore with LINK the possibility of adopting an over the counter cash dispensing model to reduce the amount of capital required to support cash withdrawals. Our card payments business will continue to grow with the rollout of PayPoint One and will additionally benefit from the launch of net settlement for cards later this year. Our priority is the continuing development of new products and services which leverage off the existing services we provide and building on the existing retail service ecosystem.

Romania is a market that is likely to benefit from new opportunities as consumers seek to align with the rest of Europe. This will include, over time, growth in eCommerce, parcel deliveries and card payments solutions all of which PayPoint with its unique network strength and brand recognition, is ideally placed to deliver. Cash bill payment remains a mass market proposition and is expected to be the dominant bill payment method for the medium term during which time PayPoint Romania will exceed net revenue of £20 million.

In Romania we intend to launch a new Android terminal, appropriate for the Romanian market that will in time replace the existing second generation terminal and provide an integrated card payments solution to meet the Romanian government's requirement for all stores to be able to transact cards as well as replace the Payzone in-store technology that will soon be out of support.

We expect to invest in our systems across both countries, to facilitate first class service to our retailers as well as improve the efficiency of our internal processes to speed up the administration of retailers, such as when we sign them up and fulfil products and services to them. We will continue to reward our retailers for the services they provide us by way of commission.

Priority 2: PayPoint becomes the definitive parcel point solution

Online retail shopping will continue its robust growth, increasing the demand for convenient delivery solutions for consumers. Carriers are operating in a low-margin competitive market with difficulties in the "last mile" of delivery. With our extensive network covering over 98% of the UK population, within one mile in urban areas and five miles in rural, our parcel solution brings carriers and retailers together for the benefit of their consumers. Our priority over the coming years is to:

- Grow our parcels business to over 60 million parcels through the addition of new carriers and partners.
- Extend our network and operational processes to support multi-carriers in store.
- Maintain a compliance rate of 99% - a measure of the effectiveness of our service in store.
- Develop a range of service enhancements including a retailer app allowing them to scan parcels away from the checkout.
- Work with retailers to enhance the consumer experience to maintain a Trust Pilot score of over 9.0.
- Increase the Collect+ network reach driving extra foot-fall into our convenience retailers.

Priority 3: Sustain leadership in ‘pay-as-you-go’ and grow digital bill payments
The slowdown in the energy sector and mobile top-ups together with the general decline in cash as a payment method in the UK economy means that we anticipate reducing transaction volumes. However, cash payments will remain a mainstay of the UK economy for many years to come and we will continue to retain its leadership in this market. This business is highly cash generative and enables us to invest in future growth and innovation.

With our MultiPay product, we will remain a key service provider to our clients as the digital payment world grows. We intend to evolve the product to include a Direct Debit payment solution as well as provide an ability to integrate to other Payment Service Providers, for resilience and commercial flexibility. We believe this will not only make our proposition more attractive in our current markets, but also allow us to extend our offer into new sectors. We will continue to be very focused on the challenger energy providers and we intend to win at least one additional Big 6 client.

Priority 4: Innovate future growth and profits
Innovation has been a key to our success since the Company started over 20 years ago and we will continue to innovate to maintain our competitive advantage, drive new products and services, improve our retailer experience and increase efficiency. In the near term we will focus on the following:

- A new Android retail terminal to service the Romanian market, leveraging our retail platform.
- Launch of a new data analytics capability in support of the PayPoint One eco system, providing value to retailers and the supply chain.
- Trialling in association with LINK a new ability for the consumer to withdraw cash from a shopkeeper rather than from a physical ATM, thereby reducing the capital required to support declining cash volumes.

Outlook
There is now strong momentum across PayPoint One, MultiPay, and Romania and a compelling Parcel proposition reflected in a strong pipeline of client deals, all of which will underpin the future growth of our business. Non-recurring items which will impact our operating profit performance in the financial year ending 31 March 2019 include the closure by the Department for Work and Pensions of their Simple Payment Service worth c£4.0 million per annum in net revenue and the second-year impact of £1.0 million reduction in net revenue from the agreement to lower Yodel parcel fees.

Despite these headwinds and whilst the final outturn for the forthcoming financial year will be influenced by the timing of and volumes from new parcel contracts, the Board anticipates a progression in profit before tax in this financial year as the growth drivers in our business continue to develop.

Dominic Taylor
Chief Executive
24 May 2018

KEY PERFORMANCE INDICATORS

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 are consistent with prior year. 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	2018	2017
Maximise shareholder return	Earnings per share (Retail networks)[17]	Retail network 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 continuing business attributable to each share.	**63.0p**	64.3p
	Reported 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.	**45.9p**	45.0p
	Economic profit[1]	Operating profit before impairments and profit on business disposals after tax and a charge for capital employed, excluding net cash or net debt, based upon the Group's cost of capital. Economic profit provides a consistent measure of the profit aligned to the remuneration of management.	**£38.8 million**	£39.2 million
Embed PayPoint at the heart of convenience retail	Retail networks' transactions	Number of transactions processed in the year on our MultiPay platform, terminals (including card payments) and ATMs. Transaction volume provides a measure of the source of revenue which is earned on a per transaction basis.	**643.5 million**	654.8 million
and	Retail networks' transaction value	The value of transactions processed via our terminals and ATMs where PayPoint also provides the collection and settlement of funds. Transaction value provides a measure of the source of revenue which is earned on a percentage of the transaction value.	**£10.5 billion**	£10.4 billion
Sustain leadership in 'pay-as-you-go' and grow digital bill payments	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.	**£119.6 million**	£117.5 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.	**8,550**	3,601
Business optimisation and	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.	**44.3%**	45.3%
Innovation	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.	**178.9%**	184.3%
	(Decline)/ growth in Retail networks yield per site[1]	(Decline)/growth 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.	**(10.0)%**	2.2%
People	Labour turnover	Number of permanent employees who left during the year divided by average total permanent employees.	**26.8%**	29.0%

[17] These KPIs are alternative performance measures and are not directly comparable to statutory measures.

	Labour turnover provides an indication of employee job satisfaction.		

FINANCIAL REVIEW

OVERVIEW

Our profit before tax of £52.9 million reflects the successful execution of our strategy. In December 2016, we completed the simplification of our business with the sale of the mobile payments business and the Collect+ reorganisation. Consequently, the prior year comparatives where profit before tax was £69.1 million included £15.6 million profit on the disposal of the Mobile and Drop and Collect businesses. Excluding the impact of last year's simplification, and looking exclusively at our continuing Retail networks, prior year profits were £53.5 million.

The results ended 31 March 2018 reflect the investments we have made in reshaping the business for future profitable growth including:

- The successful Payzone Romania acquisition (for a net consideration of £2.5 million) which contributed £0.3m to profit before tax in the year.
- The second-year impact from the Yodel renegotiation allowing us to extend the network to other carriers and partners. Net revenue from parcels reduced by £1.8 million due to the revised commercial terms.
- The rollout of PayPoint One, which at 31 March 2018 was in 8,550 sites.

