PayPoint plc
Preliminary results
Year ended 25 March 2012

	Year ended 25 March 2012	Year ended 27 March 2011	Increase / (decrease) %
Revenue	**£200.0m**	£193.2m	3.5
Net revenue[1]	**£90.4m**	£82.7m	9.3
Gross margin	**39.1%**	36.6%	2.5ppts
Operating profit	**£38.9m**	£36.1m	7.8
Profit before tax	**£37.2m**	£34.5m	8.0
Diluted earnings per share	**39.8p**	35.1p	13.4
Dividend per share (full year)	**26.5p**	23.4p	13.2

- Record group transaction volume at 659 million, with growth in all channels
- UK & Ireland retail network transactions increased 9% with retail services continued strong growth of 25%
- 19 million Romanian bill payment transactions, up 56% and Romanian network now profitable after prior years losses
- 73 million internet transactions processed, up 24%
- PayByPhone transaction volumes of 17 million, up 23%
- Collect+ transaction volumes increased to just under 4 million, up over 3.5 times on last year
- Proposed final dividend of 17.8p, up 14% on prior year
- Year end cash of £35.5 million (2011: £26.5 million) with no debt

Enquiries

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

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

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

CHAIRMAN'S STATEMENT

I am pleased to report the growth in earnings continued, as a result of good performance by our UK retail network and the turnaround to profit in our Romanian network. Although losses in Collect+ and PayByPhone have increased, growth in Collect+ remained strong with commercial deliveries and consumer to consumer deliveries contributing well and we have achieved success in winning new business in PayByPhone. We have made progress in technology, with preparation towards the introduction of the Simple Payment service (replacing cheques, due for introduction later in the year) for the Department for Work and Pensions (DWP), installing virtual terminals, completing the development of a broadband communications solution for faster transactions and rolling out new services for our retail network, including cash out and money transfer.

In the UK retail network, retail services delivered healthy growth, although mobile top-ups continued to decline. The introduction of the Simple Payment service for the DWP should help fuel future growth.

We have made progress in developing transaction reporting tools for PayPoint.net which should go live in the second half of the current year and help to secure merchants in the gaming sector and win new business. We expect to develop this reporting tool for extension into other channels and markets. Further investment in a new transaction processing platform will also bring more functionality and flexibility in multi-currency, more frequent settlement and transaction optimisation.

We have continued to invest in our Romanian retail network by increasing our full service terminal estate by 735 sites. We accept bill payments for 36 clients and transaction volumes have increased by 56%. We have started to introduce money transfer under our contract with Western Union®.

We have extended our parcels service through Collect+, our joint venture with Yodel, across our UK retail network. Momentum is strong, with considerable interest among major high street and internet retailers and internet marketplaces. We have over 4,700 sites handling Collect+ parcels and over 125 online and multichannel retailers live, including some of the most respected customer service leaders, including ASOS, New Look, Boden, House of Fraser, ASDA Direct and Very. During the year, parcel volumes were up over 3.5 times and based on March 2012 we now handle a run rate of 5 million parcels per annum.

In PayByPhone, we have increased the resources in sales, marketing and delivery more than we originally planned, to address the increased opportunity. New mobile phone apps have been introduced, making registration and parking easier and we have launched one of the largest deployments in near field communications in San Francisco. The costs of the increased sales and technology spend have come ahead of the revenue as installations lag sales success. We will continue to invest to stay at the leading edge of this fast moving market.

The combination of sound, profitable growth in both the UK retail network and our internet business, substantive progress towards profitable growth in our Romania retail network, gathering momentum in Collect+ and proper resourcing of PayByPhone, have positioned the group for further substantial growth. We are proposing a final dividend of 17.8 pence per share, making a total for the year of 26.5 pence, an increase of 13.2 per cent, marking another year of uninterrupted dividend growth since our listing.

For the current financial year, trading is in line with the company's expectations. This is an important year for investment in infrastructure and tools to ensure the efficient delivery of future growth. Our established business (UK and Irish retail networks and internet payments) is strong, with further opportunities to enhance retail yield through the introduction of new technology and services. In addition, improvements in our service offering to online merchants will provide opportunities for growth. We will benefit from rolling out services in our developing business (Collect+, PayByPhone and Romanian retail network), growing our market share and improving profitability. Together, our businesses provide a solid foundation to deliver increasing value for our shareholders.

David Newlands
24 May 2012

CHIEF EXECUTIVE'S REVIEW

PayPoint has had another good year, in which we have delivered earnings growth in line with market expectations and our strategic plans. Our UK and Irish retail business has continued to grow and remains highly profitable and cash generative, our Romanian business is now profitable with good prospects for further growth and our Collect+ and PayByPhone businesses have made good progress.

The essence of the group's capability is the processing of high volume, consumer transactions, whether for payment or value added services, for example parcel fulfilment, through a flexible platform, adding value to clients in specific vertical markets. In the case of payments, these transactions are of low value and embrace retail, internet and mobile technologies and include money flowing to, as well as from, the consumer. The platform is connected to retailers and internet merchants across a number of different geographies, to whom we seek to add value through the provision of relevant additional services. Core to our proposition is to provide consumers with greater convenience. We are able to grow the business through targeting more clients in vertical markets, more verticals, more retailers and more merchants, driving more consumers to use our services.

Our strategy:
Our strategy remains unchanged. Since the flotation of the original UK & Irish retail network business in 2004, PayPoint has evolved into a specialist payments company. Our strategy has four key elements:

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

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

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

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

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

The extension of our geographic reach is progressing.

Growth and prospects:

Technology
Technology is at the heart of our service delivery and differentiation in all our businesses and we plan to invest heavily in this area. We see increasing opportunities to integrate our payment channel technologies to provide better, more efficient and complete solutions to our clients across a single platform, irrespective of whether their customer has paid in a store, online or on their phone. As our businesses grow, investments in improved reporting and retail agent management systems will continue to enhance our ability to provide customers with a unique service and will contribute to further profitable growth. The reporting system under development for internet clients will be developed further for extension to other clients across all distribution channels. As we invest in this more integrated solution we also plan to consolidate our data centres on two hosted sites.

In our UK retail network, we have rolled out our virtual terminal to multiple retailers - a software variant of our terminal which is integrated into the retailers' till systems, in conjunction with a bespoke PayPoint plug-in reader to provide the full functionality of the physical terminal more efficiently and at lower cost. In-store, this allows our service to be available at every check-out lane, eliminates the need for reconciliation with the main till system, accelerates transaction speed, and saves communications and till roll costs. Over 2,600 sites now have this technology in retailers such as McColls and One Stop and these stores have benefitted not only from increased efficiency, but also an uplift in volume. Where existing terminals are replaced by virtual terminals, we refurbish them for deployment in Romania.

