Keeping modern life moving

PayPoint

Annual report 2016

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PayPoint is a British success story that has been powering local and national businesses for 20 years.

Contents

Our business

We support market leading national networks across 39,000 convenience stores in the UK and Romania so that our customers are always close to a PayPoint store.

In thousands of retail locations, as well as at home or on the move, people use us to better control their household finances, essential payments and in-store services, like parcels. Our UK network contains more branches than all banks, supermarkets and Post Offices together, putting us at the heart of communities for over 10 million regular weekly customers.

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

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

Multi-channel payments

We offer clients streamlined consumer payment processing and transaction routing in one, seamlessly integrated solution, through MultiPay. This gives customers the flexibility to pay in the way that best suits them; including mobile app, online, text, phone/IVR and cash in-store.

MultiPay is live with Utilita, a fast growing challenger energy supplier. We have signed several other energy companies, a framework agreement with Procurement for Housing and, significantly, Scottish and Southern Energy, our first Big 6 energy client.

Retail networks

In the UK, our network includes over 29,000 local shops including Co-op, Spar, Sainsbury's Local, Tesco Express and thousands of independent outlets. These outlets are quick and convenient places to make energy meter prepayments, bill payments, benefit payments, mobile phone top-ups, transport tickets, TV licences, cash withdrawals and more.

Our Romanian network continues to grow profitably. We have more than 10,200 local shops , helping people to make cash bill payments, money transfers, road tax payments and mobile phone top-ups. Our clients include all the major utilities and telcos and many other consumer service companies.

In the UK, our Collect+ joint venture with Yodel offers parcel drop-off and pick-up services in nearly 6,000 convenience stores. Customers use Collect+ to handle parcels from major retailers including Amazon, eBay, ASOS, New Look, John Lewis, House of Fraser, M&S and Very.

The UK network also includes over 4,200 LINK branded ATMs, and 10,000 of our terminals enable retailers to accept debit, credit and contactless payments, including Apple Pay.

We operate over 3,000 Western Union agencies in the UK and Romania for international and domestic Money Transfers.

818 million
transactions annually

20 million
parcels handled in store each year

39,000
stores in UK and Romania

10 million
people use our services each week

Summary results

Year ended 31 March	Revenue	Net revenue[1]
2016	£212.6m	£123.6m
2015	£218.5m	£123.1m
(Decrease)/ increase	(2.7%)	0.4%

Year ended 31 March	Gross margin	Adjusted operating profit[2]
2016	49.9%	£50.1m
2015	48.1%	£49.5m
Increase	1.8ppts	1.2%

Year ended 31 March	Profit before tax	Adjusted earnings per share[3]
2016	£8.2m	58.4p
2015	£49.6m	57.4p
(Decrease)/ increase	(83.6%)	1.9%

Year ended 31 March	Ordinary dividend per share	Disposal proceeds dividend per share
2016	42.4p	21.0p
2015	38.5p	
Increase	10.1%	

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

2. Adjusted operating profit excludes impairments of £49.0 million and profit on disposal of the online payments business of £7.0 million and includes our share of joint venture results.

3. Adjusted diluted earnings per share excludes the impairments of £49.0 million and the profit on disposal of the online payments business of £7.0 million.

Net revenue, adjusted operating profit and adjusted earnings per share are measures the directors believe will assist with a better understanding of the underlying performance of the group.

Strategic priorities

- Success in MultiPay, our multi-channel payment solution, with 7 contracted, including our first Big 6 energy client
- PayPoint One - next generation point-of-sale terminal has now entered commercial trials
- Sale of the online payments business in January 2016 for £14.4 million in cash
- Negotiations for sale of the mobile payments business continue but impairment of £30.8 million recorded in absence of sale
- Discussions continue with Yodel on Collect+, with reduced profitability from temporary cost increases
- Special annual dividend of £25 million, one third from December 2016, two thirds in July 2017

Operating highlights

- Retail services transactions grew by 17.8% to 140.0 million
- Romanian bill payments up 12.7% to 60.2 million
- Total retail network sites increased to 39,000, with over 10,000 sites in Romania
- Profit before tax £8.2 million after £42 million impairment net of profit on sale of Online

Financial highlights

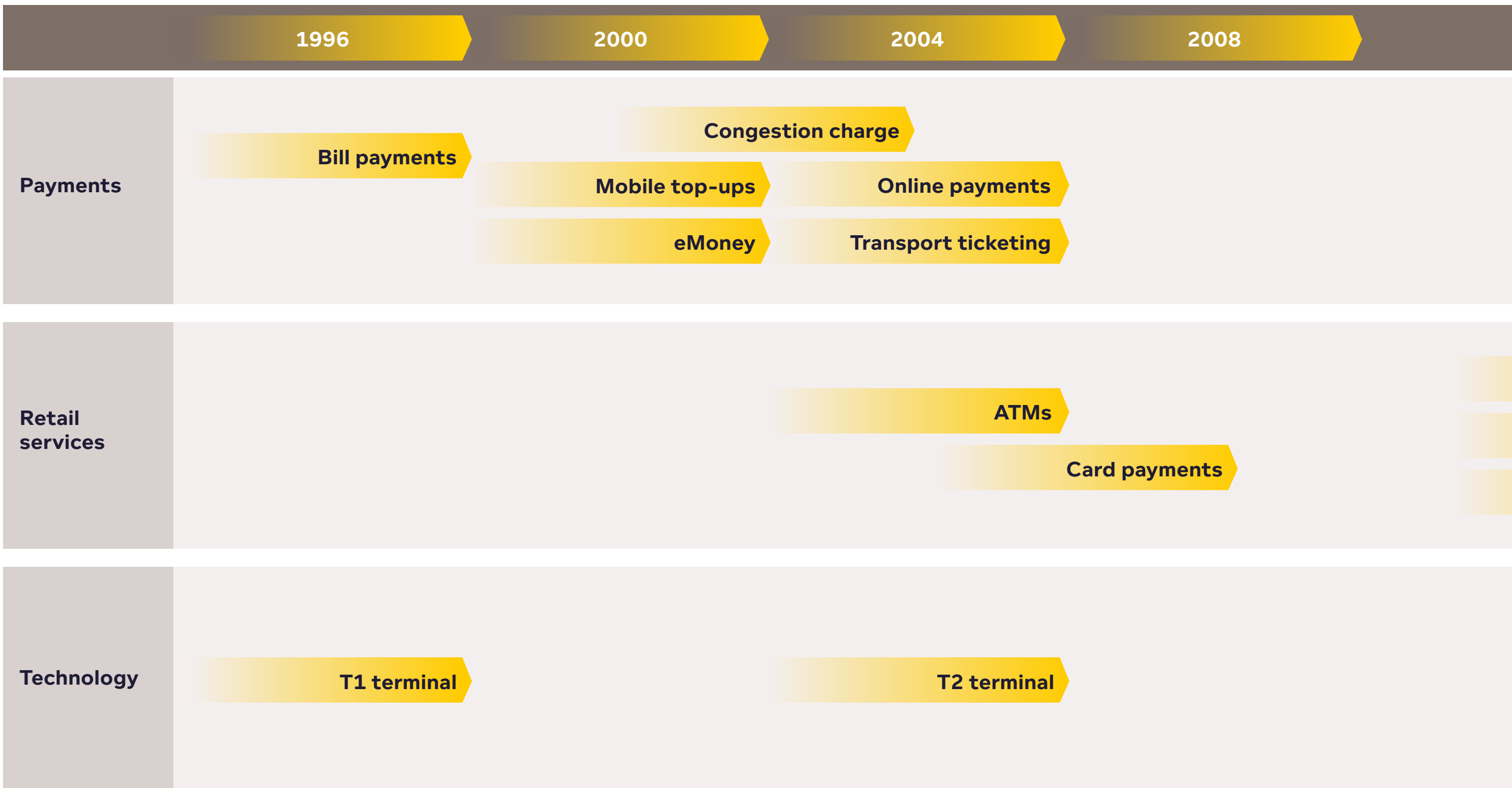
- Net revenue up 1.9% in retail networks
- Adjusted operating profit[2] before impairment and profit on disposal grew by 1.2%
- Increase in adjusted diluted earnings per share by 1.9% to 58.4p
- Final dividend increased to 28.2p, a total ordinary dividend for the year of 42.4p, an increase of 10.1%
- Online payments business sale gross proceeds distribution 21.0p, payable with the final dividend

Whilst we are still in transition, we are confident in our strategy and excited by the prospects for PayPoint One and MultiPay.

I am pleased to report on a year of substantial change in the business. Following our decision last year to dispose of our mobile and online payment businesses, the executive team have begun the process of simplifying structures, reviewing ways to improve efficiency, adopting values that will help address our service to retailers and improving engagement generally across the business.

We have concluded our review of the Company strategy, which recognises the importance of our retail networks and our non-cash payment channels. We are engaged in putting the retailer at the heart of our service offering, improving our response times to retailers and the quality of our service. Our new terminal, PayPoint One, now entering commercial trials, will help us to gain a more central role in independent and symbol group retailers, providing them with our payments and services solution and a retail electronic point of sale system in one device, PayPoint One. We have developed our MultiPay product, now performing well with our pilot client, Utilita. MultiPay is in the process of being sold to others. It is important that we reach agreement with our fellow shareholder in Collect+ and this remains a priority for this year.

Our track record of innovation to drive differentiation



I have set out the strategic process more fully in my letter to shareholders on Corporate Governance on page 26.

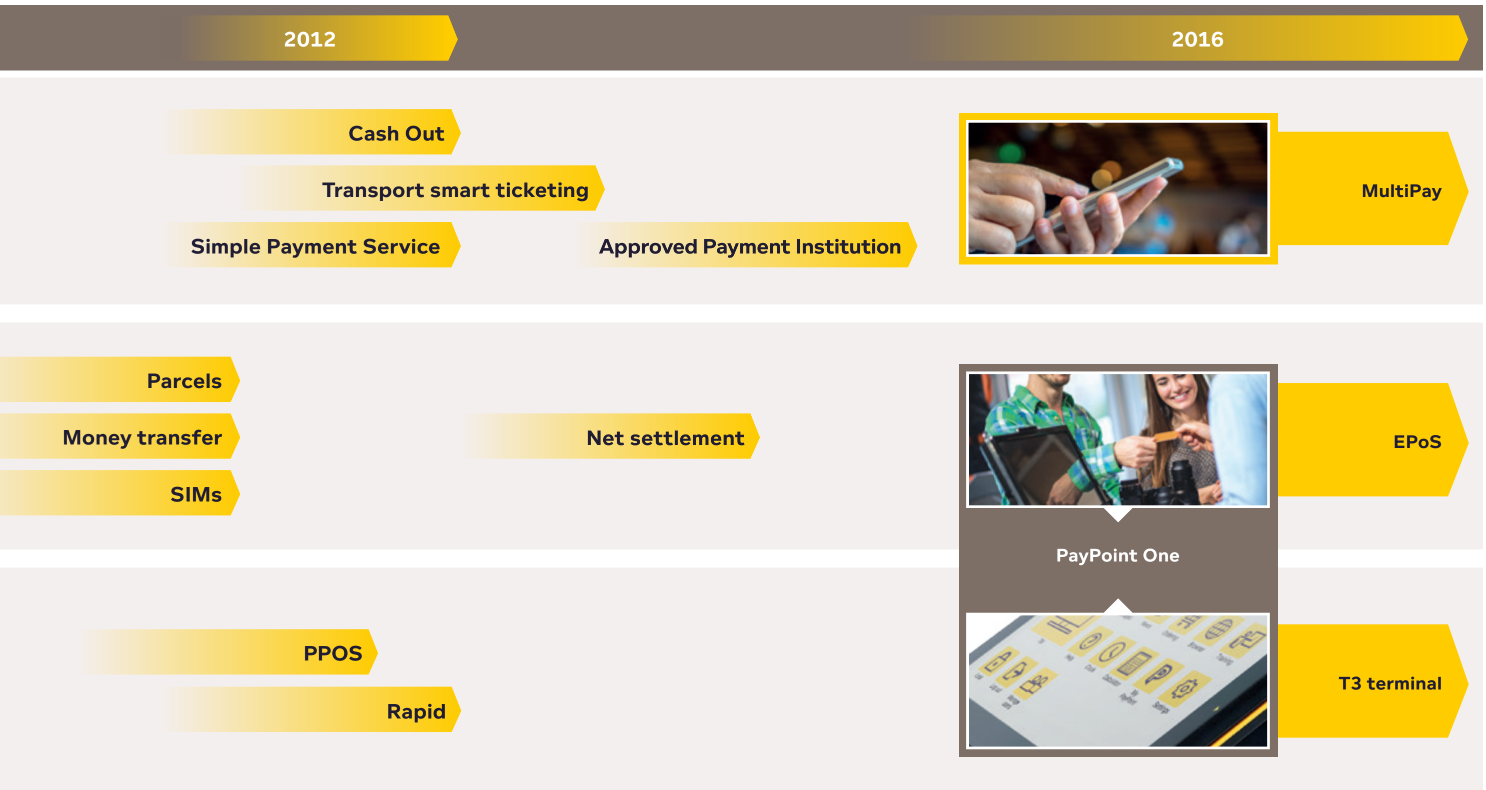
We have made changes to the board following the departures of Eric Anstee and Stephen Rowley, the contributions from whom, since joining the board in 2008, are greatly appreciated. We wish them well. During the year, we are pleased to have found two experienced non-executives in Gill Barr and Giles Kerr. Gill brings a wealth of experience in marketing and Giles, a seasoned finance director, is chair of our Audit Committee. This has strengthened our board, but conscious not to make too many changes in the context of much change in the business, we have decided to defer further appointments until the annual general meeting in 2017, when David Morrison will retire. This means we are not able to meet the minimum number of independent non-executive directors until then.