Looking at the underlying trading performance, UK bill payments and top-up businesses delivered increased net revenue of £0.7 million to reach £70.0 million (2017: £69.3 million). The expected decline in transaction volumes was mitigated by improved margins as a result of client mix (increase in smaller but higher yielding clients) and the full year impact of renegotiations of performance incentives with symbol groups. MultiPay continued to grow robustly, with transactions increasing 88% to 19.4 million.

UK retail services delivered a good performance with underlying net revenue growth of £2.9 million (8.3%) to £37.7 million after adjustment of £1.8 million impact in the current year from the Yodel renegotiation and the one-off benefit of £2.4 million in relation to the change in VAT treatment of card revenue rebate included in prior year results. The growth was driven by increased service fee revenue following the successful rollout of PayPoint One to a further 4,949 sites.

Romania transaction volume grew by 21.4 million (28.6%) to 96.4 million, of which Payzone added 17.0 million transactions, leading to net revenue growth of 29.8% to reach £11.9 million (2017: £9.2 million). Organic net revenue growth was £1.0 million (11.5%) with Payzone adding £1.7 million for the six months since its acquisition.

The investment from prior years in MultiPay and PayPoint One development and the rollout of PayPoint One has increased our depreciation and amortisation charges in the current year by £2.3 million. We also undertook a review of the useful lives of some of our intangible assets in the current year which has increased amortisation by a further £0.8 million.

We were also successful with our challenge to an HMRC VAT ruling issued in 2015. The ruling required certain revenue streams to be treated as VAT exempt which reduced VAT recovery and increased our cost base. Following the tribunal outcome, we have commenced with recovery of the VAT element of invoices previously issued to clients and reviewing our input VAT recovery, the finalisation of which will be concluded in the first quarter of the 2018/19 financial year. As a consequence, included in the current year cost base is an estimated benefit (reduction of costs) of £2.4 million of which £1.5 million relates to years prior to 2017/18. The final recovery is subject to finalisation of a notification to the HMRC and their agreement, however we do not expect the recovery to be less than the amount already included in our results.

Costs increased by £2.4 million to £66.6 million due to acquisition of Payzone increasing costs by £1.2 million, underlying costs increasing by £3.4 million reflecting investments in CRM Salesforce and PayPoint One, one-off reorganisation and asset useful life adjustments of £1.2 million, offset by the VAT tribunal result described above and £1.2 million of sustainable cost efficiencies.

We continued to have strong cash generation[18] which increased by £4.0 million from 2016/17 to £65.1 million. Working capital improved by £3.4 million but includes a temporary benefit of £3.6 million from the VAT tribunal ruling for receipts from clients being received in advance of the net payment to HMRC. This will reverse in 2018/19.

Finally, we also secured a new financing facility for £75 million with an accordion of £20 million at margin rates lower than the previous £45 million facility. The new facility expires in March 2023 and provides us with the necessary financial headroom required to execute our strategy. During the year we utilised the previous facility to fund short term financing needs and together with costs of renewing the facility our net financing costs increased to £0.5 million (2017: £ nil).

[18] Cash generation is operating cash flows before movements in working capital from note 14 to the financial statements.

SECTOR ANALYSIS
This year we have enhanced our disclosure by extending each of our sectors to show UK and Ireland separately from Romania and provide further detail on net revenue for each of our key UK retail services, a key growth area for our business. As in prior years, we have disclosed the transaction volumes, transaction values, revenue and net revenue which are briefly described below.

Transaction volumes: The number of transactions processed through our MultiPay platform, terminals (including card payments) and ATMs. Transaction volume provide a measure of the source of revenue where it is earned on a per transaction basis.

Transaction value: The value of transactions processed via our network and where PayPoint also provides the collection and settlement of funds. Transaction value provides a measure of the source of revenue where it is earned on a percentage of the transaction value.

Revenue: The value of services and goods delivered or sold to clients and retailers.

Net revenue: An alternative performance measure reflecting the benefit attributable to our performance eliminating pass-through and retailer commission costs. This assists with comparability of performance where we act as a principal for some clients and as an agent for others. A reconciliation from revenue to net revenue is presented in note 1 to the financial statements.

Network sites: A retailer site which has a PayPoint terminal and provides bill payment services.

Retail network sites[19]

	Year ended 31 March 2018	Year ended 31 March 2017	Change %
UK & Ireland Retail network	**29,114**	29,176	(0.2)
● PayPoint One[20]	**8,550**	3,601	137.4
● Legacy terminal	**11,980**	17,088	(29.9)
● PPoS[21]	**8,584**	8,487	1.1
Romania Retail network	**20,514**	11,302	81.5
Total sites	**49,628**	40,478	22.6

UK retail service sites

	Year ended 31 March 2018	Year ended 31 March 2017	Change %
PayPoint One	**8,550**	3,601	>100
Collect+	**7,436**	6,167	20.6
Card payments	**10,252**	10,024	2.3
ATM	**4,146**	4,165	(0.5)

We have established retail networks in the UK, Ireland and Romania which grew by 22.6% to 49,628 sites.
In Ireland we have a network of 450 sites. Given our strategic focus on our UK and Romanian operations, we have decided to wind-down the bill payment services in Ireland, which generates c.£0.5 million net revenue per annum.

In the UK the network size was broadly level at 28,664 sites with focus on deploying PayPoint One into our existing network. New retailer sites acquired in the second half of the year offset the expected small churn of 1.9% following the implementation of a standardised service fee for legacy terminals in the first half of the year.

In Romania, sites increased by 9,212 in the year, this includes 8,376 Payzone sites. We have assessed the performance of the Payzone network and already commenced a rationalisation to reduce overlap between the existing network and unprofitable sites.

[19] 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 1 to the financial statements.
[20] PayPoint One will replace the legacy terminal and is the platform from which we can grow our retail services by offering additional products and services.
[21] PPoS is a plug-in device and virtual PayPoint terminal used on larger retailers' own EPoS systems who still want to use PayPoint services.

Retail networks' overall trading performance

	Year ended 31 March 2018	Year ended 31 March 2017	Change %
TOTAL			
Transactions (millions)	**643.5**	654.8	(1.7)
Transaction value (£m)	**10,450.3**	10,409.6	0.4
Revenue (£m)	**213.5**	203.4	5.0
Net revenue (£m)	**119.6**	117.5	1.8
UK and Ireland			
Transactions (millions)	**547.1**	579.8	(5.6)
Transaction value (£m)	**8,537.4**	8,993.6	(5.1)
Revenue (£m)	**155.9**	163.7	(4.7)
Net revenue (£m)	**107.7**	108.3	(0.6)
Romania			
Transactions (millions)	**96.4**	75.0	28.6
Transaction value (£m)	**1,912.9**	1,416.0	35.1
Revenue (£m)	**57.6**	39.7	45.3
Net revenue (£m)	**11.9**	9.2	29.8

Retail networks' net revenue increased £2.1 million from £117.5 million to £119.6 million driven by £2.7 million growth in Romania which includes six months of Payzone (contributing net revenue of £1.7 million), underlying growth in UK retail services driven from delivering our strategy to drive PayPoint One into our UK Retail network and maintaining net revenue in UK bill payments and top-ups despite the decline in transaction volumes. Included in net revenue in the current year is the impact of the new commercial terms with Yodel of £1.8 million and last year's net revenue included a one-off VAT recovery of £2.4 million. Excluding these two items, like-for-like net revenue increased by £6.3 million.