An increasing number of our terminals are being connected through broadband links rather than dial-up, dramatically improving the speed of online transactions and the breadth of services that we can potentially offer the retailer in-store. The transition to broadband links will continue through the year.

We have introduced an agent extranet for our UK agents. Currently agent invoicing and financial details for each agent are available using this facility. We plan to roll this out to all agents, which will reduce paper, postage and some incoming agent calls to the call centre. We will further develop the agent extranet as a means of marketing to and communicating with our retail agents.

Development work on cash out services, the Simple Payment service for the DWP is at an advanced stage and will be ready for implementation during the course of this year. As a result, our retailer settlement systems will be more streamlined, reducing exposure to retailers and will allow the cash balances we generate through bill payment to be recycled back to consumers, saving retailers bank charges, and increasing in-store spend.

In Romania, we have completed the development of our money transfer proposition on the terminal and the service is now live and is showing encouraging growth.

In the internet channel, we are developing substantial improvements to our services to online merchants. These include transaction optimisation, an advanced management and reporting solution, a PCI compliance offering and additional payment methods, which should provide significant competitive advantage. PayByPhone is introducing a new, consumer friendly mobile web parking registration and payment system.

UK retail network
We are focused on providing increased retail services through our retail networks and have increased the size of the field sales force by 50 per cent to help deliver growth in revenue. Net revenues from these services increased 28 per cent last year. These services include parcels, ATMs, SIM cards, debit and credit card acceptance, advertising on till receipts and money transfer. We will continue to invest in the retail network with technologies such as our virtual terminal, broadband communication links and in new ATMs to optimise the growth of existing and future retail services. We are planning to launch our Simple Payment service for the DWP (to replace cheque benefit payments later in the year), which will provide us with a larger scale cash out opportunity to supplement existing cash out schemes.

Romanian retail network
The Romanian network is now profitable, driven by the optimisation of existing sites and increasing bill payment volumes and which we expect to continue as we market to consumers. The launch of money transfer, as the first retail service proposition, is showing early signs of success as Romanians opt for the convenience provided by their local shop instead of travelling to a bank.

Internet
Alongside the introduction of the new integrated systems referred to under Technology above, we expect to sign up further new merchants and to benefit from the launch of a new enterprise level, real time data reporting platform. This will offer PayPoint.net the opportunity to differentiate further its payments capability to merchants both in the UK and abroad and will add profitable growth.

PayByPhone
PayByPhone, one of the worldwide leaders in mobile phone parking, has the potential to replace traditional parking meters or provide a system for payment for parking where none exists in many major cities around the world. We have added significant sales and development resources and we are currently tendering to several large parking authorities as well as a large number of smaller opportunities in the UK, France and North America. Sales lead times are extended in this market and somewhat unpredictable, but our momentum continues to be encouraging, with wins in Hackney, Lambeth, City of London, Swindon, Coral Gables in Florida and Ottawa in Canada amongst others over the past year. We have also made encouraging progress in applying our mobile payment capability beyond parking, in winning a tolling contract for a major road bridge in Canada, further bicycle rental contracts in France and an integration into Veolia's French bus ticketing system.

We continue to focus on improving the consumer experience through mobile phone apps and improved registration processes as well as reducing the cost to serve. The launch of our contactless NFC parking solution in San Francisco was one of the world's largest implementations of NFC technology and is being adopted by other cities in North America and Europe. PayByPhone is now integrated into PayPoint.net and is now able to benefit from the latter's payment processing capability. We have spent more than we anticipated in addressing the sales opportunities, including technology. This expenditure has been rewarded by 66 new business wins, more than any of our competitors, but the revenue lags the win as it takes time to contract, install and ramp up the service. We will continue to invest at this high rate, the consequence of which will be a further loss in the current year.

Collect+
Our parcels joint venture (50:50) with Yodel has continued to progress strongly, with substantial endorsement from the online retailing community and resulting growth in transaction volumes. Collect+ has been recognised in prestigious industry awards for its innovative parcel delivery and returns service. Yodel's current integration of two businesses into one completes in the first half of our current reporting year. Collect+ processes over five million transactions per annum (based on transaction volumes in March 2012) and is making good progress towards breakeven volume.

Our plans for the current year
We will continue to make further progress in the four elements of our strategy to increase shareholder value: more payment/channel options, specialisation in vertical markets, value added services and geographic reach. We plan to make good progress in both the established and developing businesses, notably through continuing growth of retail services (in both the UK and Romania) and internet payments and by adding new customers to Collect+ and PayByPhone.

Early benefits from the synergy between our various business streams, with more clients in our selected verticals taking multi-channel services have encouraged us to push this dynamic more strongly as newer business areas bed in and system platforms can be developed across the group. We have strengthened the management in our UK retail network with the appointment of a UK Managing Director and the business is already benefiting from his increased level of focus.

PayPoint is one of the companies best placed to make further gains in the fast moving payment industry, particularly in e-commerce, and has a market leading position in retail services, on which we intend to build.

Dominic Taylor
24 May 2012

KEY PERFORMANCE INDICATORS

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

Measuring our performance

Strategic focus	KPI	Description	2012	2011
Shareholder return	Earnings per share (diluted)	Profit after tax attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue (including the impact of shares which are likely to be issued under share schemes) during the year.	**39.8p**	35.1p
	Dividends per share	Proposed final dividend and interim dividend divided by the number of fully paid shares at the end of the year.	**26.5p**	23.4p
	Economic profit	Operating profit after tax and a charge for capital employed based upon the group's cost of capital.	**£20.4 million**	**£17.4 million**
Growth	Retail networks transactions	Number of transactions processed in the year on our terminals, ATMs and on our retailers' EPoS systems.	**569 million**	517 million
	Internet transactions	Number of transactions processed in the year by PayPoint.net.	**73 million**	59 million
	PayByPhone	Number of PayByPhone transactions processed in the year.	**17 million**	14 million
	Transaction value	The value of transactions processed via our terminals, retailers' EPoS systems, internet merchants, ATMs, PayByPhone and the sale of other retail services.	**£12.1 billion**	£10.6 billion
	Net revenue	Revenue less: commissions paid to retail agents; the cost of mobile top-ups and SIM cards where PayPoint is principal; acquiring bank charges and call centre costs recharged to clients.	**£90 million**	£83 million
	Operating margin	Operating profit including our share of joint venture losses as a percentage of net revenue.	**41.0%**	41.7%
Asset optimisation	Return on capital employed	Total operating profit for the year divided by average monthly end capital employed excluding cash.	**58%**	53%
People	Labour turnover	Number of permanent employees who left during the year divided by average total permanent employees.		
		UK & Ireland	**26%**	25%
		Rest of world	**28%**	35%

BUSINESS REVIEW

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

Our key performance indicators are shown on page 6.