Following our decision to sell the mobile and online payments businesses, we have reviewed our capital requirements and allocation. Focussing on multi-channel payments where we have retail networks, simplifies our business and reduces the capital headroom we require.

Given the high level of current changes in the business, we are adopting a cautious approach to the return of capital and plan to release the surplus over a period of five years at £25 million per annum. We will continue with a progressive dividend policy. It is our current intention not to borrow more than one times our earnings before interest, taxes, depreciation and amortisation. The first special dividend is planned for December this year. If there is a potential acquisition which offers better returns, we may defer the special dividend as appropriate. In addition, we will distribute the sale proceeds from the sale of online payments business, together with the final dividend from the year under review. We also intend to distribute sale proceeds from the mobile payments business once the sale is completed.

Whilst we are still in transition, we are confident about our strategy, excited by the prospects for PayPoint One and MultiPay and will continue to drive value from the business for our shareholders.

Nick Wiles
Chairman
26 May 2016



How PayPoint works

From our origins in cash payments, PayPoint has successfully added a portfolio of high quality retail products and services which have contributed to our growth over the past twenty years. All of this is underpinned by our innovative technology and has opened up significant opportunities in multi-channel payments and retail services.

Cash payments

We service the millions of consumers who need convenient local outlets with long opening hours to make their essential personal and household payments, free of additional charges.

We enable our clients - utilities, government and other consumer service providers - to service this demand for over-the-counter payments with unrivalled national and regional coverage and innovative and robust technology.

Retail services

Having created uniquely strong national payment networks, our retailers have become customers for a portfolio of innovative and complementary retail services, driving further footfall, earnings and community value. We earn service and transaction fees for these services and have high retailer take-up given the highly competitive terms we offer.

ATMs

Card payments

Money transfer

Parcels

SIM cards

EPoS

Future growth

MultiPay

Offers clients the ability to streamline consumer payment processing and transaction routing into one, seamlessly integrated solution.

It gives the flexibility to choose some or all of the channels depending on their customers needs, including mobile app, online, text, phone/IVR, cash in-store and cash out. The solution is already live with Utilita, with a retail/digital payments ratio of 70:30. In addition, we have signed several smaller energy companies, a framework agreement with Procurement for Housing and, significantly, Scottish and Southern Energy, our first Big 6 energy client.

PayPoint One

Our new, state of the art platform combines PayPoint services, integrated card payments and EPoS all in one device.

Its ground breaking tablet design, complemented by Android technology, will help our customers stay ahead of their competitors and place us at the heart of their store. Powered by cloud technology, PayPoint One is flexible and future proof, will be capable of symbol group integration and compatible with a wide range of add-on services.

MerseyTravel ITSO smart ticketing

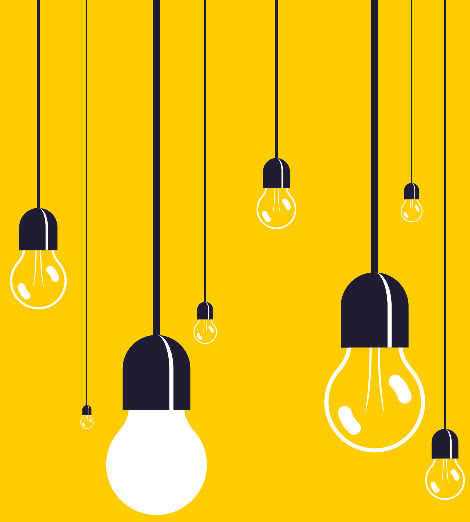
Merseytravel's smart ticketing scheme reached a major milestone in February 2016. Delivered by PayPoint and ACT in November 2014, a million tickets have now been sold on Walrus cards, Merseytravel's ITSO smart ticketing scheme covering bus, rail and ferry travel.

Following a successful phased roll-out, Walrus cards can be picked up and loaded at around 800 PayPoint stores across Merseyside, including local stores, newsagents, supermarkets and forecourts, many of which operate extended opening hours for maximum convenience. As a result of partnering with PayPoint, Merseytravel was able to significantly increase the availability of its Solo and Saveaway tickets, with both being readily available across the PayPoint network.

Cllr Liam Robinson, Chair of Merseytravel, said: "Walrus is now the most active smart ticketing scheme outside London, supported through the extensive PayPoint network. Our progress and achievements with Walrus to date will be built on this year and coming years. Working with operators, we will continue to broaden the ticket choice available, hand in hand with simplifying fare structures and zones to make it easier for people to tell whether the ticket they are buying is the best value for them."

PayPoint's smart ticketing solution has also been rolled out with Cardiff Bus in Cardiff and recently across the Greater Manchester area with Greater Manchester Transport Limited, allowing passengers to load smart cards at more than 1,300 PayPoint retailers in the region.

Utilita success with PayPoint's MultiPay solution



Leading independent energy supplier Utilita launched MultiPay, PayPoint's new integrated, multi-channel payment solution for its smart meter customers.

The new solution gives Utilita customers an improved customer experience when paying for their energy. Utilita's online payment channel is responsive across multiple devices and a mobile app has been launched with positive consumer feedback. Utilita customers have been able to pay in cash, over the counter, in PayPoint shops for many years already.

PayPoint is uniquely able to provide a single, integrated solution across multiple payment channels. This gives customers complete flexibility to choose to pay using whichever method is most convenient for them at the time – in cash at any of the 29, 000 convenience stores in PayPoint's retail network or by credit and debit card using their mobile phone, tablet or PC.

Since launch, the solution has processed over 23 million transactions with a retail/digital channel split of 70:30.

Utilita was one of the first energy suppliers to model itself on the needs of prepayment customers and focuses on maintaining competitive tariffs and developing user-friendly ways to pay as you go.

At the beginning of 2014, the launch of Utilita's Secure Handset smart metering technology gave customers greater control over their energy usage by allowing them to monitor consumption and adapt their habits accordingly to save even more money.

Bill Bullen, founder and Managing Director of Utilita Energy, said: "Utilita's customer base is growing rapidly and our aim is to offer our customers the best possible payment experience, using whatever method is the most convenient for them at any time and place they want to pay. PayPoint's unique multi-channel solution is integral to meeting that challenge and will help us to achieve our ambitious growth targets."

Romanian road tax expansion

In December 2015, PayPoint expanded its partnership with Scala Assistance to provide Romanian consumers with the ability to pay for Road Tax in over 9,000 stores across the country.

This follows positive results and an increasing demand from consumers for the service.

The process is quick, secure and adds to the growing range of services that PayPoint offers to consumers, many of whom live in rural areas where alternative channels are few or non-existent.

"It's important for Scala Assistance to provide a distribution network that is as accessible as possible. We believe our partnership with PayPoint Romania is a genuine success. This expansion is a natural evolution of our partnership", said Dan Cobeanu and Dan Ciceu, representatives of Scala Assistance.

We have made good progress and our underlying businesses have performed well.

Review
We have made good progress in what has been a challenging year. Our businesses have performed credibly, with growth in the UK being driven primarily through our developing retail services. I am confident that delivery of new products, in particular our next generation terminal and our MultiPay platform, will provide the basis of continuing future growth in payments and services.

Retail services in the UK and our Romanian business performed well, offset by sluggish results in prepaid energy (warmer weather, lower energy prices and slower prepayment meter roll out) and the continued decline of mobile top-ups. Revenue decline in the online payments business and its inclusion for only part of the year until its sale on 8 January 2016 were offset by growth in revenue in the mobile payments business. These factors led to relatively low growth in adjusted operating profits[1] of 1.2%, further exacerbated by the adverse VAT ruling, in dispute with HMRC, which cost £2 million in the year under review.

PayPoint serves millions of consumers in its day to day business operations working on behalf of leading consumer service organisations in the UK and Romania. At the heart of our capability are our unique national retail networks, unrivalled in their coverage, access and convenience. Whether part of a major chain or individual shopkeepers, retailers are the lifeblood of our business and it is fundamental to our success, that we serve them well, delivering services that help to underpin the profitability of their businesses and the service they provide to their local communities.

We have been working hard to engage with the retail community, and we are developing a new retail pledge to reinforce this commitment.

It will take determination and time to show retailers that we are committed to improving the relationships.

The refocusing of our business has allowed us to streamline the organisation by reintegrating group and UK retail management. We have established a new Executive Board and have set out clear values and cultural commitments across all company activities. We have also been taking the opportunity to review our business processes to improve our responsiveness to retailers and our efficiency. As an example, we have been able to reduce the lead-time for on-boarding new agents by 40%. We expect to deliver further process efficiency gains as the review continues.

Product development
There has been substantial service progress during the year particularly in respect of two new flagship developments – our ground-breaking new terminal and MultiPay, our market leading multi-channel payment system for smart metering and general billing.

PayPoint One
After over 12 years of success with our current terminal, our next generation point-of-sale terminal, named PayPoint One, which will provide everything needed to run in-store technology within one compact device, is currently in commercial trials. The new terminal is based on cloud-enabled Android tablet technology which transforms the flexibility and ease of use of the device. It has a full range of connectivity options including broadband, WiFi, Bluetooth and beacon.

Above all, as well as providing a technologically advanced platform for PayPoint's payments and services, the app capability of Android will allow us to introduce new added value functionality, including Electronic Point-of-Sale (EPoS retail till systems). This will enable retailers to use PayPoint One for product and price scanning, replacing their tills, and later to run their full back office stock control and replenishment. EPoS will become our latest retail service offer building on the existing successful portfolio of ATMs, card payments, Western Union, parcels and SIM card sales.

MultiPay
MultiPay, has been in development and introduced with encouraging early success. The service combines payments in-store with web, app, IVR and SMS payments. Our pilot client, Utilita is growing very strongly and is proving our strategic intent to serve customers with a balance of retail and digital payments, currently in a 70:30 ratio. Utilita's growth has been based on a particular prepay specialism which is taking share from the Big 6.

1. Adjusted operating profit excludes impairments of £49.0 million and the profit on disposal of the online payments business of £7.0 million and includes our share of joint venture results and is a measure which the directors believe assists with a better understanding of the underlying performance of the group.

STRATEGIC REPORT GOVERNANCE FINANCIAL STATEMENTS

We have also signed several smaller energy companies and a framework agreement with Procurement for Housing, which should also serve smaller clients. We have now secured our first Big 6 energy client for MultiPay, in Scottish & Southern Energy, the UK's number two by size which will go live in the next few months. We are also pursuing further Big 6 success and already have an agreement with nPower to support smart meter code generation.

The roll out of smart meters will provide householders with up to date information on their usage and provide alternative ways for them to pay. This is a government mandated programme, which is expected to gain pace later this year once the new central Data Communications Company goes live. However, it is still subject to uncertainty as to its pace, phasing of the rollout and therefore its impact on prepayment customers. With MultiPay, PayPoint is well placed to address the market however it moves forward.