Overall Retail networks transaction volume reduced, as expected, by 1.7% to 643.5 million transactions due to lower UK bill and general volumes partially offset by strong volume growth in Romania.

Revenue increased disproportionally to transactions as Payzone's revenue mix is weighted towards mobile top-ups where it acts as principal.

Retail networks' trading performance by sector

Bill and general

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

	Year ended 31 March 2018	Year ended 31 March 2017	Change %
Total			
Transactions (millions)	**419.5**	430.5	(2.6)
Transaction value (£m)	**8,502.9**	8,489.9	0.2
Revenue (£m)	**82.5**	82.5	(0.1)
Net revenue (£m)	**60.0**	58.5	2.5
UK and Ireland			
Transactions (millions)	**334.2**	363.3	(8.0)
Transaction value (£m)	**6,717.6**	7,165.2	(6.2)
Revenue (£m)	**70.9**	73.6	(3.7)
Net revenue (£m)	**52.3**	52.4	(0.1)
Romania			
Transactions (millions)	**85.3**	67.2	26.9
Transaction value (£m)	**1,785.3**	1,324.7	34.8
Revenue (£m)	**11.5**	8.9	28.3
Net revenue (£m)	**7.7**	6.1	26.8

UK bill and general net revenue £52.3 million was broadly flat as an improved mix of smaller but higher yielding clients continues to offset the expected reduction in transaction volumes. MultiPay continued to grow robustly with transactions increasing 88% to 19.4 million and net revenue by £1.2 million to £2.4 million. Included in net revenue is c£4.0 million (2017: c£4.0 million) from Department for Work and Pensions Simple Payment Service which ended in March 2018.

In Romania, cash bill payment remains a mass market proposition and the acquisition of Payzone created a step change for our Romanian business. Net revenue grew by £1.6 million (28.3%). Total transactions increased by 18.1 million to 85.3 million with our current share of the bill payments issued by our clients increased to 33% (2017: 23.6%).

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, we are 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 2018	Year ended 31 March 2017	Change %
Total			
Transactions (millions)	**62.6**	68.9	(9.1)
Transaction value (£m)	**698.3**	731.6	(4.5)
Revenue (£m)	**75.3**	63.6	18.5
Net revenue (£m)	**20.8**	19.1	8.9
UK and Ireland			
Transactions (millions)	**52.2**	61.6	(15.3)
Transaction value (£m)	**639.1**	689.4	(7.3)
Revenue (£m)	**30.8**	34.0	(9.4)
Net revenue (£m)	**17.7**	16.9	4.6
Romania			
Transactions (millions)	**10.4**	7.3	42.8
Transaction value (£m)	**59.2**	42.2	40.3
Revenue (£m)	**44.5**	29.6	50.5
Net revenue (£m)	**3.1**	2.2	41.9

UK top-ups continued to be affected by market trends whereby UK prepay mobile transactions are being displaced by direct debit pay monthly options. UK top-up transactions reduced by 9.4 million to 52.2 million. Despite this however, net revenue increased £0.8 million following the full year impact of our renegotiations of performance incentives with symbol groups completed in the second half of last year and increased average top-up values. We also achieved 6.8% growth in eMoney transactions where the net revenue rate per transaction is substantially higher than for mobile top-up transactions.

In Romania the increase in transactions was driven by the acquisition of Payzone where its revenue mix was weighted more towards top-ups.

Retail services
Retail services are those we provide to retailers which form part of PayPoint's 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 2018	Year ended 31 March 2017	Change %
TOTAL			
Transactions (millions)	**161.4**	155.4	3.9
Transaction value (£m)	**1,249.1**	1,188.1	5.1
Revenue (£m)	**55.7**	57.3	(2.8)
Net revenue (£m)	**38.8**	39.9	(3.0)
UK and Ireland			
Transactions (millions)	**160.7**	154.9	3.7
Transaction value (£m)	**1,180.7**	1,139.0	3.7
Revenue (£m)	**54.1**	56.1	(3.6)
Net revenue (£m)	**37.7**	39.0	(3.5)
Services fees	**7.7**	4.0	89.5
ATM	**12.8**	13.1	(2.0)
Card payments rebate	**7.5**	7.0	7.4
Parcels and other	**9.7**	14.9	(35.0)
Romania			
Transactions (millions)	**0.7**	0.5	50.5
Transaction value (£m)	**68.4**	49.1	39.2
Revenue (£m)	**1.6**	1.2	25.3
Net revenue (£m)	**1.1**	0.9	31.6

UK retail services net revenue decreased by £1.3 million reflecting the revised commercial terms with Yodel and the card payments £2.4 million VAT recovery included in the prior year. Excluding these items, underlying net revenue increased £2.9 million. In the current year we have extended our disclosure to include the net revenue of each of our key products. Each is addressed below:

Service fees: Service fees comprise the fees earned from PayPoint One and our legacy terminal. This is a core growth area and as we continue to execute our strategy of deploying PayPoint One into our existing network this will become a significant revenue item. In the current year service fee revenue increased £3.7 million to £7.7 million driven by rollout of PayPoint One which was in 8,550 sites at 31 March 2018. The average weekly fee per site improved to £14.68 up c. 70 pence from 31 March 2017. Our EPoS Pro solution, launched in January 2018, was in 154 sites at 31 March 2018.

ATMs: Transactions increased by 2.9% however net revenue in ATMs reduced by £0.3 million to £12.8 million in part driven by an increased share of non-surcharge machines in our estate from which there is a lower net revenue rate per transaction. Considering LINK's proposals to reduce the interchange rate, we have commenced an initiative to reallocate a portion of our ATM estate to better performing locations.

Card payments rebate: Card payments transaction volumes grew by 4.9%. The increase in transactions together with the full year impact of margin improvement achieved in the second half of last year resulted in net revenue increasing 7.4% to £7.5 million. Excluding the margin improvements, net revenue growth was in line with transaction volume growth.

Parcels & other: Collect+ parcel service volumes grew by 2.0% to 23.4 million parcels. However, the strong growth experienced in the first half of the year was offset by reduced volumes in the second half. This highlights the importance of our strategy to expand the parcel service to other carriers and partners, which we did with the Yodel renegotiation. The impact of Yodel renegotiation in the current year was £1.8 million, which after excluding net revenue growth was in line with transaction growth. Collect+ was in c. 7,400 sites.

Other services provided include SIMs, money transfer services and other ad hoc items. Prior year includes the card payments £2.4 million VAT recovery.

GROSS PROFIT MARGIN AND NETWORK YIELD
Retail networks' gross margin reduced 2.6 ppts from 49.5% to 46.8% driven by:

- Inclusion of the Payzone acquisition which has a very low gross margin due to its high level of top-up business.
- Prior year including £2.4 million VAT rebate following the change in VAT treatment on card payments.
- Increased depreciation and amortisation charge of £3.0 million in the current year driven by our investments in the growth drivers of MultiPay and PayPoint One and reassessment of the useful lives of some intangible assets.