PayPoint is a payment service provider for consumer and business payment transactions and, as such, has only one operating segment. However, reflection on various facets helps explanation of the execution of our strategy in developing the group and, accordingly, in addition to the analysis of the number and value of transactions, revenue and net revenue, we have shown an analysis which separates our developing business (bill payment and top-ups in Romania, Collect+ and PayByPhone), from our established business (the UK and Irish retail networks and internet channel).

In addition, we have analysed our results by channel as follows:

Retail networks:
Bill and general (prepaid energy, bills and transport tickets)
Top-ups (mobile, pre-paid cards, phone cards and Health Lottery)
Retail services (ATM, debit/credit, parcels, money transfer, SIMs and receipt advertising)

Internet (transactions between consumers and merchants,
pre-authorisations and Fraudguard, where separately charged)

PayByPhone (parking and bicycle rental transactions)

Other for revenue and net revenue only (software development, configuration and customisation and settlement of claims)

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

OPERATING REVIEW

Transactions have increased to 659 million (2011: 590 million), up 11% in the established business and 34% in the developing business.

Transaction value increased to £12.1 billion (2011: £10.6 billion), up 13% in the established business and up 54% in the developing business.

Revenue in the developing business was up 24% with the strongest contribution coming from Collect+. Established business revenue was up 2%, with growth in UK bill and general, retail services and internet payments offsetting the reduction in mobile top-ups.

Net revenue in the developing business was up 44%, with strong growth in Romanian bill payment, Collect+ and PayByPhone. Established business net revenue was up 9% despite being held back by the decline in mobile volumes.

Operating profit in the established business was £41.2 million (2011: £38.4 million) and the operating loss, including our share of Collect+, in the developing business was £4.2 million (2011: £3.9 million), an increase of £0.3 million. The small increase in the loss in developing businesses is the result of the increased loss in the year in Collect+ and PayByPhone offset by an improved performance in Romania.

	Established business[1]	**Developing business[2]**	**Total**	**Adjust Collect+[3]**	**As reported**
Transactions					
million					
2012	**618**	**41**	**659**	**-**	**659**
2011	559	31	590	-	590
Transaction value					
£million					
2012	**11,682**	**438**	**12,120**	**-**	**12,120**
2011	10,316	285	10,601	-	10,601
Revenue					
£000					
2012	**171,008**	**33,036**	**204,044**	**(4,015)**	**200,029**
2011	167,700	26,535	194,235	(1,002)	193,233
Net revenue[4]					
£000					
2012	**83,598**	**9,412**	**93,010**	**(2,568)**	**90,442**
2011	76,811	6,539	83,350	(627)	82,723

1. Established business include the UK and Irish retail networks and the internet payment channel.
2. Developing business includes Romania, PayByPhone and for Collect+, revenue and net revenue only.
3. Collect+ revenue and net revenue is included in developing business revenue and net revenue, but as Collect+ is reported in the Consolidated Income Statement on a profit before tax only basis, revenue and net revenue needs to be eliminated to reconcile to reported revenue and net revenue.
4. Net revenue is revenue less the cost of mobile top-ups and SIM cards where PayPoint is principal and costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, merchant service charges levied by card scheme sponsors and costs for the provision of call centres for PayByPhone clients.

Analysis of transactions

There has been growth in transaction volumes across all services, despite the continued decline in mobile top-ups in all territories except Romania where a small increase was driven by the increase in terminals. Mobile operators are offering more value for the same or lower cost per top-up to consumers, resulting in fewer transactions and, in the UK in particular, mobile operators promote monthly contracts over prepay to migrate prepaid consumers to contracts.

	Year ended 25 March 2012 '000	Year ended 27 March 2011 '000	Increase / (decrease) %
Retail networks			
Bill and general	**383,332**	350,970	9.2
Top-ups	**125,163**	117,670	6.4
Retail services	**60,493**	48,425	24.9
Internet payments	**72,820**	58,544	24.4
PayByPhone	**17,307**	14,059	23.1
Total	**659,115**	589,668	11.8

UK & Ireland bill and general transactions increased by 8% despite the relatively mild winter compared to the previous year. The increase was due to a 12% rise in prepaid energy volumes driven by the impact of the British Gas contract, under which PayPoint became one of only two providers in July 2011 offset by a decline in post bill payment.

Bill payments in Romania have continued to grow, as more terminal sites are rolled out and consumers become aware of the service. In the year, we processed just under 19 million bill payment transactions, an increase of 56% on the previous year.

Top-ups increased versus last year despite mobile top-ups in UK and Ireland being down 10% overall, the same as last year. The overall growth was driven by the introduction of the Health Lottery for which 18 million transactions were processed and a small increase in Romanian mobile top-ups resulting from retail network growth. E-money top-ups were also ahead compared to last year.

Retail services transaction volumes have increased across most products including ATMs, debit/credit, parcels and SIMs. Debit/credit card transactions were up 25% on last year. We sold just under one million SIMs in the year (2011: 700,000). Parcel volumes grew over 3.5 times on last year to just over 3.8 million transactions.

Internet transactions of 73 million were up 24% on last year, as we continued to add new merchants and existing merchants grew organically.

PayByPhone transactions increased by 23% on last year. PayByPhone continues to see the number of tenders issued by councils and parking authorities increase, as they look for a more cost effective method for collecting parking charges.

Transaction value

There has been substantial growth in the value paid by consumers (transaction value), primarily in bill and general payments, internet payments and PayByPhone.

	Year ended 25 March 2012 £000	Year ended 27 March 2011 £000	Increase/ (decrease) %
Retail networks			
Bill and general	**6,757,902**	6,198,171	9.0
Top-ups	**1,071,947**	1,114,809	(3.8)
Retail services	**426,527**	394,727	8.1
Internet payments	**3,796,569**	2,838,147	33.8
PayByPhone	**66,949**	55,020	21.7
Total	**12,119,894**	10,600,874	14.3

Growth in bill and general transaction value reflected the increase in transactions with the average transaction value similar to last year.