Romania
PayPoint Romania continues to lead the market in retail bill payments and has made good progress in establishing retail services to complement the core payments capability. Our Western Union partnership has performed strongly as has the sale of road tax permits. We continue to build one of Romania's strongest financial brands.

We completed the sale of our online payments business in January 2016 and are in the process of selling our mobile payments business. Given that the sale is not yet achieved, we have written down its carrying value by £30.8 million. We have also been in long running discussions with our joint venture partners, Yodel, about the future structure of Collect+, which we had hoped to conclude by now. To encourage discussions, we temporarily agreed to allow Yodel to charge more for its carrier services to Collect+ and this has caused it to make a small loss. We are positive about our prospects with such strong products and platforms in our armoury and look to achieve further MultiPay sales success and to roll out PayPoint One to thousands of retailers this year.

Strategy
Our mission is to be the market leader in providing multi-channel payments and retail services to major consumer organisations and retailers, delivered through innovative technology and first class service. We are proud of our good reputation which underpins our contractual relationships with service companies and retailers in both the UK and Romania.

We believe there is substantial opportunity for sustainable growth in revenues from products and services to our convenience retailers and introducing new capabilities that will help them grow their businesses profitably.

Our Executive Board
From left: Katy Wilde, Jon Marchant, George Earle, Lewis Alcraft, Dominic Taylor, David Roe, Susan Court, Tim Watkin-Rees.

PayPoint One

Chief Executive's review continued

For example, the decline of the high street and growth in online retailing leaves community based convenience stores in a strong position to complement online service delivery. This is illustrated by our success in our parcels service, where goods are ordered online but collected and returned in local stores.

The proportion of retail service based revenues relative to traditional payments will continue to increase and there will be some displacement from cash to digital payments through MultiPay. We have a proven track record of innovation and differentiation in our retail networks, where we have clear market leadership and generate strong returns on capital from our investments.

The payments capability of PayPoint continues to be fundamental to our differentiation and success. PayPoint has had particular strength in cash payments and cash has been and continues to be extremely resilient and is used by millions of consumers for their essential services. PayPoint has grown payment volumes strongly throughout two decades, in which cash has gradually declined as a proportion of all payments.

Nonetheless, cash usage is in slow but long-term decline. To address online and cashless payment growth, we have developed solutions for multi-channel payment systems for non-retail and card and contactless payments in-store, as sources of future growth. We will continue to extend in-store card payments functionality, currently in over 10,000 shops in which contactless payment growth is particularly strong. We will also use MultiPay to establish a strong position in digital payments for smart meters and other payments to complement our unique strength in cash, enabling us to benefit across the board.

Our new tighter retail focus has allowed us to reshape the business enabling us to restructure from a group approach to an integrated one, with renewed emphasis on retail innovation and momentum in pushing forward our new retail technology.

We will be driving our new solutions to provide the platform for deeper integration into retail store operations and the introduction of further added value applications and services, notably through EPoS.

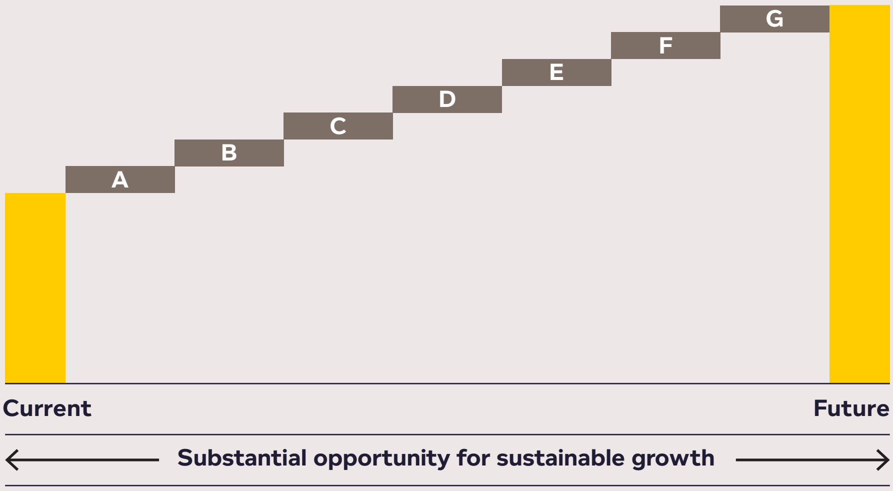
In so doing, we will leverage our scale and capability and further extend our geographic footprint, potentially into new countries as well, although international prospecting will be of lower priority in the immediate future. This is in addition to growing our existing retail services portfolio that has performed well over many years, including ATMs, card payments, Western Union, parcels and SIM card sales. In this context, we need to reach a mutually satisfactory resolution with Yodel regarding Collect+.

In summary, we are committed to developing the business through our retail network and our strong relationships with our clients. In so doing, we can look forward to continuing growth in earnings per share and a progressive dividend policy alongside returning excess capital over a five year period.

Dominic Taylor
Chief Executive
26 May 2016

Long term strategic vision

Our mission is to **lead the market** in the provision of products to consumer service companies and retailers, through **innovative solutions** and **first class customer service**.



A Growth in retail services
B PayPoint One
C Growth in MultiPay solutions
D Growth in parcels
E New consumer services
F Growth in Romania
G New countries

Results for the year ended 31 March 2016

Key performance indicators (KPIs)

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

Measuring our performance

Strategic focus	KPI	Description	2016	2015
Shareholder return	Earnings per share (adjusted[1])	Profit after tax attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period (including the impact of shares which are likely to be issued under share schemes).	**58.4p**	57.4p
	Dividends per share	Proposed final dividend and interim dividend divided by the number of fully paid shares at the end of the year.	**42.4p**	38.5p
	Economic profit	Adjusted operating profit[1] (including our share of joint venture results) after tax and a charge for capital employed, excluding cash, based upon the group's cost of capital.	**£32.8 million**	£31.3 million
Growth	Retail networks transactions	Number of transactions processed in the year on our terminals, ATMs and on our retailers' EPoS systems.	**668.2 million**	667.3 million
	Mobile and Online transactions	Number of transactions processed in the year by Mobile and Online.	**150.5 million**	145.3 million
	Transaction value	The value of transactions processed via our terminals, retailers' EPoS systems, online merchants, ATMs, mobile payments and the sale of other retail services.	**£14.0 billion**	£14.8 billion
	Net revenue	Revenue less: commissions paid to retail agents; the cost of mobile top-ups and SIM cards where PayPoint is principal; acquiring bank charges and call centre costs recharged to clients.	**£123.6 million**	£123.1 million
	Operating margin	Adjusted operating profit[1] including our share of joint venture results, as a percentage of net revenue.	**40.5%**	40.2%
Asset optimisation	Return on capital employed	Adjusted operating profit[1] for the year divided by average month end capital employed (net assets including assets held for sale and excluding cash).	**70.4%**	63.6%
	Growth/(decline) in retail networks yield per site	Growth/(decline) in net revenue from retail networks, divided by the average number of sites in the period.	**(2.9%)**	4.3%
People	Labour turnover	Number of permanent employees who left during the year divided by average total permanent employees.	**33%**	22%

1. Adjusted earnings per share and adjusted operating profit exclude the impairments of £49.0 million and the profit on disposal of the online payments business of £7.0 million.

Review of business

The review of business presented in this annual report includes highlights on page 1, the Chairman's statement on page 2 and 3 and the Chief Executive's review on pages 8 to 10 .

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

Growth opportunities include: the roll out of our new terminal PayPoint One, which includes an EPoS application, provision of single solution, multi-channel payments and services to new and existing clients; the extension of services in each payment channel across our existing and prospective clients, new and existing client development and retail services in the UK and Romanian retail networks; the expansion of these retail networks; and once Collect+ negotiations complete, parcels. There are also opportunities to extend our services into other countries.

The channel and product analysis is as follows:

Retail payments and services:
Bill and general (prepaid energy, bills and cash out services)

Top-ups (mobile, e-money vouchers, prepaid debit cards and lottery)

Retail services (ATM, payment card, parcels, money transfer, SIMs, broadband, receipt advertising, charges for failed direct debits and paper invoicing)

Collect+ parcels service

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

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

Operating review

	Year ended 31 March 2016	Year ended 31 March 2015	Increase/ (decrease) %
Transactions (000)	**818,700**	812,668	0.7
Transaction value (£000)	**14,041,737**	14,756,476	(4.8)
Revenue (£000)	**212,556**	218,495	(2.7)
Net revenue[1] (£000)	**123,633**	123,131	0.4

Transactions increased to 818.7 million (2015: 812.7 million), up 0.1% in the retail networks and 3.6% in Mobile and Online. Excluding transactions from the online payments business for the year ended 2015 and 2016, which was sold on 8 January 2016, transactions increased by 1.8% year on year.

Transaction value decreased to £14.0 billion (2015: £14.8 billion), up 2.1% in the retail payments and services (retail networks) but down 20.2% in Mobile and Online, mainly attributable to only owning Online for nine months of the current year.

Revenue has decreased to £212.6 million (2015: £218.5 million), down 2.5% in the retail networks and down 4.9% in Mobile and Online. Revenue decline is lower than transaction value decline due to higher transaction growth in some larger merchants in our online business who benefit from lower pricing and from charges to newer parking clients, which are lower than those to existing clients. When excluding the online payments business transactions for the year ended 2015 and 2016, revenue decreased by 1.5%.

Net revenue has increased to £123.6 million (2015: £123.1 million), up 1.9% in the retail networks but down 10.7% in Mobile and Online. Net revenue growth is better than the revenue decline in retail networks, as the commission payable to retail agents has fallen as the group has adjusted the share of commission with its retailers in response to competitor rates. Excluding net revenue for online payments business for the year ended 2015 and 2016, net revenue grew by 2.9%.

Adjusted operating profit[2], including our share of Collect+, was £50.1 million (2015: £49.5 million), an increase of 1.2%.

Bill and general

	Year ended 31 March 2016	Year ended 31 March 2015	Increase/ (decrease) %
Transactions (000)	**449,170**	459,018	(2.1)
Transaction value (£000)	**8,557,707**	8,485,736	0.8
Revenue (£000)	**85,770**	89,229	(3.9)
Net revenue[1] (£000)	**59,480**	58,954	0.9

Bill and general transactions were lower than the previous year by 2.1%. UK and Irish bill and general transactions were down 4.1% due to lower energy transactions. An apparent decrease in consumption, together with the effect of higher average transaction values on prepaid energy transactions and lower energy prices exceeded the impact of meter growth. Although not material in the year under review, the multi-channel payment solution, MultiPay continues to grow strongly and sales to further clients have been agreed, including our first big six energy client. MultiPay is also attracting interest from other sectors. The Romanian bill payment transactions grew year on year by 12.7%, where we processed 60.2 million transactions (2015: 53.5 million). The growth was the result of increasing market share which in March, for clients we serve was 21.8% (2015: 20.0%), new clients and road tax payments.

Growth in net revenue of 0.9% contrasts with the decline in revenue, helped by changes to our retail terms in response to competitor rates.

Top-ups

	Year ended 31 March 2016	Year ended 31 March 2015	Decrease %
Transactions (000)	**79,041**	89,482	(11.7)
Transaction value (£000)	**767,376**	821,049	(6.5)
Revenue (£000)	**63,325**	69,978	(9.5)
Net revenue[1] (£000)	**20,885**	23,154	(9.8)

Top-up transactions decreased from last year as a result of the continued decline in mobile top-up volumes in the UK and Ireland of 12.9%. The reduction in UK and Irish mobile top-up transactions was only partly offset by an increase in other top-up transactions and Romanian mobile top-ups.

The reduction in top-up transaction value was lower than that of transaction numbers as the average value of mobile top-ups increased. This also helped mitigate the reduction in net revenue, along with the increase in other top-ups.

1. Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, card payment merchant service charges and costs for the provision of call centres for PayByPhone.
2. Adjusted operating profit excludes the impairments of £49.0 million and the profit on the disposal of the online payments business of £7.0 million.