The inclusion of Payzone has also resulted in our average yield per site (calculated as net revenue from Retail networks divided by the average number of sites in the year) reducing by 10% for the year ended 31 March 2018.

NETWORK COSTS
Network costs of £66.6 million[22] were £5.0 million lower than last year of £71.6 million[23] as a result a £7.3 million reduction in costs following the sale of the mobile payments business offset partially by increased Retail networks' costs of £2.4 million.

Retail networks' costs increased £2.4 million from £64.2 million in 2016/17 to £66.6 million in 2017/18 driven by our strategic objectives to invest in profitable growth and improve our systems and processes to enhance our services provided to retailers specifically:

- Additional costs of £1.2 million from the acquisition and integration of Payzone Romania.
- Increased depreciation and amortisation of £2.2 million primarily from prior year investments in PayPoint One and MultiPay.
- PayPoint One deployment costs of £0.4 million.
- CRM Salesforce development costs of £0.8 million.
- Reorganisation costs of £0.4 million following our restructure of the development team in order to implement the new agile development process.

Other cost increases include:

- Increased amortisation of £0.8 million from a reassessment of the useful lives of some intangible assets.
- Increased net financing costs of £0.5 million from utilisation of the finance facility and its renewal on 29 March 2018.

Offsetting the above increases include:

- A £2.4 million benefit relating to a net VAT adjustment from the tribunal overturning the HMRC's ruling, £1.5 million relates to years prior to 2017/18.
- Sustainable cost efficiencies of £1.2 million allowing for the reduction of third party expenditure including signage and facilities costs.

ADJUSTED OPERATING MARGIN[24]
Adjusted operating margin of 44.4% improved 2.2 ppts (2017: 42.2%) primarily as a result of no longer including Mobile's losses. **Retail networks' operating margin** has reduced by 0.6 ppts to 44.7% (2017: 45.3%) because of increased costs of £2.4 million exceeding net revenue growth of £2.0 million.

PAYZONE ACQUISITION
Payzone SA in Romania was successfully acquired in October 2017 for an initial cash consideration of £1.4 million for the entire share capital and £0.9 million for an existing shareholder loan. This presents a step change opportunity for the Romanian business where both businesses can leverage from each other clients and integrate which will generate operational efficiencies. The integration is progressing with the Payzone employees operating from the Romanian head office and the data centre has been migrated with merging of the networks underway.

Following the fair value assessment of Payzone assets and liabilities, a net liability of £1.7 million was acquired and as a result, goodwill of £3.9 million was recognised. For the period since its acquisition to 31 March 2018 Payzone contributed £13.7 million revenue, £1.7 million net revenue and profit before tax of £0.3 million to the Group's results. Details of the acquisition are included in note 7 to the financial statements.

PROFIT BEFORE TAX AND TAXATION
The tax charge of £10.0 million (2017: £9.5 million) on profit before tax of £52.9 million (2017: £69.1 million) represents an effective tax rate[25] of 18.9% (2017: 17.8%). This is marginally lower than the UK statutory rate due to overseas profits being taxed at local rates which are lower than the UK rate offset marginally by adjustment in relation to estimates made in prior years and disallowable expenditure. In the current year the statutory tax rate is the same as the effective tax rate at 18.9%. Last year's statutory tax rate was 13.8% with the profit on disposal of businesses not being taxable.

[22] Comprising of £19.6 million other costs of revenue (see note 3 to the financial statements), administrative expenses £46.5 million and net financing costs of £0.5 million.
[23] Comprising of £17.9 million other costs of revenue and administrative expenses £53.7 million.
[24] Adjusted operating margin is calculated by dividing operating profits by the net revenue.
[25] Effective tax rate is the tax cost as a percentage of operating profit before impairments and profits and losses on business disposals.

STATEMENT OF FINANCIAL POSITION AND CAPITAL EXPENDITURE

Non-current assets of £54.2 million (2017: £47.6 million) increased by £6.6 million from last year driven by capital expenditure (£13.4 million) and the Payzone acquisition goodwill of £3.9 million. Current assets increased to £208.3 million from £152.2 million due to funds in the course of collection increasing £59.3 million due to year end falling over Easter weekend adding an extra two days of funds held by retailers. There is a corresponding increase in trade and other payables.

CASH FLOW AND LIQUIDITY

Cash generated by operations[26] before working capital movements was £65.1 million (2017: £61.1 million), reflecting strong conversion of profit to cash.
Net movement of working capital was an inflow of £8.8 million made up as follows:

- £5.4 million inflow from increased client funds.
- £3.6 million from the VAT tribunal ruling for receipts from clients being received in advance of the net payment to HMRC, this will reverse in the 2018/19 year.
- Underlying working capital in UK and Romania broadly flat.

Corporation tax of £10.3 million (2017: £8.6 million) represents payments on account and is in line with our current tax charge for the year. Capital expenditure of £13.4 million (2017: £17.5 million) consists of PayPoint One terminals, ATMs, EPoS, MultiPay and CRM developments.

Share incentive schemes which vested during the year absorbed £0.3 million (2017: £0.4 million). Dividends paid were £55.9 million (2017: £78.5 million) details of which are included in note 5 to the financial statements.

We have cash of £46.0 million (2017: £53.1 million) of which £27.5 million (2017: £20.2 million) is client cash. PayPoint successfully renewed its financing facility and increased it to £75 million which will expire on 29 March 2023. The facility was unutilised at year end.

The additional dividend and final dividend, if approved by shareholders, will utilise £37.5 million cash. The financial statements have been prepared on a going concern basis having regard to the identified risks and viability statement on pages 17 and 18. Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group including dividends.

ECONOMIC PROFIT

Our own measure of economic profit (defined as operating profit excluding impairment and profit on disposals of businesses, less tax and a 10% capital charge on capital employed, excluding net cash or net debt), was £38.8 million (2017: £39.2 million).

DIVIDEND

We propose to pay a final dividend of 30.6p per share on 30 July 2018 (2017: 30.0p) to shareholders on the register on 22 June 2018, 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 15.3p (2017: 15.0p) was paid on 21 December 2017, making a total ordinary dividend for the year of 45.9p per share (2017: 45.0p), up 2.0%. Dividends are paid from the standalone balance sheet of the Company which, as at 31 March 2018, had approximately £80.0 million of distributable reserves.

The current dividend payment profile of a one third payment in January and the final two thirds payment in July creates undue fluctuations of net cash balances during the year and so to more efficiently manage our working capital we will transition from 1st April 2019 to a programme of four equal dividends payable in July, September, December and March. This change will not alter the quantum of dividend that will be paid to shareholders within a financial year.

Rachel Kentleton
Finance Director
24 May 2018

[26] Cash generation is operating cash flows before movements in working capital from note 14 to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

Since publication of the Annual Report last year, the Executive team has completed a thorough review of the key risks that could prevent PayPoint meeting its strategic objectives, its risk appetite, the risk management framework and the format for managing these risks and reporting to the Board. The Group's level of risk remains broadly the same as last year however, PayPoint's business, financial condition or operations could be materially and adversely affected by the risks summarised in the sections below.