The reduction in top-ups transaction value reflects the overall decline in the pre-pay mobile market. The additional transaction value of the Health Lottery transactions was not enough to offset the overall drop as the average value per transaction is lower than that of mobile top-ups.

Retail services transaction value is relatively small as SIM sales are low value and debit/credit transactions (where the card sponsor settles direct with our retailer), parcel transactions and terminal advertising have no associated transaction value.

Internet transaction value has increased by 34% as a consequence of the increase in the number of transactions, combined with higher average transaction value at £52.14 (2011: £48.47).

PayByPhone value reflects the impact of the delivery of the new contracts with average transaction value broadly similar to last year.

Revenue analysis

	Year ended 25 March 2012 £000	Year ended 27 March 2011 £000	Increase/ (decrease) %
Retail networks			
Bill and general	**62,990**	57,889	8.8
Top-ups	**94,450**	98,843	(4.4)
Retail services	**23,659**	19,602	20.7
Internet payments	**9,670**	8,939	8.2
PayByPhone	**4,751**	4,501	5.6
Other	**4,509**	3,459	30.4
Total	**200,029**	193,233	3.5

The growth in bill and general payments revenue reflected the growth in UK prepaid energy volumes and Romanian bill payments (driven by growth in terminal sites and increased consumer awareness).

In Romania and Ireland, PayPoint acts as principal for mobile phone top-ups for which the sales value is recorded as revenue, and the purchase cost is recorded in cost of sales. In the UK, PayPoint acts as an agent and only the commission income is recorded as revenue. In the UK and Ireland, mobile top-up revenues have declined broadly in line with transaction volumes. The Health Lottery, e-top ups and Romanian mobile top-up revenue increased.

Retail services revenue grew strongly across several products as more retailers took the additional services on offer including parcels, SIMs, debit and credit card and money transfer. Revenue has grown more slowly than transactions as not all services earn revenue based on transactions.

Internet payment revenue growth was less than transaction and value growth due to high transaction growth in some large, key merchants who have lower average transaction revenues.

PayByPhone revenue increased less than transaction and value growth predominantly due to the reduction in call centre income which is recharged to some clients. The reduction in call centre recharges reflects the drive to shift customer volume away from the costly interface of an operator telephone call to a web-based mobile application or interactive voice response.

Other revenue includes rechargeable software development work, configuration and customisation, early settlement and claims.

Net revenue analysis

Net revenue is revenue less retail agent commission, merchant service charges levied by card scheme sponsors, costs of SIM card, recharges for the provision of call centres for PayByPhone clients and the purchase value of Romanian and Irish mobile top-ups for which we act as principal.

Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group and is shown in the table below.

	Year ended 25 March 2012 £000	Year ended 27 March 2011 £000	Increase / (decrease) %
Retail networks			
Bill and general	**36,379**	33,806	7.6
Top-ups	**22,756**	22,683	0.3
Retail services	**13,844**	10,827	27.9
Internet payments	**9,670**	8,939	8.2
PayByPhone	**3,284**	3,009	9.1
Other	**4,509**	3,459	30.4
Total	**90,442**	82,723	9.3

Bill and general net revenue increased less than revenue as prepaid energy transactions have lower average net revenue than other transactions.

Top-ups net revenue was broadly similar to the prior year as a result of the introduction of the Health Lottery and increased e-money top-ups.

Retail services net revenue has increased more than revenue as there is no commission payable on some services, including debit and credit card transactions and receipt advertising.

Internet net revenue is the same as revenue because merchant service charges are levied directly to our merchants by the card scheme sponsors.

Collect+

During the year, we processed over 3.8 million transactions for 125 clients (2011: 1.1 million transactions for 30 clients). Transaction volumes continue to grow and our annual run rate, based on March 2012, is now over 5 million transactions.

Network growth
Terminal sites overall have increased by 6% to 31,117.

In the UK and Ireland, sites have increased by 874, an increase of 4%. During the year, we continued to roll out our new EPoS integrated solution to 2,600 retailers, which combines a virtual terminal through software in the retailer's till system with plug in reader to provide full functionality at lower costs. As well as enhancing our service to retailers, this frees terminals for use in Romania.

In Romania, we installed 735 net new full service terminals in the year.

In our internet channel, we added over 450 new merchants during the year, an increase of almost 9%.

We continued to add more Collect+ sites as transaction volumes increased and as retailers recognised the benefits of offering this service.

Analysis of sites	**25 March 2012**	27 March 2011	Increase/ (decrease) %
UK & Ireland terminal sites	**24,387**	23,513	3.7
Romania terminal sites	**6,730**	5,995	12.3
Total terminal sites	**31,117**	29,508	5.5
Internet merchants	**5,670**	5,213	8.8
Collect+ sites	**4,721**	3,668	28.7

FINANCIAL REVIEW

Income statement
Revenue for the year was 3.5% higher at £200 million (2011: £193 million). The increase results from growth across the majority of services. Cost of sales reduced to £122 million (2011: £123 million). Agents' commission decreased to £70 million (2011: £71 million) due to fewer mobile top-up transactions, which pay a higher than average commission, and reductions in the amount paid for commission by the mobile operators. The cost of mobile top-ups in Ireland and Romania[1] has risen to £38 million (2011: £37 million).

Net revenue[2] of £90 million (2011: £83 million) was up 9.3%.

Operating costs (administrative expenses) were 14% higher at £39 million (2011: £35 million) as a result of increasing our IT operations and development resources across the group ahead of major infrastructure projects expenditure. In addition, the UK retail network now has a separate management team, a larger field force (increased by 50 per cent) to deliver sales growth and increased resources to deliver the Simple Payment service for the DWP. We also increased sales resources in PayByPhone.

Operating margin[3] was broadly similar at 41.0% (2011:41.7%) as a consequence of the increase in operating costs.

Our share of the loss in developing Collect+ was £1.8 million (2011: loss of £1.5 million). Slower than expected integration of new merchants for commercial deliveries and the consumer proposition led to the increased losses.

Profit before tax was £37.2 million (2011: £34.5 million) an increase of 8.0%. The tax charge of £10.3 million (2011: £10.6 million) represents an effective rate of 27.6% (2011: 30.8%). The tax charge is lower than last year mainly because of the reduction in UK corporation tax rates and was higher than the UK nominal rate of 26% because of unrelieved losses in Canada. The reduction in UK corporation tax to 25 per cent became effective after the year end.