Retail services

	Year ended 31 March 2016	Year ended 31 March 2015	Increase %
Transactions (000)	**139,965**	118,849	17.8
Transaction value (£000)	**1,065,739**	874,449	21.9
Revenue (£000)	**47,301**	42,294	11.8
Net revenue[1] (£000)	**30,299**	26,507	14.3

Retail services transaction volume has increased across all products. ATM transactions increased by 22.1%, payment card transactions by 17.4%, money transfer transactions by 25.7% and parcels by 10.1% over last year. Higher average ATM transaction and money transfer values have driven an increase in total transaction value in excess of the increase in transaction volume. Revenue growth is lower than transaction growth due to a greater proportion of the mix of non-surcharge ATM machines in the estate and the impact of tiered pricing for increased transaction volumes. Strong net revenue growth of 14.3% was driven by the increases in parcels, ATM transactions, payment card and money transfer.

Collect+

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

Collect+ at 100%	Year ended 31 March 2016	Year ended 31 March 2015	Increase/ (decrease) %
Transactions (000)	**20,690**	18,799	10.1
Revenue (£000)	**49,588**	46,059	7.7
(Loss)/profit (£000)	**(448)**	2,634	(117.0)

Collect+ is the market leading proposition for third party Click and Collect services and its parcel returns activity also continues to grow strongly. Within the consumer send market, there continues to be substantial price competition and consequently the Collect+ management team has focussed on developing Click & Collect and returns.

Following Yodel's proposed increase in changes to Collect+ we have continued to discuss the future of Collect+. A temporary increase in Yodel's charges, during these negotiations, has resulted in the reported loss.

Mobile and Online

	Year ended 31 March 2016	Year ended 31 March 2015	Increase/ (decrease) %
Transactions (000)	**150,525**	145,319	3.6
Transaction value (£000)	**3,650,915**	4,575,242	(20.2)
Revenue (£000)	**16,160**	16,994	(4.9)
Net revenue[1] (£000)	**12,968**	14,516	(10.7)

The year ended 31 March 2016 includes the mobile payments business for 12 months and the online payments business for the period up to its disposal on 8 January 2016. The previous year includes both businesses for 12 months. Transactions increased by 3.6% with parking transactions of 51.3 million up 29.8% and online payment processing transactions of 99.2 million down 6.2%.

We have continued to add parking contracts with councils and parking authorities, as we provide them with a more convenient and cost effective method for collecting parking charges.

The business has fully rolled out the parking payment services in Paris during the year. A contract has been signed to service a number of London underground car parks as part of a Transport for London initiative, whilst local authorities such as Brighton and Manchester have significantly reduced the use of pay & display machines.

Overall revenues decreased by 4.9% and net revenues by 10.7%. Online decreased by 33.5% including the impact of its inclusion for only part of the year for both revenue and net revenue. Revenue in Mobile increased by 23.6% and net revenue by 21.4%, reflecting the significant increase in transaction volumes referred to above as the business continues to win new clients and increase its penetration into existing clients across all regions, most notably in France where parking transactions increased by 155%.

The assets of the mobile payments business are shown as assets held for sale within current assets on the statement of financial position for the year ended 31 March 2016 and together with those of the online payments business for year ended 31 March 2015. Further detail can be found in note 16 to the accounts.

In view of this uncertainty surrounding the sale process, we have recorded an impairment of £30.8 million, reflecting our current best estimate of the recoverable amount of these businesses. Consolidated net assets in Mobile remain at £1.7 million, in addition to a deficit on translation reserves of £2.0 million, which will be recognised through the profit and loss account on the sale of Mobile.

Network growth

Terminal sites overall have increased by 4.5% to 39,228.

In the UK and Ireland, site numbers have expanded by 780, an increase of 2.8%. We provide payment card capability, including the functionality for retailers to accept convenient contactless card transactions in 10,111 sites (2015: 9,816 sites). During the year, we continued to roll out our PPOS integrated solution to retailers, which combines a virtual terminal (our software on the retailer's till system) with a plug in reader, to provide the service at lower cost across all till lanes. As well as enhancing our service to retailers, this allows us to redeploy terminals for use in Romania. In addition to these 8,101 PPOS solutions (2015: 7,498 PPOS), there were 12,245 broadband enabled terminals (which offer a faster service than PSTN enabled terminals for transactions where the terminal has to contact the client's host) at 31 March 2016 (2015: 10,689 broadband terminals).

In Romania, we increased the number of terminal sites by 907 in the year, an increase of 9.8%.

There are no internet merchants at 31 March 2016 because the online payments business was disposed on 8 January 2016.

We increased the number of sites offering our Collect+ parcels service in the year by 105, bringing the total to 5,936 sites. Site growth has been constrained during the discussion of the future of Collect+ with Yodel.

Analysis of sites/internet merchants	Year ended 31 March 2016	Year ended 31 March 2015	Increase/ (decrease) %
UK & Ireland terminal sites	**29,087**	28,307	2.8
Romania terminal sites	**10,141**	9,234	9.8
Total terminal sites	**39,228**	37,541	4.5
Internet merchants	**-**	4,662	(100.0)
Collect+ sites	**5,936**	5,831	1.8

1. Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, card payment merchant service charges and costs for the provision of call centres for PayByPhone.
2. Adjusted operating profit excludes the impairments of £49.0 million and the profit on the disposal of the online payments business of £7.0 million.

Review of business continued

Financial review

Income statement

Revenue for the year was £212.6 million (2015: £218.5 million). Cost of sales reduced to £106.5 million (2015: £113.4 million). The cost of mobile top-ups in Ireland and Romania[1] has fallen to £28.1 million (2015: £29.5 million). Retailers' commission decreased to £57.7 million (2015: £63.3 million) as mobile top-ups which attract high retail commission declined and the group has adjusted the share of commission with its retailers in response to competitor rates. Gross profit margin improved to 49.9% (2015: 48.1%) mainly as a consequence of the reduction in cost of sales.

Net revenue[2] of £123.6 million (2015: £123.1 million) was slightly ahead of last year from the growth in bill payment and retail services offset by a reduction in mobile parking and in the current year nine months of revenue from the online payments business.

Operating costs (administrative expenses) decreased 0.9% to £55.7 million (2015: £56.9 million) reflecting:

- an increase in costs of £2.0 million driven by the HMRC ruling
- one off restructuring costs incurred in the first half to gain efficiencies between group and our retail businesses; offset by
- cost savings in the second half as a result of the restructure; and
- the sale of the online payments business in the second half.

Excluding Mobile and Online, net revenue increased 1.9% to £110.7 million, other cost of sales decreased 1% to £16.0 million, administrative expenses remained the same at £41.9 million and operating profit, excluding our share of the Collect+ results, rose 4.3% to £52.8 million.

Our share of the loss in our parcels joint venture, Collect+, was £0.2 million (2015: profit of £1.3 million). We continue to discuss with Yodel the future of the joint venture as a result of the proposed increases in charges put forward by Yodel. A portion of these charges have been allowed pending the outcome of these discussions, which has caused the adverse impact on profitability in Collect+.

Adjusted operating margin[3] rose to 40.5% (2015: 40.2%) as a consequence of the performance of the retail networks.

Profit before tax was £8.2 million (2015: £49.6 million), which includes a £49.0 million impairment in Mobile (£30.8 million) and Online (£18.2 million) and a profit on disposal of the online payments business of £7.0 million. The tax charge of £10.2 million (2015: £10.4 million) represents an adjusted[4] effective tax rate of 20.5% (2015: 21.0%). The reduction in tax rate reflects the decrease in the UK corporate tax rate in the current year, which would have been larger but for the recognition of a reduction in the deferred tax assets on finalisation of prior year tax returns.

Statement of financial position

Net assets of £87.9 million (2015: £115.3 million) include £1.7 million of net assets for the mobile payments business which have been classified as assets held for sale (note 16). The group net assets reflect a strong financial position, including cash of £80.8 million (including cash held for settlement of obligations to our clients (client cash) of £21.5 million in the UK, £8.6 million in Romania but excluding £2.4 million in Mobile payments, which is reported within assets held for sale) higher than £43.9 million (including client cash of £3.8 million in the UK and £10.1 million in Romania and including £3.3 million in Mobile and Online) at 31 March 2015. The final dividend, subject to shareholder approval, together with the proceeds of sale of the online payments business, will absorb £33.5 million and is payable in July.

Cash flow

Cash generated by operations was £69.0 million (2015: £53.6 million), reflecting strong conversion of profit to cash. Corporation tax of £9.9 million (2015: £8.6 million) was paid. Capital expenditure of £8.2 million (2015: £10.1 million) comprised expenditure on IT infrastructure, developments for new products and terminals. The amount paid for the acquisition of Adaptis in the year was £nil million (2015: £0.2 million). Share incentive schemes settled in cash absorbed £0.6 million (2015: £2.9 million). Equity dividends paid were £27.4 million (2015: £24.7 million).

Economic profit

PayPoint's own measure of economic profit (defined as operating profit excluding impairment and profit on disposal, less tax and a nominal capital charge of 10%) was £32.8 million (2015: £31.3 million), an increase of 4.7%.

Dividend

We propose to pay a final dividend of 28.2p per share on 29 July 2016 (2015: 26.1p) to shareholders on the register on 1 July 2016, subject to the approval of the shareholders at the annual general meeting, together with 21.0p per share representing the gross proceeds of the sale of Online. An interim dividend of 14.2p (2015: 12.4p) was paid on 17 December 2015, making a total ordinary dividend for the year of 42.4p per share (2015: 38.5p), up 10.1%.

Liquidity and going concern

PayPoint's business activities, together with factors likely to affect its future development and performance, are described, in the strategic report on pages 9 to 10. Principal risks and uncertainties are described on pages 16 to 19.

The group has cash of £80.8 million, excluding £2.4 million of cash in Mobile, which is shown in assets held for sale, and has an undrawn £45.0 million revolving term credit facility expiring in May 2019. Cash includes amounts held to settle short term client settlement obligations, which at the year end, amounted to £21.5 million in the UK (2015: £3.8 million) and £8.6 million in Romania (2015: £10.1 million). The final dividend, if approved by shareholders together with the dividend of the sale proceeds of online payments business, will absorb £33.5 million of the cash balance. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group including the special dividends, taking account of risks (pages 16 to 19). The financial statements have, therefore, been prepared on a going concern basis.

1. In Ireland and Romania, PayPoint is principal in the sale of mobile top-ups and, accordingly, the face value of the top-up is included in sales and the corresponding costs in cost of sales.
2. Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint, which are recharged to clients and merchants. These other costs include retail agent commission, card payment merchant service charges and costs for the provision of call centres for PaybyPhone clients.
3. Adjusted operating profit excludes the impairments of £49.0 million and the profit on disposal of the online payments business of £70.0 million and including our share of joint venture results as a percentage of net revenue.
4. Adjusted effective tax rate is the tax cost as a percentage of the operating profit excluding the impairments of £49.0 million and the profit on disposal of online payments business of £7.0 million and including our share of joint venture results.

Viability statement
The directors have assessed PayPoint's viability over a three year period to March 2019.

The group's plan has been tested for severe, but plausible, downside scenarios. These include the loss of a major client, the bankruptcy of a major retailer, a slower take up of new products in the market than anticipated, the level of technical advancement increasing driving an increase in capital expenditure, a delay in the launch of new products and the interruption in business processes or systems and the cessation of the parcels business. The assessment has considered the potential impacts of these risks on the business model, future performance, mitigating actions that may be required, solvency and liquidity over the period. The directors have taken into account the group's robust balance sheet and its financial covenant headroom during the period of assessment including planned distributions.

The directors have a reasonable expectation that the group remains viable over the period of the assessment. This conclusion takes into account the group's strategy detailed on pages 9 to 10, the principal risks described on pages 16 to 19, the results of the scenario planning on the group's financial plan detailed above together with available cash and committed borrowings, financial covenants and any material uncertainties. In reaching this conclusion, the directors have considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, the likelihood of their occurrence and the likely effectiveness of mitigating actions that the directors would consider undertaking.

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 £21,110 (2015: £32,556) to charities serving the communities in which the group operates. We encourage employees to raise funds for charity and the Company matches funds raised by the employees, subject to certain limits.

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

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

Economic climate
The company's bill and general payments service, which accounts for 48.1% (2015: 47.9%) of our net revenue, has continued to be resilient, as consumers' discretion in expenditure is limited for essential services and our service continues to be popular. Utility providers continue to install new prepay gas and electricity meters, which should have a beneficial impact on our transaction volumes. There has been an adverse impact on our mobile top-ups as mobile operators continue to offer more airtime at lower cost and to promote prepay less than contract. Mobile is able to offer parking authorities a more cost effective collection system for parking compared to pay and display machines.