Risk area	Potential impact	Mitigation strategies
Business		
Innovation and market changes	The Group could fail to adapt to changes in consumer behaviour or to commercialise and develop innovation that is scalable and meets the requirements of clients and retailers. The inability to implement new products and services effectively may impact PayPoint's ability to drive growth and profitability.	The Group monitors external technological and consumer trends through its monthly strategy committee and twice yearly Board strategy reviews. The Group is committed to continued research and investment in technology and products to support its continued growth. Our product portfolio and the progress of new initiatives are reviewed at the monthly product committee that contains representatives from commercial, product, technology, finance and legal.
Culture	The strategic objectives and values of the Group are focused on retailer and consumer-centric products and services. If employees are not aligned with these objectives or empowered to realise opportunities, deliver performance or mitigate risks this could lead to poor service quality, a loss in revenue, increased cost or failure by employees to escalate concerns or issues to senior management and the Executive Board.	The PayPoint strategic objectives and values are defined and advocated by the Executive Board. These values are linked to strategic, team and individual employee objectives and performance appraisals. The Group's ethical principles are published on its website and intranet. A whistleblowing policy and procedures are published and a third-party service is available for employees to report wrongdoing. The Retailer Pledge is published and all employees made aware of its requirements.
Dependence on key clients and retailers	The consolidation of major clients or multiple retailers could adversely affect revenue. Insolvency, liquidation, administration or receivership of retailers could lead to PayPoint being unable to recover some or all of the client monies processed by the retailer. PayPoint would be liable to account to those clients where PayPoint bears the risk of collections.	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. All major clients are covered by specific contracts or agreements. Contract end dates and start of notice periods are scheduled and regularly reviewed by client management teams. Retail teams maintain and develop the relationship with retailers.
Partners & suppliers	Reliance on third parties for the provision of key parts of the PayPoint services (e.g. Payment service providers) could lead to extended outages if the supplier fails to meet required SLAs or goes into administration.	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. Specifically, for our MultiPay product we are adding a second payment service provider which will enhance the resilience of the service. Controls are regularly reviewed and improved to minimise risk of retailer churn caused by financial loss to retailers through fraudulent third-party activity. Suppliers are selected on merit following tendering, procurement and due diligence processes.
Interruptions in processes and 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,	Resilience is built into systems and contingency plans are in place should systems fail. These plans are exercised regularly. Programmes are in place to remove technical debt and to automate manual processes. Payment files are automatically imported into settlement systems. All payments are checked / authorised by nominated signatories. There is segregation of duties maintained between settlement & corporate accounts. Invoices are recorded and approved by authorised managers. Daily reconciliation of client settlement accounts and weekly reconciliation of PayPoint corporate accounts is carried out. Audited controls for supplier and client account set-up are in place.

	causing harm to our business and reputation and resulting in loss of customers or revenue.	
Financial		
Liquidity & funding	Capital might be required to finance investment, fixed assets, working capital, acquisitions or losses. If PayPoint does not perform to expectation or finance is not available from the market it may be necessary to reduce the scope of the Group's operations or anticipated expansion.	The Finance and Treasury policy sets borrowing limits with headroom allowed. A five-year revolving credit facility is in place. Cash resources are available but will be depleted by additional annual dividends of £25 million for five years. The ability to raise new funding is available via the stock market. Investor relations programme communicates company strategy, opportunities and results to the market and investors. Monthly business reviews and quarterly forecasts highlight any change in cash requirements. Cash flow reporting has been improved.
Operational		
Legislation or regulatory reforms and risk of non-compliance	PayPoint is required to comply with relevant legal and regulatory requirements. Any breach of these obligations could lead to costly and damaging legal or corrective actions to return to compliance e.g. Health & Safety at Work Act, Data Protection Act / GDPR, Stock Market listing rules, Financial Conduct Authority requirements, anti-money laundering legislation, employment law etc. It could also lead to the prosecution of individual company officers or employees.	The Group's legal department works closely with senior managers 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. A central compliance department co-ordinates all compliance monitoring and reporting. Subsidiary managing and finance directors are required to sign annual compliance statements. A plan is in place to ensure that the Group is compliant with the requirements of the General Data Protection Regulations prior to the 25 May 2018 deadline.
Cyber security, data protection, resilience and business continuity	System or network interruptions, recovery from fraud or cyber security incidents or poorly implemented change 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. PayPoint's ability to provide reliable and secure services largely depends on the availability and uninterrupted operation of its network of retailer terminals, computer systems, financial settlement and key business processes.	Service delivery is constantly monitored with technical support teams in place to address service outages or errors. Contact Centre, Service Management and Technical Services Helpdesk are in place to assist with and resolve issues. Client Management and Retail Management teams are in place to interface with clients and retailers. Resilient systems are in place across the Group. Disaster recovery and business continuity plans are maintained and exercised regularly to ensure contingencies are in place in the case of failure.
Attracting and retaining key talent	Future success is substantially dependent on the continued services and performance of executive directors, senior management, competent and qualified personnel. The failure to attract the right candidates, loss of key personnel or failure to adequately train employees could damage the Group's business or lead to non-compliance with legal & regulatory requirements.	Effective recruitment programmes are on-going across all business areas, as well as personal and career development initiatives. The executive management reviews talent potential twice a year and retention plans are put in place for individuals identified at risk of leaving. Compensation and benefits programmes are competitive and reviewed regularly.
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 with 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. Where issues are identified appropriate mitigations are being put in place.

Viability and going concern statements

As part of the risk monitoring programme the directors consider, annually, the Group's viability over a three-year period. The three-year period aligns with the Group's financial planning cycle and considering dynamics of the markets in which the business operates is an appropriate time horizon to use. The business activities, its performance, future development and market conditions described in the Chief Executive's review on pages 4 to 8, together with the principal risks set out above are considered in determining the Group's viability. The Group's viability is based on business plans with several different, but plausible, principal risks crystallising. These include:

- Business risk: Dependence on key clients and retailers - of the loss of large clients and retailers.
- Business risk: Innovation and market changes - slower than anticipated growth in retail services and a quicker than expected decline in the cash payments business.
- Operational risk: Impact of a technical event resulting in the temporary disturbance of usual operations.
- Financial: Liquidity & funding - impact on cash or financing facilities as a result of viability assessment scenario.

In making the assessment, the directors have also considered the Group's robust capital position, its cash-generative nature and mitigating actions in the unlikely event of the above scenario materialising.

From this assessment, the directors have concluded the Company is a viable operation and therefore, have prepared the financial statements on a going concern basis and they have a reasonable expectation that the Group will remain viable over the assessment period.