1. In Ireland and Romania, PayPoint is principal in the sale of mobile top-ups and, accordingly, the face value of the top-up is included in sales and the corresponding costs in cost of sales.
2. Net revenue is revenue less the cost of mobile top-ups and SIM cards where PayPoint is principal and costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, merchant service charges levied by card scheme sponsors and costs for the provision of call centres for PayByPhone clients.
3. Operating margin is calculated as operating profit, including our share of Collect+ losses as a percentage of net revenue.

Balance sheet
Net assets of £91.4 million (2011: £80.6 million) reflect a strong balance sheet including cash of £35.5 million (2011: £26.5 million) and no debt.

Cash flow
Cash generated by operations was £43.3 million (2011: £42.1 million), reflecting strong conversion of profit to cash. Corporation tax of £10.4 million (2011: £11.0 million) was paid. Capital expenditure of £5.3 million (2011: £3.2 million) reflected spend on virtual terminal rollout, ATMs, IT equipment and software. Net interest received was £0.2 million (2011: £0.1 million net expense). Equity dividends paid were £16.4 million (2011: £15.0 million). Cash and cash equivalents were £35.5 million (including client cash of £5.1 million) up from £26.4 million (including client cash of £6.1 million).

Economic profit
PayPoint's economic profit (operating profit less tax and capital charge) was £20.4 million (2011: £17.4 million) an increase of 17%.

Dividend
We propose to pay a final dividend of 17.8p per share on 30 July 2012 (2011: 15.6p) to shareholders on the register on 29 June 2012, subject to the approval of the shareholders at the annual general meeting. An interim dividend of 8.7p (2011: 7.8p) per share was paid on 21 December 2011, making a total dividend for the year of 26.5p (2011: 23.4p) up 13.2%, broadly in line with earnings.

Liquidity and going concern
The group has cash of £35.5 million (including client cash of £5.1m) and had, at the year end, an undrawn, unsecured loan facility of £35 million, which was agreed at the start of the financial year with an unexpired term of four years. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group, taking account of risks (page 16). The financial statements have therefore been prepared on a going concern basis.

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

Charitable donations
During the year, the group made charitable donations of £23,075 (2011: £19,400) to charities serving the communities in which the group operates. We encourage employees to raise funds for charity and the company matches funds raised by the employees, subject to certain limits.

During the year, our UK retail network acted as a collection agent for the BBC's Children in Need telethon.

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

Strategy and risks
Details of the company's strategy are included in the Chief Executive's review on page 3. An analysis of risks facing the company is set out on page 16 and 17.

Economic climate
The company's bill and general payments, which account for 40% (2011: 41%) of our net revenue, has continued to be resilient, as consumers' discretion in expenditure is limited for essential services and our service continues to be popular. Utility providers continue to install new prepay gas and electricity meters, which will have a beneficial impact on our transaction volumes. The internet payment market continues to grow substantially. There has been an adverse impact on our mobile top-ups as mobile operators continue to offer more airtime at lower cost and to promote prepay less than contract. PayByPhone is able to offer parking authorities a more cost effective collection system for parking compared to pay and display machines. This has led to an increase in the number of tenders being issued as parking authorities try to reduce their costs.

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

Outlook
For the current financial year, trading is in line with the company's expectations. This is an important year for investment in infrastructure and tools to ensure the efficient delivery of future growth. Our established business (UK and Irish retail networks and internet payments) is strong, with further opportunities to enhance retail yield through the introduction of new technology and services. In addition, improvements in our service offering to online merchants will provide opportunities for growth. We will benefit from rolling out services in our developing business (Collect+, PayByPhone and Romanian retail network), growing our market share and improving profitability. Together, our businesses provide a solid foundation to deliver value for our shareholders.

24 May 2012

RISKS

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

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

Risk area	Potential impact	Mitigation strategies
Exposure to materially adverse litigation	The group contracts with a number of large service organisations for which it provides services essential to their customers. Failure to perform in accordance with contractual terms could give rise to litigation.	The group seeks to limit exposure in its contracts. Mitigating actions are taken where contractual exposures are above the norm, including insurance coverage, where appropriate and economically sustainable.
Exposure to country and regional risk (political, financial, economic, social) in North America, United Kingdom, Romania, France and Ireland	The group's geographic footprint subjects its businesses to economic, political and other risks associated with international sales and operations. A variety of factors, including changes in a specific country's or region's political, economic or regulatory requirements, as well as the potential for geopolitical turmoil, including terrorism and war, could result in loss of services, prevent our ability to respond to agreed service levels or fulfil other obligations. These risks are generally outside the control of the group.	The group's portfolio is diversified by geography, by product, by sector and by client in order to protect itself against many of these fluctuations, especially those that are restricted to individual territories and market sectors, although the bulk of its operations and revenues are UK based.
Exposure to consolidation among clients and markets	Consolidation of retailers and clients could result in reductions in the group's revenue and profits through price compression from combined service agreements or through a reduced number of clients.	No single client accounts for more than 9% of the group's net revenue, and no single retailer accounts for more than 8% of the group's net revenue, which reduces the probability of this potential risk having a significant impact on the group's business. In addition, the group continues to expand in its developing businesses, and in cash out (reversing the flow of money through its retail networks).
Acquisitions may not meet expectations	The group's acquisitions, strategic alliances and joint ventures may result in financial outcomes that are different than expected.	The group assesses all acquisitions rigorously, using both in-house experts and professional advisers. In addition, the group conducts extensive post-acquisition reviews to ensure, as far as it possible, that performance remains consistent with the acquisition business plan.
Exposure to the unpredictability of financial markets (foreign exchange, interest rate and other financial risks)	As the group operates on an international basis, it is exposed to the risk of currency fluctuations and the unpredictability of financial markets in which it operates.	The group's financial risk management focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the group's financial performance.
Exposure to increasing competition	The group operates in a number of geographic, product and service markets that are highly competitive and subject to technological developments. Competitors may develop products and services that are superior to ours or that achieve greater market acceptance than our products and services, which could result in the loss of clients, merchants and retailers or a reduction in revenue.	The group is committed to continued research and investment in new data sources, people, technology and products to support its strategic plan.
Loss or infringement of intellectual property rights	The group's success depends, in part, upon proprietary technology and related intellectual property rights. Some protection can be achieved but in many cases, little protection can be secured. Third parties may claim that the group is infringing their intellectual property rights or our intellectual property rights could be infringed by third parties. If we do not enforce the group's intellectual property rights successfully, our competitive position may suffer, which could harm our operating results.	The group, where appropriate and feasible, relies upon a combination of patent, copyright, trademark and trade secret laws, as well as various contractual restrictions, to protect our proprietary technology and continues to monitor this situation. The group also vigorously defends all third party infringement claims.
Data centre security breaches	The group is highly dependent on information technology networks and systems to process, transmit and store electronic information. Fraudulent or unauthorised access including security breaches of our data centres could create system disruptions, shutdowns or unauthorised disclosure of confidential information.	The group's data centres are protected against physical break-ins. The group has strict standards and procedures for security and fraud prevention.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 25 March 2012 £000	Year ended 27 March 2011 £000
Continuing operations			
Revenue	2	**200,029**	193,233
Cost of sales		**(121,778)**	(122,567)
Gross profit		**78,251**	70,666
Administrative expenses		**(39,385)**	(34,614)
Operating profit		**38,866**	36,052
Share of loss of joint venture		**(1,828)**	(1,541)
Investment income		**195**	88
Finance costs		**(32)**	(143)
Profit before tax		**37,201**	34,456
Tax	3	**(10,262)**	(10,614)
Profit for the year	11	**26,939**	23,842
Attributable to:			
Equity holders of the parent		**26,975**	23,883
Non-controlling interests		**(36)**	(41)
		26,939	23,842
Earnings per share	5		
Basic		**39.8p**	35.2p
Diluted		**39.8p**	35.1p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 25 March 2012 £000	Year ended 27 March 2011 £000
Exchange differences on translation of foreign operations	11	**(831)**	(72)
Net income recognised directly in equity		**(831)**	(72)
Profit for the year		**26,939**	23,842
Total recognised income and expenses for the year		**26,108**	23,770
Attributable to:			
Equity holders of the parent		**26,144**	23,811
Non-controlling interests		**(36)**	(41)
		26,108	23,770