PayPoint's exposure to retail agent debt in the UK and Ireland is limited as credit granted to retail agents is restricted by daily direct debiting for all UK and Irish transactions, other than EPoS mobile top-ups (which are collected weekly). There is some concentration of risk in multiple retail agents. Most of PayPoint's clients in the UK, other than for top-ups, bear the cost of retail agent bad debt. In PayPoint Romania, the risk of bad debt lies with the company. In Mobile exposure is limited to receivables from parking authorities.

Trends and factors on future development

For the current financial year, trading is in line with the Company's expectations, although investment in and the continuing losses of Mobile will lower earnings until sold. Our retail networks in the UK and Romania should continue to deliver profitable growth from our breadth of services and extensive client base. We will continue to invest in network expansion, the roll-out of PayPoint One and new services to improve retail network quality further. We anticipate that this will enhance our competitive advantage and increase retail yield. We continue to focus on growth and on evaluating new opportunities to extend our business. The provision of multi-channel payments and services to our client base remains an essential element of our strategy, placing us in growing markets and providing a bridge from cash to electronic payments. Discussions continue with our joint venture partner, Yodel, over the future of Collect+, following its proposed increases in its charges.

Risks and uncertainties

PayPoint's business, financial condition or operations could be materially and adversely affected by the risks summarised below. Although management takes steps to mitigate risks where possible or where the cost of doing so is reasonable in relation to the probability and seriousness of the risk, it may not be possible to avoid the crystallisation of some or all of such risks. The group's risk management policies and procedures are also discussed in the governance statement on page 34.

Risk area	Potential impact	Mitigation strategies
Loss or inappropriate usage of data	The group's business requires the appropriate and secure use of consumer and other sensitive information. Mobile telephone and internet-based electronic commerce requires the secure transmission of confidential information over public networks, and several of our products are accessed through the internet. Fraudulent activity, cyber-crime or security breaches in connection with maintaining data and the delivery of our products and services could harm our reputation, business and operating results.	The group has established rigorous cyber 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 cyber security infrastructure, including the significant use of data and communications encryption technology, improvements in e-mail and web filtering and the introduction of enhanced data leakage prevention tools. We have also developed plans as to how we would respond to a breach of security.
Dependence upon third parties to provide data and certain operational services	The group's business model is dependent upon third parties to provide operational services, the loss of which could significantly impact the quality of our services. Similarly, if one of our outsource providers, including third parties with whom we have strategic relationships, were to experience financial or operational difficulties, their services to us would suffer or they may no longer be able to provide services to us at all, significantly impacting delivery of our products or services.	The group selects and negotiates agreements with strategic suppliers and agents based on criteria such as delivery assurance and reliability. Single points of failure are avoided, where practicable and economically feasible. Controls are regularly reviewed and improved to minimise risk of retailer churn caused by financial loss to retailers through fraudulent third party activity.
Exposure to legislation or regulatory reforms and risk of non-compliance	The group is largely unregulated by financial services regulators although in the UK we have Payment Institution status, through PayPoint Payment Services Limited for prefunded cash payments to consumers. The group's agents which offer money transfer on behalf of third party clients are licensed as Money Service Businesses by HMRC. Our Mobile business is subject to Payment Card Industry Data Security Standards regulated by the card schemes. Regulatory reform could increase the cost of the group's operations or deny access to certain territories in the provision of certain services. Non-compliance with law, regulation, privacy or information security laws could have serious implications in cost and reputational damage to the group.	The group's legal department works closely with senior management to adopt strategies to educate legislature, regulators, consumer and privacy advocates and other stakeholders to support the public policy debate, where appropriate, to ensure regulation does not have unintended consequences over the group's services. The group has in place a business ethics policy which requires compliance with local legislation in all the territories in which the group operates. A central compliance department co-ordinates all compliance monitoring and reporting. Subsidiary managing and finance directors are required to sign annual compliance statements.

Risk area	Potential impact	Mitigation strategies
Interruptions in business processes or systems	The group's ability to provide reliable services largely depends on the efficient and uninterrupted operation of our computer network systems, financial settlement systems, data and call centres, as well as maintaining sufficient staffing levels. System or network interruptions, recovery from fraud or security incidents or the unavailability of key staff or management resulting from a pandemic outbreak could delay and disrupt our ability to develop, deliver or maintain our products and services, causing harm to our business and reputation and resulting in loss of customers or revenue.	Comprehensive business continuity plans and incident management programmes are maintained to minimise business and operational disruptions, including fraudulent activity, system failure or pandemic incidents. Support arrangements have been established with third party vendors and there are strict standards, procedures and training schemes for business continuity.
Dependence on recruitment and retention of highly skilled personnel	The ability of the group to meet the demands of the market and compete effectively is, to a large extent, dependent on the skills, experience and performance of its personnel. Demand is high for individuals with appropriate knowledge and experience in payments, IT and support services. The inability to attract, motivate or retain key talent could have a serious consequence on the group's ability to service client commitments and grow our business.	Effective recruitment programmes are on-going across all business areas, as well as personal and career development initiatives. The executive management reviews talent potential twice a year and retention plans are put in place for individuals identified at risk of leaving. Compensation and benefits programmes are competitive and also reviewed regularly.
Technology change may render products obsolete	There are rapid changes in technology in the payments industry including the development of new payment methods, particularly on smart phones and tablets, but also as a consequence of technology changes in other areas e.g. smart meters, which will replace the use of the energy keys and gas cards currently used to pay for prepaid energy. Such changes may render current and new products, such as the PayPoint One new terminal currently being rolled out, and services obsolete.	IT development resource is directed at a group level and developments are in hand to ensure the group has relevant products in place to meet the demands brought about by changing technology. For smart meters, a multi-channel product has been developed and launched.
Exposure to materially adverse litigation	The group contracts with a number of large service organisations for which it provides services essential to their customers. Failure to perform in accordance with contractual terms could give rise to litigation.	The group seeks to limit exposure in its contracts. Mitigating actions are taken where contractual exposures are above the norm, including insurance coverage, where appropriate and economically sustainable.

Risks and uncertainties continued

Risk area	Potential impact	Mitigation strategies
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 6.0% of the group's net revenue, and no single retailer accounts for more than 4.7% 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 its developing businesses, and in CashOut (reversing the flow of money through its retail networks).
Acquisitions may not meet expectations	The group's acquisitions, strategic alliances and joint ventures may result in financial outcomes that are different than expected. The net sale proceeds from the proposed sale of the mobile payments business may not exceed its carrying value. As a consequence of a proposal by Yodel, our joint venture partner in Collect+, to increase its charges to the joint venture we are in discussions over the future of the joint venture.	The group assesses all acquisitions rigorously, using both in-house experts and professional advisers. In addition, the group conducts regular reviews to monitor performance.
Exposure to the unpredictability of financial markets (foreign exchange, interest rate and other financial risks)	As the group operates on an international basis, it is exposed to the risk of currency fluctuations and the unpredictability of financial markets in which it operates.	The group's financial risk management seeks to minimise potentially adverse effects on the group's financial performance.

Risk area	Potential impact	Mitigation strategies
Exposure to increasing competition	The group operates in a number of geographic, product and service markets that are highly competitive and subject to technological developments for example the introduction of smart meters and new payment solutions. Competitors may develop products and services that are superior to ours or that achieve greater market acceptance than our products and services, which could result in the loss of clients, merchants and retailers or a reduction in revenue.	The group is committed to continued research and investment in new data sources, people, technology and products to support its strategic plan.
Loss or infringement of intellectual property rights	The group's success depends, in part, upon proprietary technology and related intellectual property rights. Some protection can be achieved but in many cases, little protection can be secured. Third parties may claim that the group is infringing their intellectual property rights or our intellectual property rights could be infringed by third parties. If we do not enforce or defend the group's intellectual property rights successfully, our competitive position may suffer, which could harm our operating results.	The group, where appropriate and feasible, relies upon a combination of patent, copyright, trademark and trade secret laws, as well as various contractual restrictions, to protect our proprietary technology and continues to monitor this situation. The group also vigorously defends all third party infringement claims.
Data centre security breaches	The group is highly dependent on information technology networks and systems to process, transmit and store electronic information. Fraudulent or unauthorised access, including security breaches of our data centres, could create system disruptions, shutdowns or unauthorised disclosure of confidential information.	The group's data centres are protected against physical break-ins. The group has strict standards and procedures for security and fraud prevention.

Environmental matters, employees, social, community and human rights

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

	Clients and merchants	Retailers and consumers	Local communities	Shareholders
Information on stakeholders	Over 1,500 clients including those via reselling arrangements.	Over 39,000 retailers in three countries and provide a service to millions of consumers.	Where our employees live and work.	594 shareholders at 31 March 2016.
Impact	Provision of convenient services for consumer payments.	To provide stable, reliable and a broad range of services to help generate consumer footfall for retailers who serve their communities.	Financial support to local charities.	Maximise shareholder return.
Engagement	Provision of a high standard of service to our clients and open communication. Client contracts contain service level agreements, which are set to a high standard. Specific performance is measured for key elements, including system availability and file delivery.	We seek to provide an unparalleled service to our retailers and consumers.	PayPoint has a charity committee made up of employee volunteers which provides support, funded by the Company, to fundraising activities carried out by its employees for charities which are important to them. These include local charities in the communities in which its employees live and work. The committee also organises events including PayPoint's Got Talent, quiz nights, bake sales and fun runs in order to raise money for charitable causes.	PayPoint focuses on maximising economic value.
How we interact and support the stakeholders	Communication - major clients have regular review meetings with dedicated sector managers.	In the UK, terminal availability is over 99% and when a terminal needs to be replaced, it is achieved within four hours across the UK in 98% of cases. The breadth of products offered by PayPoint is greater than any other network. An annual retailer survey is carried out to understand how we can improve our service. We also invite retailers to attend an annual forum to discuss new products and obtain retailer feedback. Major multiple retailers have regular review meetings with dedicated account managers.	During the year, PayPoint donated £21,110 to over 30 local and national charities, which was supplemented by funds raised by employees themselves. We offer our network to collect for certain charities free of charge, including the BBC's Children in Need telethon. 54% of PayPoint's ATM network is 'speech-enabled', the largest proportion of an independent network in the UK.	Shareholders are invited to attend the annual general meeting and major shareholders are visited twice a year to discuss the group's results.

Environment

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

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

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

PayPoint's services help consumers to reduce the number of unnecessary car journeys through the convenience of our outlets which are usually available within a short walking distance. Collect+ consolidated over 20 million parcels into 1.7 million store visits in the last year, saving millions of van deliveries to each consumer's home address.

We recycle wherever possible, including paper, cans, plastic cups, cardboard, toners and print cartridges. We also recycle computer equipment. This has resulted in an increase in the proportion of waste recycled to 58% of all waste generated (2015: 55%). Total waste has decreased in the year due to the decrease in employee numbers.

	Year ended 31 March 2016 (tonnes)	Year ended 31 March 2015 (tonnes)	Change %
Waste			
Landfill	**13.5**	17.9	(24.6)
Recycled	**18.6**	21.8	(14.7)
Total	**32.1**	39.7	(19.1)
% recycled	**57.9%**	55.0%	3.0 ppts

GHG emissions

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

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

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

Global GHG emissions data for the year is as follows:

Impact	Units	**Year ended 31 March 2016**	Year ended 31 March 2015
Scope 1 (direct emissions from fuel combustion)	tonnes CO^2e	**346**	382
Scope 2 (indirect emissions from purchased electricity, heat and cooling)	tonnes CO^2e	**1,322**	1,371
Scope 3 (business travel, waste and water)	tonnes CO^2e	**764**	929
Total		**2,432**	2,682
Intensity measurement: Total tonnes of CO^2e per employee[1]		**3.4**	3.7

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

Environmental matters, employees, social, community and human rights continued

Human rights
PayPoint supports fundamental human rights, such as the right to privacy, safety and to be treated fairly, with dignity and respect. Our employment standard sets out our commitment to good employment practices and the principles to govern the practices adopted in each of our businesses. All employees have a right to safe conditions of work, consideration of their welfare, fair terms of employment, reward and treatment, clarity and openness about what is expected.

People
PayPoint employed, on average, 714 members of staff during the period. We aim to create a positive working environment that enables us to attract and retain a talented workforce. Employee turnover increased during the year as a result of changes implemented to ensure that we have the shape and size of organisation needed to deliver our future plans. We expect turnover to reduce over the next year as these changes are embedded.