CONSOLIDATED INCOME STATEMENT

	Note	**Year ended 31 March 2018 £000**	Year ended 31 March 2017 £000
Continuing operations[1]			
Revenue	1	**213,515**	211,924
Cost of revenue	3	**(113,565)**	(106,008)
Gross profit		**99,950**	105,916
Administrative expenses		**(46,489)**	(53,640)
Operating profit before business disposals		**53,461**	52,276
Disposal of businesses		**-**	15,660
Operating profit after business disposals		**53,461**	67,936
Share of joint venture result		**-**	1,193
Investment income		**95**	132
Finance costs		**(609)**	(120)
Profit before tax		**52,947**	69,141
Tax	4	**(10,012)**	(9,508)
Profit for the year		**42,935**	59,633
Attributable to:			
Equity holders of the parent		**42,935**	59,622
Non-controlling interest		**-**	11
		42,935	59,633
Earnings per share			
Basic	6	**63.0p**	87.5p
Diluted	6	**62.7p**	87.2p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Items that may subsequently be reclassified to the consolidated income statement:		
Exchange differences on translation of foreign operations	**67**	675
Accumulated foreign exchange translation recycled to the income statement (net of nil tax)	**-**	2,047
Other comprehensive income for the year	**67**	2,722
Profit for the year	**42,935**	59,633
Total comprehensive income for the year	**43,002**	62,355
Attributable to:		
Equity holders of the parent	**43,002**	62,344
Non-controlling interests	**-**	11
	43,002	62,355

The mobile payments business, which was sold in December 2016 and is therefore included in prior year comparatives, did not meet the definition of a discontinued operation set out in IFRS 5 Non-current assets held for sale and discontinued operations as it did not constitute a separate major line of business.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31 March 2018 £000**	31 March 2017 £000
Non-current assets			
Goodwill		**12,171**	8,236
Other intangible assets		**13,586**	11,867
Property, plant and equipment		**28,047**	27,168
Deferred tax asset		**414**	354
		54,218	47,625
Current assets			
Inventories		**279**	357
Trade and other receivables	8	**161,987**	98,771
Cash and cash equivalents		**46,040**	53,080
		208,306	152,208
Total assets		**262,524**	199,833
Current liabilities			
Trade and other payables	10	**196,562**	121,603
Current tax liabilities		**4,213**	4,548
		200,775	126,151
Non-current liabilities			
Trade and other payables	10	**390**	537
Deferred tax liability		**66**	-
		456	537
Total liabilities		**201,231**	126,688
Net assets		**61,293**	73,145
Equity			
Share capital	11	**227**	227
Share premium		**2,907**	2,633
Share-based payment reserve	12	**2,771**	4,404
Translation reserve		**(249)**	(316)
Retained earnings		**55,637**	66,197
Total equity attributable to equity holders of the parent		**61,293**	73,145
Non-controlling interest		**-**	-
Total equity		**61,293**	73,145

These financial statements were approved by the board of directors and authorised for issue on 24 May 2018 and were signed on behalf of the board of directors.

Dominic Taylor
Chief Executive
24 May 2018

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 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		-	-	-	2,047	-	2,047	103	2,150
Equity-settled share-based payment expense		-	-	1,552	-	-	1,552	-	1,552
Vesting of share scheme	12	-	268	(1,329)	-	651	(410)	-	(410)
Deferred tax on share-based payments		-	-	225	-	-	225	-	225
Dividends		-	-	-	-	(78,543)	(78,543)	-	(78,543)
Closing equity 31 March 2017		**227**	**2,633**	**4,404**	**(316)**	**66,197**	**73,145**	**-**	**73,145**
Profit for the year		-	-	-	-	42,935	42,935	-	42,935
Exchange differences on translation of foreign operations		-	-	-	67	-	67	-	67
Equity-settled share-based payment expense		-	-	1,567	-	-	1,567	-	1,567
Vesting of share scheme	12	-	274	(2,999)	-	2,403	(322)	-	(322)
Deferred tax on share-based payments		-	-	(201)	-	-	(201)	-	(201)
Dividends		-	-	-	-	(55,898)	(55,898)	-	(55,898)
Closing equity 31 March 2018		**227**	**2,907**	**2,771**	**(249)**	**55,637**	**61,293**	**-**	**61,293**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000[27]
Net cash inflow from operating activities	14	**62,990**	41,807
Investing activities			
Investment income		**95**	132
Purchases of property, plant and equipment		**(7,112)**	(12,116)
Purchases of intangible assets		**(6,258)**	(5,335)
Acquisition of subsidiary	7	**(2,480)**	-
Acquisition of subsidiary – client cash	7	**1,554**	-
Net proceeds on disposal of businesses		**-**	22,674
Net cash (used) / generated from investing activities		**(14,201)**	5,355
Financing activities			
Dividends paid	5	**(55,898)**	(78,543)
Net cash used in financing activities		**(55,898)**	(78,543)
Net decrease in cash and cash equivalents		**(7,109)**	(31,381)
Cash and cash equivalents at beginning of year		**53,080**	83,221
Effect of foreign exchange rate changes		**69**	1,240
Cash and cash equivalents at end of year		**46,040**	53,080

Reconciliation of cash and cash equivalents

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Corporate cash	**18,547**	32,876
Client cash	**27,493**	20,204
Cash and cash equivalents on the statement of financial position	**46,040**	53,080

[27] 31 March 2017 figures have been restated for the reclassification of the cash settled share based payment from financing activities to operating activities.

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

Basis of preparation
This preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 March 2018 or 31 March 2017 but is derived from the statutory accounts and has been computed in accordance with International Financial Reporting Standards as adopted for use by the EU (IFRS). This announcement does not contain sufficient information to fully comply with IFRS. The Company expects to publish full financial statements that comply with IFRS in due course.

Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts and was unqualified, did not draw attention to any emphasis of matters and did not contain statements under s498(2) or (3) of the Companies Act 2006.

This preliminary announcement complies with the recognition and measurement criteria of IFRS, and with the accounting policies of the Group which were set out on pages 79 to 83 of the 2017 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, effective tax rate, reported dividends and cash generation.
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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 the mobile payments business 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 financial review.

The reconciliation of revenue to net revenue is as follows:

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Service revenue	**164,519**	173,880
Sale of goods	**47,809**	37,695
Royalties	**1,187**	349
Revenue	**213,515**	211,924
less:		
Retail agent commissions	**(49,100)**	(53,645)
Cost of mobile top-ups and SIM cards as principal	**(44,844)**	(32,296)
Card scheme sponsors' charges (related to mobile payments business)	**-**	(2,130)
Net revenue	**119,571**	123,853

Reconciliation from the Group Reported income statement to Retail networks
PayByPhone, the mobile payment business and Drop and Collect were sold in December 2016 and are included in last year's reported results making this year's performance not directly comparable. To make a clear comparison of the continuing financial performance of retail networks business the reconciliation from reported income statement for 2016/17 to Retail networks performance is shown below.

For the year ended 31 March 2017	Reported result £000	Less Mobile £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 of 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

Revenue accounting policy
Revenue represents the value of services and goods delivered or sold to clients and retailers which is measured using the fair value of the consideration received or receivable, net of value added tax.

Revenue from bill and general payments comprises commissions from clients for processing transactions and providing an over-the-counter payments service. Revenue is recognised at the point in time each transaction is processed. Dependent on the contracted terms, management fees, set-up fees or cash rebates are deferred and recognised on a straight-line basis over the contracted period with the client.