CONSOLIDATED BALANCE SHEET

	Note	25 March 2012 £000	27 March 2011 £000
Non-current assets			
Goodwill	6	**56,076**	57,133
Other intangible assets		**2,304**	1,329
Property, plant and equipment		**15,212**	14,520
Investment in joint venture	7	**58**	135
Deferred tax asset	8	**901**	1,116
Investments		**435**	435
		74,986	74,668
Current assets			
Inventories		**1,284**	915
Trade and other receivables		**21,443**	17,103
Cash and cash equivalents	9	**35,487**	26,464
		58,214	44,482
Total assets		**133,200**	119,150
Current liabilities			
Trade and other payables		**36,650**	32,996
Current tax liabilities		**4,938**	5,287
Obligations under finance leases		**-**	32
		41,588	38,315
Non-current liabilities			
Other liabilities		**247**	240
		247	240
Total liabilities		**41,835**	38,555
Net assets		**91,365**	80,595
Equity			
Share capital	11	**226**	226
Share premium	11	**25**	25
Investment in own shares	11	**(216)**	(216)
Share based payment reserve	11	**3,138**	3,005
Translation reserve	11	**(360)**	471
Retained earnings	11	**88,629**	77,125
Total equity attributable to equity holders of the parent company		**91,442**	80,636
Non-controlling interest		**(77)**	(41)
Total equity		**91,365**	80,595

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Year ended 25 March 2012 £000	Year ended 27 March 2011 £000
Opening equity		**80,595**	70,744
Profit for the year		**26,939**	23,842
Dividends paid	11	**(16,450)**	(15,041)
Movement in investment in own shares	11	**-**	154
Exchange differences on translation of foreign operations	11	**(831)**	(72)
Movement in share based payment reserve	11	**133**	321
Adjustment in share scheme vesting	11	**979**	647
Closing equity		**91,365**	80,595

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 25 March 2012 £000	Year ended 27 March 2011 £000
Net cash flow from operating activities	13	**32,868**	31,137
Investing activities			
Investment income		**-**	70
Purchases of property, plant and equipment and technology		**(5,263)**	(3,160)
Proceeds from disposal of property, plant and equipment		**20**	61
Investment		**-**	(30)
Loan to joint venture	7	**(1,750)**	(1,350)
Net cash used in investing activities		**(6,993)**	(4,409)
Financing activities			
Repayments of obligations under finance leases		**(32)**	(22)
Dividends paid	4	**(16,450)**	(15,041)
Repayment of short-term borrowings	10	**-**	(6,000)
Net cash used in financing activities		**(16,482)**	(21,063)
Net increase in cash and cash equivalents		**9,393**	5,665
Cash and cash equivalents at beginning of year		**26,464**	20,769
Effect of foreign exchange rate changes		**(370)**	30
Cash and cash equivalents at end of year		**35,487**	26,464

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

This financial information has been prepared on an historical cost basis and on the basis of the policies set out below.

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

The financial information set out above does not constitute the company's statutory accounts for the years ended 25 March 2012 or 27 March 2011, but is derived from those accounts. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the company's annual general meeting.

The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006 or equivalent preceding legislation.

The financial information complies with the recognition and measurement criteria of IFRS, and with the accounting policies of the group which were set out on pages 35 to 37 of the 2011 annual report and accounts. No subsequent material changes have been made to the group's accounting policies.

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

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

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

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

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

(ii) Revenue, net revenue and cost of sales
Revenue comprises the value of sales (excluding sales taxes) of services in the normal course of business.

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

Net revenue	**Year ended 25 March 2012 £000**	Year ended 27 March 2011 £000
Revenue		
– transaction processing	**198,699**	191,742
– service charge income from ATMs	**1,330**	1,491
	200,029	193,233
less:		
Commission payable to retail agents	**(69,541)**	(71,322)
Cost of mobile top-ups and SIM cards as principal	**(38,579)**	(37,696)
Card scheme sponsor's charges	**(1,467)**	(1,492)
Net revenue	**90,442**	82,723

Cost of sales		
Commission payable to retail agents	**69,541**	71,322
Cost of mobile top-ups and SIM cards as principal	**38,579**	37,696
Card scheme sponsor's charges	**1,467**	1,492
Depreciation and amortisation	**3,333**	3,612
Other	**8,858**	8,445
Total cost of sales	**121,778**	122,567

Geographical information		
Revenue		
UK	**153,734**	148,737
Ireland	**20,537**	22,475
Romania	**24,275**	21,036
North America	**1,483**	985
Total	**200,029**	193,233

Non-current assets		
UK	**72,765**	71,850
Romania	**1,766**	2,329
North America	**455**	489
Total	**74,986**	74,668