Culture
PayPoint's culture of openness, honesty and accountability is an essential part of our success and we have recently communicated a new set of values to reinforce the culture and behaviours that we believe will enable us to continue to deliver innovative solutions and provide first class service to our customers. We are actively engaging with our people to bring the values to life in the work that we do.

Engagement
PayPoint recognise that all of our employees play a part in delivering the group's performance. We keep our people informed of Company performance and new developments via formal business update meetings, staff briefings, regular team meetings and Company newsletter. All employees are invited to participate in two meetings a year where the directors present the performance of the group. Overseas offices participate by webcam.

PayPoint invites all employees to complete an annual engagement survey in order to encourage two way communication and co-create action plans to enable the business to continually improve. 92% of employees participated in the survey in 2015 and our overall engagement score was 78%.

PayPoint operates a Share Incentive Plan to enable all UK employees to share in the success of the Company. 36% of employees actively participate in this plan.

People development
Performance and talent management processes are in place to ensure a continued focus on high performance and people development. All employees formally discuss their performance and development with their manager twice a year and individual performance has a direct influence on pay review and bonus outcomes. We hold consistency meetings to ensure that employees are rated fairly and that the overall spread of ratings reflects the performance of the Company. Training is undertaken locally based on individual and business needs. Managers attend a two day Management Development Workshop to ensure that they develop the skills that they need to manage their people effectively, and in 2015 we developed and ran our first Foundation in Management programme for those identified as potential people managers of the future. 50% of our annual training budget is reserved exclusively for IT training to ensure that our IT employees continue to develop the technical skills that they need to develop and maintain PayPoint's innovative retail technology solutions.

Diversity
PayPoint values diversity and offers an environment where all are treated equally and which is free from discrimination in respect of gender, ethnicity, religion, sexual orientation, age or disability.

42% of our employees are female and the representation on the Executive Board is 25% with two women on a board of eight members. We were pleased to welcome our first female main board director, Gill Barr, in 2015.

PayPoint is committed to treating applicants with disabilities equally and supporting people who become disabled during their career with the Company. This includes making reasonable adjustments both to the recruitment process for applicants and to the working environment for employees, in order that they can achieve their full potential.

PayPoint has the following policies in place:

equal opportunities - we treat job applicants, employees and temporary staff equally, regardless of their sex, sexual orientation, age, race, ethnic origin or disability. It is also the group's policy to retain employees who may become disabled while in service and provide appropriate training as necessary.

whistle-blowing - we are committed to ensuring that malpractice is prevented and immediately dealt with, should it arise. We encourage employees to raise their concerns about any malpractice promptly and we have an established procedure for raising any such concerns.

health and safety - we recognise that effective health and safety management is fundamental to running a successful business. We are committed to operating high standards, designed to minimise the risk of injuries and ill health to employees, contractors, visitors and others who come into contact with the business, so far as is reasonably practicable.

disciplinary and grievance procedures - we provide a fair and consistent method of dealing with disciplinary problems and treat misconduct with appropriate action. We ensure that we treat any grievance an employee may have relating to their employment in a fair and reasonable manner.

bullying and harassment - we promote a working environment free of harassment and individuals who believe that they are being subjected to any form of harassment are encouraged to come forward to have the issue resolved.

business ethics - we set out clear standards for ethical relationships and conduct to be maintained by employees and sub-contractors and conduct our business in accordance with the highest ethical standards. We do not offer or accept any bribes.

training and development - all employees meet twice a year with their line manager to discuss performance and any development needs. Training is provided either in-house or externally. We also sponsor employees through further professional and technical qualifications. We promote internally, where appropriate.

	UK		Rest of the world[3]	
PayPoint's employees (Numbers are average unless otherwise stated)	**Year ended 31 March 2016**	Year ended 31 March 2015	**Year ended 31 March 2016**	Year ended 31 March 2015
General[1]				
Number of staff employed during the period	**507**	531	**206**	200
Length of service	**5 yrs**	5 yrs	**4 yrs**	2 yrs
Staff turnover during period	**33%**	22%	**30%**	16%
Sickness absence rate	**2.4%**	1.8%	**1.0%**	2.2%
% working part-time	**10%**	9%	**7%**	4%
Gender diversity[1]				
Number of women employed	**214**	231	**84**	79
% of all employees	**42%**	43%	**41%**	39%
Number of men employed	**293**	300	**122**	121
% of all employees	**58%**	57%	**59%**	61%
PayPoint plc directors:				
Number of women employed at 31 March 2016	**1**	-	**-**	-
% of PayPoint plc directors	**10%**	0%	**0%**	0%
Number of men employed at 31 March 2016	**7**	10	**-**	-
% of PayPoint plc directors	**90%**	100%	**0%**	0%
Senior management[2]				
Number of women employed	**2**	2	**-**	-
% of senior management	**26%**	22%	**0%**	0%
Number of men employed	**6**	7	**-**	1
% of senior management	**74%**	78%	**0%**	100%
Ethnic minorities[1]				
% of all employees	**29%**	21%	**13%**	9%
% of management grades	**24%**	3%	**7%**	7%
Disabled employees[1]				
% of all employees	**1%**	1%	**0%**	0%
Age profile[1]				
Employees under 25	**43**	51	**23**	26
Employees 25 to 29	**87**	96	**32**	32
Employees 30 to 49	**301**	299	**142**	138
Employees 50 and over	**76**	85	**9**	8

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

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

Dominic Taylor
Chief Executive
26 May 2016

Board of directors

Top row from left: Giles Kerr, David Morrison, Susan Court (Company Secretary), Dominic Taylor, Neil Carson
Bottom row from left: George Earle, Gill Barr, Nick Wiles, Tim Watkin-Rees

Nick Wiles (aged 54)

Non-executive Chairman

Appointed to the board 22 Oct 2009

Appointed as Chairman 8 May 2015

Nick retired as Chairman of UK investment banking at Nomura in 2012. He has worked in banking for more than 20 years, with the majority of this time at Cazenove & Co, where he was a partner prior to incorporation. He is currently a non-executive director of Primary Health Properties plc.

Dominic Taylor (aged 57)

Chief Executive

Appointed 4 Aug 1998

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

George Earle ACA (aged 62)

Finance Director

Appointed 20 Sept 2004

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

Tim Watkin-Rees (aged 53)

Business Development Director

Appointed 22 Sept 1998

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

Gill Barr (aged 58)

Non-executive director

Appointed 1 Jun 2015

Gill has held senior marketing positions at John Lewis, MasterCard and Kingfisher and most recently she was Group Marketing Director for The Co-operative Group. She also has valuable non-executive director experience with Morgan Sindall plc, UK Breast Cancer Coalition and as a Trustee Director for the master trust pension fund established by Willis Towers Watson. She was recently appointed Chair, Customer Consultation Group of Severn Trent Water plc.

Neil Carson (aged 58)

Non-executive director

Appointed 18 Jun 2014

Neil worked for 34 years for Johnson Matthey, the FTSE 100 chemical company. Starting as an engineering graduate trainee, he worked in each of the divisions in a number of different roles serving global markets. He joined the board of JM in 1999 as Division Director of the Autocatalyst division and became the CEO in 2004, standing down in 2014. Neil was a founder member of the Prince of Wales Corporate Leaders Group on Climate Change. Neil is currently Chairman of TT Electronics and is SID and Chair of the Remuneration Committee at AMEC Foster Wheeler. He is also Honorary President of the Society for the Chemical Industry.

Giles Kerr (aged 56)

Non-executive director

Appointed 20 Nov 2015

Giles was formerly National Partner with Arthur Anderson & Co and previously held a number of positions with Amersham plc within finance and corporate development, culminating in his role as Group Finance Director. Giles is Director of Finance of Oxford University and is a non-executive director of BTG plc and Senior plc.

David Morrison (aged 57)

Non-executive director

Appointed 12 Jan 1999

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

Chairman's statement on governance

Dear Shareholder,

At PayPoint the board embraces its collective responsibility for the long term success of the Company and is committed to providing entrepreneurial leadership through good governance and accountability for the benefit and protection of our shareholders. In this governance section we outline our governance policies and practices, and set out how we have complied with the revised UK Corporate Governance Code which became applicable for financial years beginning on or after 1 October 2014 (the Code), except as disclosed below.

In the financial year under review there has been a significant shift in the business of the Company and its subsidiaries (the group) with the sale of the online payments business and the intended sale of the mobile payments business leading to a refocus on the multi-channel payments and services business where we have retail networks. The board held a two day strategy session in February 2016 at which the board was able to challenge and shape the strategic plan presented by senior management in order to identify the strategic priorities. On an ongoing basis the board ensures that the strategic plan is taken into consideration in its decision making process.

Following the successful external evaluation of the board which took place in the last financial year, this year the board undertook an internal evaluation. The process was led by the senior independent director, Neil Carson and the outcome was positive with the board concluding that it continues to work well together and perform effectively. Further details of the internal evaluation are set out on page 29.

There were some changes to the board during the year. As was notified in the last annual report, Eric Anstee retired from the board at the 2015 annual general meeting and Gill Barr joined the board on 1 June 2015. Giles Kerr was appointed as a non-executive director on 20 November 2015 and brings considerable finance experience to the board. Giles has been Audit Committee Chairman since his appointment. Between the departure of Eric Anstee and the appointment of Giles Kerr on 20 November 2015, two meetings of the Audit Committee took place. On these occasions, the Audit Committee was chaired by Neil Carson. Although Neil does not hold a professional qualification from an accountancy body, a qualifying condition suggested but not required by the Smith Guidance on Audit Committees, the board was satisfied that Neil had recent and relevant financial experience given his membership of the Audit Committee since 23 July 2014 and his extensive experience in an executive capacity at Johnson Matthey.

Details of the search process led by the Nomination Committee which resulted in Giles' appointment are set out on page 31. Stephen Rowley stepped down from the board on 4 February 2016 after seven years of service. I would like to thank Stephen for his valuable contribution to the Company since 2008.

As a result of the board changes, during the year the number of independent directors for the purposes of the Code varied between three and four (please refer to page 27 for details). At the end of the year, three directors (Gill Barr, Giles Kerr and Neil Carson) excluding the Chairman are considered to be independent on the board for the purposes of the Code. The board has thoroughly considered this situation and acknowledges that, while it does not accord with one of the provisions of the Code, to ensure continuity after a number of board changes during the year, the board composition will remain as it is until the annual general meeting in 2017 when David Morrison is due to retire and a new independent non-executive director appointed in his stead. The board has determined that it still retains the appropriate balance of skills, experience, independence and knowledge, taking into consideration the size and the business of the Company, to enable the board to discharge its responsibilities effectively.

In accordance with the Code, the board delegates certain roles and responsibilities to its Audit, Nomination and Remuneration Committees whilst retaining overall responsibility. This structure allows the committees to review relevant subject matter in depth and gain greater insight into such matters before reporting back to the board. During the year the committees have worked towards ensuring that the group's policies and practices are in line with the Code: the Audit Committee has enhanced the risk management framework and risk reporting within the group (see page 34); the Nomination Committee led the director appointments, and succession planning discussions (see page 31); and the Remuneration Committee has overseen the changes made to executive director remuneration having regard to pay and employment conditions across the Company (see page 36). Further details of the scope of each of the committees and the work they have carried out in the year are set out on pages 31 to 45. A welcome addition to the group's governance structure is the Executive Board which was recently established and is headed by the Chief Executive. The composition of this Executive Board and its principal purpose is set out on page 27.

Good corporate governance is at the core and underpins all of the board's decisions and activities. This in turn fosters a culture of good corporate governance and accountability which filters down through every level of the group's operations. The recently created Executive Board further aids the embedding of good governance as it implements the board's decisions whilst ensuring adherence to PayPoint values within the group.

We are confident as a board that the correct strategy has been adopted and that our culture of good governance and accountability will enable us to work towards delivering the strategic goals while maintaining PayPoint as a sustainable business. We hope that this Governance Report provides you with insight into how governance operates in the Company.