Top-up revenue comprises revenue from top ups for mobile phones, e-vouchers, prepaid debit cards and lottery tickets. Revenue is recognised at the point in time each top-up is sold. Other than as described below PayPoint is contracted as agent in the supply of top-ups and the commission earned from clients is recognised accordingly as revenue. In Ireland and Romania, PayPoint contracts as principal for mobile top-ups and revenue is recognised at the gross sale price and cost of revenue includes the related cost.

Retail services revenue comprises:
- services fees from retailers that use our technology to facilitate card payments, PayPoint One and legacy terminals and EPoS, all of which are charged for on a weekly or monthly basis, and recognised on a straight-line basis over the period of the contract.
- commissions, rebates and fees from card payments, ATM transaction fees, parcel and money transfer transactions are recognised when each transaction is processed
- commissions from sale of SIM cards is primarily earned from the mobile operators based the value of top-ups after the initial activation. This revenue is contingent on the customer actions and is recognised as the consumer top ups the SIM card.
- Fees for receipt advertising and failed direct debits are recognised at the time the transaction occurs.
- The Group's share of royalty income from the Collect+ joint operation

Critical judgement and estimates
In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the recognition and measurement of revenue, costs, assets and liabilities. The estimates and assumptions are based on historical experience and other factors that are considered relevant and actual results may differ from these estimates.

The following are the critical judgements and estimates with the most significant effect on the amounts recognised and presented in the financial statements.

Critical estimate: useful economic lives of intangible assets
The useful life used to amortise intangible assets relates to the expected future performance of the assets and management's judgement of the period over which economic benefit will be derived from the asset. For development costs, the Group has determined the useful life based on historical experience with similar products and platforms controlled by the Group as well as anticipation of future events which may impact their life such as changes in technology. Capitalised development expenditure shown in intangible assets was £13.6 million (2017: £11.9 million).

2. Segment reporting
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. A sector analysis has been provided in the finance review on pages 11 to 14.

Geographical information

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Revenue		
UK	**152,225**	161,664
Ireland	**3,727**	5,110
Romania	**57,563**	39,765
North America	**-**	4,459
France	**-**	926
Total	**213,515**	211,924

Non-current assets (excluding deferred tax)

	31 March 2018 £000	31 March 2017 £000
UK and Ireland	**39,997**	38,164
Romania	**13,807**	9,107
Total	**53,804**	47,271

3. Cost of revenue

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Commission payable to retail agents	**49,100**	53,645
Cost of mobile top-ups and SIM cards as principal	**44,844**	32,296
Card scheme sponsors' charges (related to Mobile business)	**-**	2,130
Cost of revenue deducted to arrive at net revenue	**93,944**	**88,071**
Depreciation and amortisation	**10,195**	7,473
Other	**9,426**	10,464
Other costs of revenue	**19,621**	**17,937**
Total cost of revenue	**113,565**	**106,008**

4. Tax

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Current tax		
Charge for current year	**10,224**	**10,596**
Adjustment in respect of prior years	**62**	**(892)**
Current tax charge	**10,286**	**9,704**
Deferred tax		
Charge for current year	**(262)**	**-**
Adjustment in respect of prior years	**(12)**	**(196)**
Deferred tax charge	**(274)**	**(196)**
Total income tax		
Income tax charge	**10,012**	**9,508**

The income tax charge is based primarily on the United Kingdom statutory rate of corporation tax for the year of 19% (2017: 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 2018 £000	Year ended 31 March 2017 £000
Profit before tax	**52,947**	69,141
Tax at the UK corporation tax rate of 19% (2017: 20%)	**10,059**	13,828
Tax effects of:		
Effect of tax rates in other countries where the rate is different to the UK	**(130)**	(213)
Disallowable expenses	**49**	107
Losses in companies where a deferred tax asset is not recognised	**4**	-
Adjustments in respect of prior years	**50**	(1,088)
Tax impact of share based payments	**(22)**	(10)
Revaluation of deferred tax asset	**2**	16
Disallowable loss on Collect+ arrangement	**-**	769
Disallowable goodwill impairment and non-taxable profit on disposal of subsidiary	**-**	(3,901)
Actual amount of tax charge	**10,012**	9,508

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

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Profit before tax	**52,947**	**69,141**
Profit on disposals	**-**	**(15,660)**
Profit before tax for purposes of calculating the effective tax rate	**52,947**	**53,481**

5. Dividends per share

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Reported dividends on ordinary shares:		
Interim ordinary dividend of 15.3p (2017: 15.0p) per share	**10,431**	10,218
Proposed final ordinary dividend of 30.6p (2017: 30.0p) per share	**20,863**	20,436
Interim additional dividend of 12.2p (2017: 12.2p) per share	**8,316**	8,333
Additional final dividend 24.4p (2017: 25.5 p) per share	**16,636**	16,667
Disposal dividend 38.9p per share	**-**	26,493
Total reported dividends (Non-IFRS measure)	**56,246**	82,147
Dividends paid on ordinary shares:		
Final ordinary dividend for the prior year	**20,450**	19,199
Interim ordinary dividend for the current year	**10,431**	10,218
Final additional dividend for the prior year	**16,701**	-
Interim additional dividend for the current year	**8,316**	8,333
Disposal dividend		40,793
Total dividends paid	**55,898**	78,543

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 per share

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

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**42,935**	59,622
Adjustments:		
Profit related to Mobile	**-**	(18,508)
Non-controlling interest	**-**	11
Loss related to Collect+	**-**	2,650
Profit for the purpose of basic and diluted earnings per share (Retail networks)	**42,935**	43,775

	31 March 2018 Number of shares	31 March 2017 Number of shares
Weighted average number of ordinary shares in issue (for reported and Retail networks' basic earnings per share)	**68,112,815**	68,118,438
Potential dilutive ordinary shares:		
Long-term incentive plan	**260,078**	190,484
Deferred share bonus	**47,795**	59,725
SIP and other	**28,719**	373
Weighted average number of ordinary shares in issue (for reported and Retail networks' diluted earnings per share)	**68,449,407**	68,369,020

Earnings per share		
Basic	**63.0p**	87.5p
Diluted	**62.7p**	87.2p

7. Acquisition of Payzone

On 12 October 2017 the Group acquired the entire share capital of Payzone SA in Romania for an initial consideration of £1.4 million and £0.9 million for an existing shareholder loan. Prior to the acquisition, Payzone SA operated a network of 10,000 retailers offering similar services to our existing Romanian business of bill payment, mobile top-up services and money transfer services. The Payzone acquisition is a step change in the Romanian business where synergies and opportunities can be leveraged from enhanced cross selling of services between clients and retailers together with migrating the Payzone network, operations and office into PayPoint Romania's existing operations.