3. Tax

	Year ended 25 March 2012 £000	Year ended 27 March 2011 £000
Current tax		
Charge for current year	**10,270**	10,869
Adjustment in respect of prior years	**(223)**	(304)
Current tax charge	**10,047**	10,565
Deferred tax		
Charge/(credit) for current year	**153**	(51)
Adjustment in respect of prior years	**62**	100
Deferred tax charge (note 8)	**215**	49
Total income tax		
Income tax charge	**10,262**	10,614
The income tax charge is based on the United Kingdom statutory rate of corporation tax for the year of 26% (2011: 28%)		
The charge for the year can be reconciled to the profit before tax as set out in the consolidated income statement		
Profit before tax	**37,201**	34,456
Tax at the UK corporation tax rate of 26% (2011: 28%)	**9,672**	9,648
Tax effects of:		
(Losses)/income in countries where the tax rate is different to the UK	**(17)**	109
Disallowable expenses	**28**	61
Utilisation of tax losses not previously recognised	**-**	(85)
Losses in companies where a deferred tax asset is not recognised	**576**	652
Adjustments in respect of prior years	**(161)**	(204)
Research and development allowance	**(291)**	-
Tax impact of share based payments	**396**	393
Revaluation of deferred tax asset from 27% to 25%	**59**	40
Actual amount of tax charge	**10,262**	10,614

4. Dividends on equity shares

	Year ended 25 March 2012 £000	Year ended 27 March 2011 £000
Equity dividends on ordinary shares:		
Interim dividend paid of 8.7p per share (2011: 7.8p)	**5,885**	5,276
Proposed final dividend of 17.8p per share (2011: paid 15.6p per share)	**12,074**	10,576
Total dividends paid and recommended 26.5p per share (2011: 23.4p per share)	**17,959**	15,852
Amounts distributed to equity holders in the year:		
Final dividend for the prior year	**10,565**	9,765
Interim dividend for the current year	**5,885**	5,276
	16,450	15,041

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

5. Earnings per share

Basic earnings per share

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

	Year ended 25 March 2012 £000	Year ended 27 March 2011 £000
Profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**26,975**	23,883

	25 March 2012 Number of shares	27 March 2011 Number of shares
Weighted average number of ordinary shares in issue (for basic earnings per share)	**67,766,430**	67,721,190
Potential dilutive ordinary shares:		
Long-term incentive plan	**-**	-
Deferred share bonus	**-**	157,914
Diluted basis	**67,766,430**	67,879,104

6. Goodwill

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

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next four years and extends cash flows to perpetuity. Terminal values are based on growth rates that do not exceed three per cent. The post-tax rate used to discount the forecast cash flows is based on the group's estimated weighted average cost of capital of 8.5%, adjusted for country or business specific risk premiums of up to 1.5%.

	Total £000
Cost	
At 27 March 2011	57,133
Exchange rate adjustment	(1,057)
At 25 March 2012	**56,076**
Accumulated impairment losses	
At 27 March 2011	-
Impairment losses for the year	
At 25 March 2012	**-**
Carrying amount	
At 25 March 2012	**56,076**
At 27 March 2011	**57,133**

	Total £000
Cost	
At 28 March 2010	56,872
Adjustment	446
Exchange rate adjustment	(185)
At 27 March 2011	**57,133**
Accumulated impairment losses	
At 27 March 2011	-
Impairment losses for the year	
At 27 March 2011	**-**
Carrying amount	
At 27 March 2011	**57,133**
At 28 March 2010	**56,872**

6. Goodwill continued

Goodwill arising on acquisition:

	25 March 2012 £000	27 March 2011 £000
PayPoint.net	**18,207**	18,207
PayPoint Romania	**8,547**	9,312
PayByPhone	**29,322**	29,614
Total	**56,076**	57,133

For PayPoint Romania, the difference between the recoverable amount and the carrying amount at year end was £9.7 million. Headroom would reduce to £nil if either the forecast average growth in net revenue for the next four years of 12.3% reduced to 6.0% per annum or if the discount rate applied to the forecast cash flows were to increase from 10% to 15.3%.

Management does not consider that a reasonably possible change in one or more key assumptions during the next year could cause the recoverable amount of the other cash generating units to fall below their carrying amount.

7. Investment in joint venture

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

PayPoint's share of aggregated amounts relating to joint ventures	25 March 2012 £000	27 March 2011 £000
Total assets	**1,223**	644
Total liabilities	**(6,015)**	(3,609)
Share of net assets	**(4,792)**	(2,965)
Loan to joint venture (note 12)	**4,850**	3,100
Investment in joint venture	**58**	135

	Year ended 25 March 2012 £000	Year ended 27 March 2011 £000
Revenues	**4,015**	1,002
Loss for year	**(1,828)**	(1,541)

8. Deferred tax asset

	27 March 2011 £000	Credit / (charge) to income statement £000	**25 March 2012 £000**
Tax depreciation	1,304	(192)	**1,112**
Share based payments	107	(107)	**-**
Tax losses	-	-	**-**
Intangibles	(293)	84	**(209)**
Short term temporary differences	(2)	-	**(2)**
Total	1,116	(215)	**901**

	28 March 2010 £000	Credit / (charge) to income statement £000	27 March 2011 £000
Tax depreciation	1,320	(16)	1,304
Share based payments	239	(132)	107
Tax losses	-	-	-
Intangibles	(392)	99	(293)
Short term temporary differences	-	(2)	(2)
Total	1,167	(51)	1,116

At the balance sheet date, a deferred tax asset of £0.9 million (2011: £1.1 million) is recognised on the basis that there will be sufficient future taxable profits against which the deferred tax asset can be recovered, based on management forecasts.

At the balance sheet date, the group has unused tax losses of £9.5 million (2011: £7.6 million) available for offset against future profits for which no deferred tax asset is recognised. Included in unrecognised tax losses are losses of £1.9 million which will expire in less than three years, £3.0 million that will expire within four to seven years. Other losses may be carried forward indefinitely.

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

The government has announced a further reduction in the main rate of corporation tax from 26% to 24% effective from 1 April 2012, which was substantially enacted after 25 March 2012. The deferred tax calculations have been calculated using the 25% corporation tax rate, instead of the 24% rate, as this was the substantively enacted rate at the year end. Note the substantive enactment of the new rate occurred on 26 March 2012. The government has also indicated that it intends to enact future reductions in the main tax rate of 1% each year down to 22% by 1 April 2014. The future 1% main tax rate reductions are expected to have a similar impact as for 2012, however the actual impact will be dependent on the deferred tax position at that time.

9. Cash and cash equivalents

Included within group cash and cash equivalents is £5,073,000 (2011: £6,132,000) relating to monies collected on behalf of clients where the group has title to the funds (client cash). An equivalent balance is included within trade payables.