Nick Wiles
Chairman
26 May 2016

Compliance statement

The directors recognise the importance of sound corporate governance, whilst taking into account the size and nature of the Company. The board considers that it has complied with the provisions of the UK Corporate Governance Code, (the Code) as issued by the Financial Reporting Council throughout the year, with the exception that for the periods from: 8 May 2015 to 31 May 2015; 22 July 2015 to 19 November 2015; and 4 February 2016 to the date of this report, only three of the four current non-executive directors have been determined by the board to be independent. (Please see the table below for details of directors who were considered to be independent during these periods) Therefore less than half of the board are independent non-executive directors, excluding the Chairman. The reason for this deviation from Code provision B1.1 is addressed on page 26. A copy of the Code can be found at **www.frc.org.uk/corporate/ukcgcode.cfm.** This statement describes how the principles of corporate governance in the Code are applied by the Company. Information on significant shareholders in the Company has been included in the directors' report on page 54.

Leadership

Role of the board

The board is collectively responsible for the long term success of the Company and provides effective leadership by setting the strategic aims of the Company and overseeing the efficient implementation of these aims in order to achieve a successful and sustainable business. In practice the executive directors prepare and present the strategic plan to the board which the board challenges in order to determine the strategic priorities. The board also ensures that the appropriate framework of controls is in place to enable the proper assessment and management of risks.

The board has a schedule of matters reserved for its approval which is contained in the Delegation of Authority – Terms of Reference document available in the Corporate Governance section of the PayPoint website: **https://paypoint.com/en-gb/investors/corporate-governance.**

As highlighted on page 26 the Chief Executive has established an Executive Board comprising: the Chief Executive (who heads the Executive Board), the Finance Director, the Business Development Director, the Chief Information Officer, the UK Commercial Director, the Company Secretary/Head of Legal and the HR Director. The Product Director, who joined subsequent to the year end, is also a member of the Executive Board. The Executive Board is responsible for the day-to-day management of the group's operations. Additional responsibilities of the Executive Board include: preparation and presentation of the strategy plan to the board, and the implementation of this plan and other decisions as approved by the board. Prior to the creation of the Executive Board, the executive directors were responsible for the management of the business and implementing the board's decisions. The board oversees the activities of the Executive Board.

Meetings

The board and its committees meet regularly throughout the year with meetings scheduled around key dates in the Company's corporate calendar. There were eight scheduled meetings during the year, six of which were full board meetings and two were by telephone conference to consider and approve the interim management statements. The table below shows directors' attendance of board and committee meetings. Where a director is unable to attend a particular meeting, he or she receives and reads the papers for consideration at that meeting, and provides input through discussion with the respective chairman in advance of the meeting.

Independent directors	Nick Wiles*	Eric Anstee	Stephen Rowley	Neil Carson	Gill Barr	Giles Kerr	Independent directors excl. Chairman	Total directors excluding Chairman	Compliant with Code
1 April 2015 – 7 May 2015	■	■	■	■			4	7	✓
8 May 2015 – 31 May 2015		■	■	■			3	7	✗
1 June 2015 – 21 July 2015		■	■	■	■		4	7	✓
22 July 2015 – 19 November 2015			■	■	■		3	7	✗
20 November 2015 – 3 February 2016			■	■	■	■	4	7	✓
4 February 2016 – 26 May 2016				■	■	■	3	7	✗

*Chairman from 8 May 2015

Directors' meeting attendance 2015/16	Membership of committees			Board		Audit Committee		Nomination Committee		Remuneration Committee	
	Audit	Remuneration	Nomination	Meetings attended	Maximum possible to attend	Meetings attended	Maximum possible to attend	Meetings attended	Maximum possible to attend	Meetings attended	Maximum possible to attend
Executive Directors											
Dominic Taylor				8	8	6*	6*	5*	5*	3*	3*
George Earle				8	8	6*	6*	3*	3*	2*	2*
Tim Watkin-Rees				8	8	6*	6*	3*	3*	2*	2*
Non-Executive Directors											
Eric Anstee[2]	■	■	■	0	3	1	2	0	2	0	2
Gill Barr[1]	■	■	■	6	7	5	5	5	5	4	4
Neil Carson[1]	■	■	■	7	8	6	6	6	6	5	5
Giles Kerr	■	■	■	3	3	2	2	2	2	2	2
David Morrison			■	8	8	5*	6*	6	6	5*	5*
Stephen Rowley[3]	■	■	■	4	7	2	5	2	5	2	4
Nick Wiles		■	■	8	8	6*	6*	6	6	5	5

* By Invitation. The executive directors are not members of any of the board committees and they attended only the committee meetings to which they were specifically invited.
1. Gill Barr and Neil Carson were each unable to attend one board meeting at which the third quarter interim management statement was considered.
2. Eric Anstee resigned from the board on 22 July 2015.
3. Stephen Rowley resigned from the board on 04 February 2016.

Corporate governance report continued

At board meetings the Chairman ensures that effective decisions are reached by facilitating debate and consultations with management and external advisers as necessary. The work undertaken by the board during the year is set out in the table below:

The agenda for each board meeting includes the following as standing items:

- Board committee reports on the board committee meetings which are usually held prior to the board meetings, including all matters which have been delegated to the committees and which require board approval.
- Management report which is prepared and presented by the Chief Executive and covers group operations (and for the year, included progress updates on the sale of the Online payments business and the proposed sale of the Mobile payments business)
- Group health and safety report which covers any health and safety incidents that may have occurred and the actions taken in that respect, including any updates on previous actions.

Other matters which are covered by the board routinely during the year include:

- Review of annual report and preliminary results
- Review of executive director's presentation of the full year results to analysts and investors
- Two-day strategy session at which the board considers management's presentation of the strategic plan, and gives its approval
- Review and approval of the interim management statements for release to the market
- Review of the conflicts of interest register
- Review and approval of the interim dividend and recommendation of the final dividend
- Review of management accounts and business performance, including the forecast
- Board evaluation (see page 29)
- Review of terms of reference and delegated powers
- Setting of the board calendar for the year

Other important topics covered by the board during the year included:

- Review of cyber security within the group including review of a cyber-security audit of the group carried out by the internal auditor. Cyber security is considered by the board to be a principal risk to the business, and details of the steps taken to mitigate this risk are set out on page 19
- Review of the group's requirement for and allocation of capital
- Review of the Company's share dealing policy

Division of roles and responsibilities

The Chairman is responsible for the leadership of the board and ensuring the effectiveness on all aspects of its role. There is a clear division of responsibilities between the Chairman, the Chief Executive and the Senior Independent Director which has been agreed by the board as follows:

Chairman

Nick Wiles is the Chairman and he is responsible for the effective running of the board and for ensuring that the board as a whole plays a full and constructive part in the development and determination of the group's strategy and overall commercial objectives. His other main responsibilities are:

- Setting the board's agenda and ensuring the board receives accurate, timely and clear information on all matters reserved to its decision and the group's performance and operations;
- Ensuring, with the advice of the Company Secretary where appropriate, compliance with the board's approved procedures
- Arranging informal meetings of the directors, including meetings of the non-executive directors at which the executive directors are not present, as required to ensure that sufficient time and consideration is given to complex, contentious or sensitive issues.
- Chairing the Nomination Committee, and, in that role, initiating change and succession planning in board appointments to retain and build an effective and complementary board, and to facilitate the appointment of effective and suitable members and chairmen of board committees
- Ensuring that there is effective communication by the group with its shareholders, including by the Chief Executive, Finance Director and other executive management, and ensuring that members of the board develop an understanding of the views of the major investors in the group.
- Promoting the highest standards of integrity, probity and corporate governance throughout the group and particularly at board level.

Chief Executive

Dominic Taylor is the Chief Executive and he is responsible for running the group's business by proposing and developing the group's strategy and overall commercial objectives, which he does in close consultation with the Chairman and the board. He recently established an Executive Board (see page 27) and he together with this board are responsible for implementing the decisions of the board and its committees. His other main responsibilities are:

- Providing input to the board's agenda and ensuring that the Executive Board gives appropriate priority to providing reports to the board which contain accurate, timely and clear information.
- Ensuring, in consultation with the Chairman and the Company Secretary as appropriate, that he and the Executive Board comply with the board's approved procedures.
- Ensuring that the Chairman is alerted to forthcoming complex, contentious or sensitive issues affecting the group of which he might not otherwise be aware.
- Providing information and advice on succession planning, to the Chairman, the Nomination Committee, and other members of the board, particularly in respect of executive directors.
- Leading the communication programme with shareholders.
- Promoting, and conducting the affairs of the group with the highest standards of integrity, probity and corporate governance.

Senior Independent Director

Neil Carson is the Senior Independent Director and he is responsible for supporting the Chairman in his role by working with the Chairman and other directors to resolve any issues that may arise. His other main responsibilities are:

- Chairing the Nomination Committee when it is considering succession to the role of Chairman of the board.
- Meeting with the non-executive directors at least once a year to appraise the Chairman's performance and on such other occasions as are deemed appropriate.
- Availability to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate.
- Attending sufficient meetings with major shareholders and financial analysts to obtain a balanced understanding of the issues and concerns of such shareholders.

The Chairman chairs board meetings and regularly consults with the executive directors regarding on-going business. His other significant commitments are disclosed in his biography on page 25. The board considers that these commitments do not hinder his ability to discharge his responsibilities to the Company and its subsidiaries effectively.

Non-executive directors

All the non-executive directors bring considerable knowledge and experience to board deliberations. Non-executive directors do not participate in any of the Company's share schemes or bonus schemes and their service is non-pensionable. The balance and independence of the board is kept under review by the Nominations Committee.

During the year, the Chairman held meetings with the non-executive directors without the executives present; and the non-executive directors met without the Chairman present. There were no unresolved concerns about the running of the Company.

Effectiveness

Composition

The board is comprised of an appropriate balance of skills, experience, independence and knowledge, which enables it to discharge its responsibilities effectively. The balance of skill and independence creates an environment that encourages the effective challenge and development of proposals on strategy. Currently there are eight directors on the board: Nick Wiles, the non-executive Chairman, three executive directors, Dominic Taylor, George Earle and Tim Watkin-Rees, and four non-executive directors, Gill Barr, Neil Carson, who is also the senior independent director, Giles Kerr and David Morrison. The biographies of each of the directors can be found on page 25.

Gill Barr joined the board on 1 June 2015 and Giles Kerr joined on 20 November 2015. Stephen Rowley retired from the board on 4 February 2016. Further information regarding the appointment of the directors can be found in the succession planning section of this report on page 31.

The board has determined that Gill Barr, Neil Carson and Giles Kerr are independent for the purposes of the Code.

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

The directors have disclosed all their significant external commitments which the board has considered and is satisfied that all the directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

Training and support

During the year, two new directors joined the board – Gill Barr and Giles Kerr. Both received a tailored and comprehensive induction, covering:

- The corporate and organisational structure of the group, including delegation of authorities and terms of reference for each of the committees, relevant policies and procedures, and access to previous board and committee meeting minutes, board effectiveness reviews and action plans, group risk register and management accounts.
- Gill Barr visited the group's operations in Romania in order to gain a more in depth understanding of the group's operations there.
- Both Gill Barr and Giles Kerr met with members of the Executive Board and senior managers in the business, including IT, Risk and compliance, Finance, HR and Operations.

Directors are provided with clear and accurate information pertaining to matters to be considered at the board and its committee meetings. This information is provided in a timely manner to ensure an appropriate level of review by each of the directors ahead of the meetings. In the months where there are no scheduled board meetings the directors receive: management accounts and reports on the status of the business.

In the course of the year, the board is briefed on any significant changes in the law, governance codes or developments within the group which affect their roles both on the board and on board committees. Experts and advisers are brought in as necessary to present to the board on technical subject matters. The directors have access to the Company Secretary as well as members of the Executive Board and senior management, and they can seek independent professional advice if this is deemed necessary for the proper performance of their duties. The Company Secretary is responsible for advising the board through the chairman on all governance matters.

Evaluation

During the year the board undertook an internal evaluation the purpose of which was to evaluate its performance and processes, as well as individual director performance, by identifying areas which the board performs well, and any areas for improvement. There were two parts to the evaluation process which was led by the Senior Independent Director. The first part being the completion of a comprehensive questionnaire by each of the directors covering:

- Board roles and responsibilities – addressing how well the board performs its primary functions;
- Board composition and quality – addressing the quality of board members and their collective skills;
- Board structure and processes – addressing board committees and elements of the board's meeting processes;
- Board efficiency and performance – addressing the overall functioning of the board; and
- Directors' self-assessment – addressing how individual directors feel they perform in their governance role, and their knowledge of the role.