The allocation of the purchase price to the fair value of the assets and liabilities, determined provisionally, was as follows:

Purchase price to the fair value of the assets and liabilities	12 October 2017 £'000
Goodwill	**3,947**
Trademark	**314**
Property plant and equipment	**384**
Trade and other receivables	**5,075**
Inventory	**61**
Cash and cash equivalents - client funds	**1,554**
Deferred tax liability	**(79)**
Intercompany payables	**-**
Overdraft	**(216)**
Current tax liability	**(27)**
Trade and other payables	**(8,749)**
Net fair value of business acquired	**2,264**
Total consideration	**2,264**
Satisfied by:	
Gross consideration shares	**1,381**
Gross consideration - shareholder loan	**883**
Total consideration paid	**2,264**
Net overdraft acquired	**216**
Net consideration paid	**2,480**

8. Trade and other receivables

	31 March 2018 £000	31 March 2017 £000
Trade receivables[1]	**18,425**	14,743
Items in the course of collection[2]	**139,666**	78,340
Revenue allowance[2]	**(3,862)**	(3,640)
	154,229	89,443
Other receivables	**1,208**	1,161
Prepayments and accrued income	**6,550**	8,167
	161,987	98,771

1 The average collection period for revenue is 26 days (2017: 25 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 £27.5 million of this balance at 31 March 2018 (2017: £13.5 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 £38,000 has been collected from retailers.

9. 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 10).

10. Trade and other payables

	31 March 2018 £000	31 March 2017 £000
Amounts owed in respect of client cash[1]	**27,493**	20,204
Settlement payables[2]	**139,666**	78,340
Client payables	**167,159**	98,544
Trade payables[3]	**8,010**	6,019
Other taxes and social security	**7,286**	2,406
Other payables	**2,823**	2,047
Accruals	**10,953**	12,383
Deferred income	**721**	741
	196,952	122,140

Disclosed as:		
Current	**196,562**	121,603
Non-current	**390**	537
Total	**196,952**	122,140

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 23 days purchases outstanding at 31 March 2018 (2017: 22 days) based on the average daily amount invoiced by suppliers during the year.

11. Share capital

	31 March 2018 £000	31 March 2017 £000
Authorised share capital		
4,365,352,200 ordinary shares of 1/3p each	**14,551**	14,551
Allotted and fully paid share capital		
68,180,545 (2017: 68,133,611) ordinary shares of 1/3p each	**227**	227

12. Share based payments

A total charge of £2.9 million (September 2016: £1.3 million) previously recognised directly to equity for schemes which have lapsed or vested was transferred from the share-based payments reserve to retained earnings during the period.

On 26 July 2017, 237,070 shares under the LTIP scheme were granted with 50% of the vesting based on total shareholder return (TSR) and 50% on earnings per share (EPS) growth. The performance condition for the TSR element is the same as the vesting period. The performance period for the EPS element is for the three financial years up to 31 March 2020.

Other share base payments include 11,620 restricted shares which were issued to eligible employees which do not contain any performance criteria and will vest over three years on 25 July 2020 and 26,542 shares issued under the DABS scheme with vesting over three years to 31 May 2020.

13. 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 2018 £000	Year ended 31 March 2017 £000
Short term benefits and bonus[1]	**2,579**	2,162
Pension costs[2]	**234**	235
Long term incentives[3]	**445**	445
Other[4]	**29**	29
Total	**3,287**	2,871

1 Includes salary, fees, benefits in kind and annual bonus.
2 Defined contribution pension scheme.
3 Long term incentives: includes the value of 2015 LTIP and DABS expected to vest after the year end (2017: 2014 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 £15.1 million (2017: £17.8 million) and PayPoint held a trade debtor at year end of £0.4 million (2017: £0.6 million).

14. Notes to the consolidated statement of cash flows

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000[28]
Profit before tax	**52,947**	69,141
Adjustments for:		-
Depreciation of property, plant and equipment	**6,362**	5,302
Amortisation of intangible assets	**4,155**	2,171
Share of joint venture result	**-**	(1,193)
Research and development credit	**(166)**	(171)
Profit on disposal of businesses	**-**	(15,660)
Loss on disposal of fixed assets	**52**	414
Net interest income	**514**	(12)
Share-based payment charge	**1,567**	1,552
Cash-settled share-based remuneration	**(322)**	(410)
Operating cash flows before movements in working capital	**65,109**	61,134
Movement in inventories	**148**	196
Movement in receivables	**(424)**	(338)
Movement in payables		
– client cash	**5,401**	(11,641)
– other payables	**3,650**	1,219
Cash generated by operations	**73,884**	50,570
Corporation tax paid	**(10,285)**	(8,643)
Finance charges paid	**(609)**	(120)
Net cash from operating activities	**62,990**	41,807

Items in the course of collection and settlement payables are included in this reconciliation on a net basis through the client cash line. The directors have included these items on a net basis to best reflect the operating cash flows of the business.

[28] 31 March 2017 figures have been restated for the reclassification of the cash settled share based payment from financing activities to operating activities.

TRADING HISTORY

	Year ended March									
	2009 £m	**2010 £m**	**2011 £m**	**2012 £m**	**2013 £m**	**2014 £m**	**2015 £m**	**2016 £m**	**2017 £m**	**2018 £m**
Revenue	224.4	196.6	193.2	200.0	208.5	212.2	218.5	212.6	211.9	213.5
Net revenue	77.4	77.4	82.7	90.4	105.7	113.7	123.1	123.6	123.9	119.6
Profit before tax[29]	**34.6**	**32.6**	**34.5**	**37.2**	**41.3**	**46.0**	**49.6**	**50.1**	**53.5**	**52.9**
Tax	10.8	10.5	10.6	10.3	10.3	10.1	10.4	10.3	9.5	10.0
Profit after tax	**23.8**	**22.1**	**23.8**	**26.9**	**31.0**	**35.9**	**39.1**	**39.8**	**44.0**	**42.9**
Earnings per share[1]										
Basic	35.6p	32.9p	35.2p	39.8p	45.7p	52.9p	57.6p	58.6p	64.3p	63.0p
Diluted	35.3p	32.7p	35.1p	39.8p	45.3p	52.6p	57.4p	58.4p	64.0p	62.7p
Dividend per share										
Ordinary	11.6p	21.8p	23.4p	26.5p	30.4p	35.3p	38.5p	42.4p	45.0p	45.9p
Other	-	-	-	-	15.0p	-	-	21.0p	75.6p	36.6p
Total	11.6p	21.8p	23.4p	26.5p	45.4p	35.3p	38.5p	63.4p	120.6p	82.5p

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 2018).

ABOUT PAYPOINT

In thousands of retail locations, at home and on the move, we make life more convenient for everyone.
For retailers, we offer innovative and time-saving technology that empowers convenience retailers in the UK and Romania to achieve higher footfall and increased spend so they can grow their businesses profitably. Our innovative retail services platform, PayPoint One, is now live in over 9,000 stores in the UK and offers everything a modern convenience store needs, from parcels and contactless card payments to EPoS and bill payment services. Our technology helps retailers to serve customers quickly, improve business efficiency and stay connected to their stores from anywhere.

We help millions of people to control their household finances, make essential payments and access in-store services, like parcel collections and drop-offs. Our UK network of 29,000 stores is bigger than all banks, supermarkets and Post Offices together, putting us at the heart of communities nationwide.

For clients of all sizes we provide cutting-edge payments technologies without the need for capital investment. Our seamlessly integrated multichannel payments solution, MultiPay, is a one-stop shop for customer payments. PayPoint helps over 400 consumer service providers to save time and money while making it easier for their customers to pay – via any channel and on any device.

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29 Profit before tax and earnings per share excludes exceptional items of profit or loss on disposal of businesses and impairments