The group operates cash pooling amongst its various bank accounts in the UK and therefore individual accounts can be overdrawn without penalties being incurred so long as the overall position is in credit. At 25 March 2012, the group's cash was £35,487,000 (2011: £26,464,000).

10. Short-term borrowings

During 2011, the £6 million loan was repaid and the balance outstanding at the end of 2011 and 2012 was £nil.

11. Equity

	2012 £000	2011 £000
Authorised share capital		
4,365,352,200 ordinary shares of 1/3p each (2011 4,365,352,200: ordinary shares of 1/3p each)	**14,551**	14,551
	14,551	14,551
Called up, allotted and fully paid share capital		
67,815,819 ordinary shares of 1/3p each (2011: 67,795,702 ordinary shares of 1/3p each)	**226**	226
	226	226
Called up share capital		
At start of year	**226**	226
At end of year	**226**	226
Investment in own shares		
At start of year	**(216)**	(370)
Acquired in year	**-**	-
Used on share scheme vesting	**-**	154
At end of year	**(216)**	(216)
Share premium		
At start of year	**25**	25
Arising on issue of shares	**-**	-
At end of year	**25**	25
Share based payment reserve		
At start of year	**3,005**	2,684
Additions in year	**1,112**	1,088
Released in year	**(979)**	(801)
Current tax on awards	**-**	-
Other adjustments	**-**	34
At end of year	**3,138**	3,005
Translation reserve		
At start of year	**471**	543
Movement during year	**(831)**	(72)
At end of year	**(360)**	471
Retained earnings		
At start of year	**77,125**	67,636
Profit for year	**26,939**	23,842
Non-controlling interest loss for year included in above	**36**	41
Dividends paid	**(16,450)**	(15,041)
Adjustment on share scheme vesting	**979**	647
At end of year	**88,629**	77,125

The long term incentive plan tranche did not vest on 16 May 2011 because the group did not meet the performance measure. Under IFRS 2, the fair value charges of £732,000 relating to this tranche,that had been previously charged to the income statement, are reversed through equity. The deferred share bonus also did not vest in May 2011 and accordingly the fair value charge of £247,000 was also released through equity.

12. Related party transactions

PayPoint has entered into a loan agreement with its 50:50 joint venture Drop and Collect Limited (trading as Collect+) and during the year it has lent Drop and Collect Limited an additional £1.75 million, bringing the total loan to £4.85 million.

The terms of the loan are:

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

The company and its subsidiaries, in the ordinary course of business, enter into various sales, purchase and service transactions with Collect+. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions are not considered to be significant.

PayPoint has a small investment in OB10, a company that specialises in electronic invoicing. The shareholding at 25 March 2012 was 1.02% (27 March 2011: 1.02%).

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

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

Directors' shareholding in OB10	**Year ended 25 March 2012**	Year ended 27 March 2011
	%	%
David Newlands	2.87	2.87
Dominic Taylor	1.44	1.44
George Earle	0.40	0.40
Nick Wiles	1.02	1.02
Eric Anstee	0.08	0.08

13. Notes to the cash flow statement

	Year ended 25 March 2012 £000	Year ended 27 March 2011 £000
Profit before tax	**37,201**	34,456
Adjustments for:		
Depreciation of property, plant and equipment	**3,085**	3,295
Amortisation of intangible assets	**248**	317
Share of losses in joint venture	**1,828**	1,541
Net interest (income) / expense	**(163)**	55
Share based payment charge	**1,112**	1,088
Operating cash flows before movements in working capital	**43,311**	40,752
(Increase) / decrease in inventories	**(369)**	209
(Increase) / decrease in receivables	**(4,545)**	6,337
(Decrease) / increase in payables		
– client cash	**(1,059)**	(686)
– other payables	**6,010**	(4,476)
Cash generated by operations	**43,348**	42,136
Corporation tax paid	**(10,448)**	(10,950)
Interest and bank charges paid	**(32)**	(49)
Net cash from operating activities	**32,868**	31,137

ABOUT PAYPOINT

PayPoint is a leading international operator of systems for convenient payments and value added services to major consumer service organisations in the utility, telecoms, media, financial services, transport, retail, gaming and public sectors.

We handle over £12 billion from 659 million transactions annually for more than 6,000 clients and merchants. We deliver payments and services through a uniquely strong combination of local shops, internet and mobile distribution channels.

Retail networks

PayPoint operates branded retail networks in the UK, Ireland and Romania. The network in the UK numbers over 24,000 terminals situated in local shops (including Co-op, Spar, McColls, Costcutter, Sainsbury's Local, One Stop, Asda, Londis and thousands of independent outlets) across the UK. Our terminals process energy meter prepayments, cash bill payments, mobile phone top-ups, transport tickets, BBC TV licences and a wide variety of other payment types for most leading utilities and many telecoms and consumer service companies.

In Romania, the branded retail network numbers 6,730 terminals located in local shops across the country and is expanding. Our terminals process cash bill payments for utilities and mobile phone top-ups. In the Republic of Ireland, we have over 500 terminals in shops and Credit Unions processing mobile top-ups and bill payments.

We also supply added value services to our retail agents to improve the yield from our network. In the UK, we have a consumer parcel drop off and collection service using PayPoint's retail network through Collect+, a joint venture with Yodel. This service is available in 4,700 of our convenience retail agents. Clients include ASOS, New Look, Boden, House of Fraser, ASDA Direct and Very. In addition, in the UK, we have over 2,500 LINK branded ATMs, mainly located in the same sites as our terminals.

Internet payments

PayPoint.net is an internet payment service provider, linking into 16 major acquiring banks in the UK, Europe and North America delivering secure online credit and debit card payments for over 5,600 web merchants, including Stan James, 32Red, Sportingbet, PKR, Betsson, Moonpig, WHSmith, Moneysupermarket.com, Hungryhouse and British Gas Home Vend. We offer a comprehensive set of products ranging from a bureau service, in which we take the merchant credit risk and manage settlement for the merchants, to a transaction gateway. We offer real-time reporting for merchant transactions and FraudGuard, an advanced service to mitigate the risk of fraud for card not present transactions.

Mobile payments

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

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

PayPoint sustains its competitive differentiation by aiming to meet clients' payment needs, not just through a wide spectrum of payments, but also with products that span payment channels. For example, PayCash enables cash payment for internet transactions at PayPoint retail agents and our home vending solutions allow consumers to pay across the internet as well as through our retail network.