The second part of the evaluation process, following the completion of the questionnaire, was one-to-one meetings between each director and the Senior Independent Director. At these meetings the feedback given by the directors in the questionnaire was discussed and the directors had the opportunity to put forward any actions for improvement, both at individual and board levels as they thought fit. The Senior Independent Director presented the results of the evaluation to the board at its meeting in February 2016. In summary, the responses from the directors were positive with the board being described as transparent, interactive and open to debate, and a general consensus that the board continues to work well together with each director contributing effectively and demonstrating their commitment to the role.

The actions arising from the evaluation process were that the board recognised the need for: more regular non-executive director only meetings to consider and give feedback to the executive directors on management performance; and increased interaction between the executive directors and the non-executive directors to ensure the latter have a more in-depth understanding of the group's business.

Re-election

In accordance with the provisions of the Code all directors submit themselves for election or re-election at each annual general meeting. The board's recommendations in respect of the election or re-election of each director can be found in the notice of meeting on pages 83 to 87.

Insurance

The Company maintains appropriate insurance cover in respect of legal action against the directors.

Conflicts of interest

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

A register of conflicts is maintained and is reviewed at least annually to ensure all details are kept up-to-date. Authorisation is sought prior to the appointment of any new director or if any new conflicts arise. No material conflicts were reported by the directors in the financial year under review.

Accountability

Financial and business reporting

Please refer to the following pages for information on how the board has carried out the financial and business reporting obligations as stipulated under the Code:

– Page 57 for the board's responsibility statement setting out the steps taken to present a fair, balanced and understandable assessment of the Company's position and prospects.

– Pages 2 to 23 for the strategy and business model which explains how the Company generates and preserves value over the longer term and the strategy for delivering the objectives of the Company.

– Page 56 for the statement that the financial statements have been prepared on a going concern basis.

Risk management and internal control

The board has overall responsibility for establishing and maintaining sound risk management and internal control systems, and for monitoring of these systems to ensure that they are effective and fit for purpose. The Audit Committee provides support to the board in this regard and oversees the monitoring process. Further information on the risk management and internal control system is set out in the Audit Committee report on page 32.

The directors have carried out a robust assessment of the principal risks facing the group and how these risks could affect the business, financial condition or operations of the group. The explanation of these principal risks including how they are being mitigated can be found on pages 16 to 19, and a statement on how the directors have assessed the prospects of the group taking into account the current position and principal risks is on page 15.

Remuneration

Details of how the Company applies the principles of the Code in respect of directors' remuneration are set out in the Remuneration report on pages 36 to 53.

Shareholder relations

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

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

The executive directors have an ongoing programme of meetings with institutional investors and analysts twice a year for two weeks at a time. During the year the meetings took place in May and November and were held in the UK in: London; Edinburgh and Oxford; and the USA in: New York, Salt Lake City, Chicago and Boston, in addition to meetings at the Company's premises. The discussions at these meetings covered a wide range of issues which had previously been made public including strategy, performance, management and governance.

The Company held briefings with institutional fund managers, analysts and other investors following the announcement of half yearly results and feedback from these has been reported to the board.

Committees of the board

The Audit, Nomination and Remuneration Committees are the formally constituted committees of the board which deal with specific aspects of the group's affairs in accordance with the duties and responsibilities formally delegated to them by the board. The terms of reference for each of the committees are available on the Company's website at **www.paypoint.com.** The report on the Nomination Committee is set out below and the reports on the Audit Committee and the Remuneration Committee are set out on page 32 and page 36 respectively.

Nomination Committee

The Nomination Committee currently comprises Gill Barr, Neil Carson, Giles Kerr, David Morrison and Nick Wiles who is the committee Chairman. It met six times during the period and the details of meeting attendance are set out on page 27. Gill Barr joined the committee on 1 June 2015 and Giles Kerr joined on 20 November 2015.

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

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

Diversity policy

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

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

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

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

The terms and conditions of appointment of non-executive directors are made available for inspection at the annual general meeting. Further details on diversity throughout the group including information about the diversity and equality policy that applies to PayPoint employees can be found on pages 22 and 23.

Succession planning and board appointments

The committee in making recommendations to the board on the appointments of new directors, adopts a transparent procedure whereby the required skills, knowledge and experience are carefully identified in order to complement and create a balance with the existing skill set on the board.

During the year, an external search was commissioned, using an independent executive search firm, Spencer Stuart which has no other connection with the Company, to search for a non-executive director, who would also act as Audit Committee Chairman following the retirement of Eric Anstee from the board at the 2015 annual general meeting. Spencer Stuart was given the candidate specification which was based on objective criteria in line with the appropriate guidelines on diversity, and included a requirement for proposed candidates to have recent and relevant financial experience. Spencer Stuart submitted a shortlist of suitable candidates to the committee and each candidate was interviewed by the individual members of the board. Giles Kerr was identified as the best candidate for the role and was subsequently recommended to the board by the Nomination Committee on the basis that he met the desired criteria.

The recruitment process for the appointment of Gill Barr as non-executive director was detailed in the 2015 annual report.

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

Audit committee report

Dear Shareholder,

I am delighted to have taken on the role of Audit Committee Chairman during the year, and I would like to thank Neil Carson for his hard work and commitment in filling in as interim chair of the committee following the retirement of the previous Audit Committee Chairman, Eric Anstee at the 2015 annual general meeting.

On behalf of the Audit Committee, I am pleased to present our report for the year ended 31 March 2016. In the year under review, the Audit Committee has focused on carrying out robust assessments of the principal risks and internal control systems, and looking at how these are managed and mitigated. The committee also considered the integrity of the group's financial reporting, and provided advice to the board that the 2016 annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The activities of the committee are kept under review in line with regulatory and market developments.

The Audit Committee currently comprises myself, Gill Barr, and Neil Carson. Stephen Rowley, who was a member of the committee during the year, retired from the committee and the board on 4 February 2016. Gill Barr joined the committee on 1 June 2015 and I joined on 20 November 2015. Neil Carson held the position of interim Chairman of the Audit Committee from the date of Eric Anstee's retirement until I joined the committee and the board and took on the role of Chairman of the Audit Committee. The board considers that I have recent and relevant financial experience in accordance with the Code. Full biographical details of each of the current committee members, including relevant financial experience, are set out on page 25.

The key responsibilities of the Audit Committee are as follows:

– monitoring the financial reporting process, including the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance including reviewing significant financial reporting judgements contained therein;

– reviewing and monitoring the group's internal control and risk management systems;

– reporting to the board on the appropriateness of the significant accounting policies and practices of the group;

– considering and making recommendations to the board on the nature and extent of the principal risks the group is willing to take in achieving its strategic objectives;

– to develop and implement a policy on the engagement of the external auditor to supply non-audit services and to report to the board, identifying any matters in respect of which it considers actions or improvement is needed and making recommendations;

– overseeing the external auditor and monitoring and reviewing the independence of our external auditors and the provision of non-audit services to the group;

– overseeing the quality of the internal and external audit processes; and

– monitoring and reviewing the effectiveness of the arrangements for internal audit, including its remit and programme and ensuring that it is adequately resourced.

The committee continues to keep its activities under review in the light of regulatory and market developments and met six times during the period. The details of meeting attendance are set out on page 27. By invitation, during the year, meetings were also attended by the Chairman of the board and non-executive directors, the Chief Executive, Finance Director, Business Development Director and the Financial Controller, our external auditor, Deloitte LLP (Deloitte) and internal auditor, Grant Thornton UK LLP, as appropriate.

In order to maximise its effectiveness and as part of the process of working with the board, the committee meetings generally take place on the same day as, but prior to, the Company board meetings. Where all the board members have not been in attendance at an Audit Committee meeting, either as a member of the committee or by invitation, the Chairman of the committee reports to the board as part of a separate agenda item, on the activity of the committee.

Giles Kerr
Chairman Audit Committee
26 May 2016

In the year under review the Audit Committee's activities were as follows:

Topic:	Actions:
Financial reporting	Review of the preliminary and interim results announcement and the annual report Review of significant accounting issues (as reported below) Consideration of the going concern basis for preparation of the financial statements and the viability statement Advising the board on whether the annual report and accounts taken as a whole, is fair balanced and understandable Recommendation of the viability statement and going concern statement to the board Review of the external auditor reports and the outcomes of the audit process

Topic:	Actions:
Internal auditor	Assessment of internal auditor effectiveness Review of internal audit reports presented during the year

Topic:	Actions:
Audit plans	Consideration and approval of the internal and external audit plans

Topic:	Actions:
Risk management and internal controls	Review of insurance renewal proposals Review of whistleblowing policy Review of reports produced by the Head of Risk and Compliance on risk management and internal controls within the group Review of the six monthly BSI assessment report. BSI carry out independent audits of the networks operations Review of the principal risks and the mitigation of these risks as set out on page 16 Review of the risk review action register which shows the actions arising from the group risk review

Topic:	Actions:
Committee governance	Review and update of the Audit Committee terms of reference Evaluation of the committee as part of the internal board evaluation exercise (see page 29)

The significant issues considered by the committee in relation to the 2016 accounts, and how these were addressed, were:

- **Valuation of the mobile payments business**
  An impairment of £30.8 million has been made against the carrying value of the mobile payments business. Following this charge, the net assets are recorded at £1.7 million. In light of the negotiations with interested parties, which have not resulted in a sale and the stage of due diligence of the remaining interested parties, we have assessed that the best estimate of fair value less costs of disposal is the net asset value excluding goodwill.
- **Valuation of Collect+**
  The carrying value of Collect+ shown in the consolidated accounts is £1.6 million and in the parent company balance sheet, the investment is £5.9 million. Yodel has sought to increase its charges to Collect+, which PayPoint has not accepted. This has led to discussions about the future of Collect+ which are ongoing, but at present, it is not possible to determine their outcome. Based on the current contractual arrangements, excluding the additional sums which were being paid to Yodel by Collect+, but which have now ceased, Collect+ is profitable and on this basis would be able to repay the loans from its shareholders.
- **Revenue recognition**
  We reviewed the recognition of income to ensure that the approach adopted is appropriate and consistent. The group has applied a consistent accounting policy in relation to revenue recognition. We have in place controls around the revenue cycle and the underlying systems supporting the recording of revenue to prevent errors.
- **Management override of controls**
  We have set the internal audit programme to address the effectiveness of the key controls. The external auditors also test the key internal financial controls. We have reviewed the results of internal audit, the external audit and audits by clients, Link, and BSI and we review and challenge management's actions to resolve any points arising from these audits and risk reviews carried out throughout the year. We are satisfied that adequate controls are in place.

External audit

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

Audit committee report

The effectiveness of the audit process is underpinned by appropriate audit planning and risk identification at the outset of the audit cycle. The auditor provides a detailed audit plan identifying its assessment of the risks and other key matters for review. For the year ended 31 March 2016, the primary risks identified were: revenue recognition, valuation of the mobile payments business, valuation of Collect+ and management override of controls. The committee reviews and challenges the work undertaken by the auditor to test management's assumptions on these matters. An assessment of the effectiveness of the audit process in addressing these items is performed through the reporting received from the auditor at the half-year and year end. The committee seeks feedback from management on the effectiveness of the audit process. No significant issues were raised with respect to the audit process for the period and the quality of the audit process was assessed to be good.

The Audit Committee meets the external auditor without the executive directors being present and procedures are in place, which allow access at any time of both external and internal auditor to the Audit Committee. The Chairman of the committee reports the outcome of each meeting to the board.

The committee's assessment of the external auditor's performance and independence was found to be satisfactory and this underpinned its recommendation to the board to propose to shareholders the re-appointment of Deloitte LLP as auditor.

Deloitte were initially appointed as external auditors for the year ended 31 March 2001, and for the two periods prior to this from the date of incorporation of the Company, the auditors were Arthur Andersen. These two periods are required to be included in the determination of the duration of auditor appointment. The committee has considered the final Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 published by the Competition and Markets Authority which came into effect on 1 January 2015 and confirms that the Company is in compliance with the order. The Committee has concluded that it would not be appropriate at this time to put the external audit out to tender in view of the recent changes to the composition of the Audit Committee, including the appointment of a new Chairman of the committee. The committee will continue to review its position on the tender of the external audit annually. Under the terms of the transitional provisions applicable under EU Regulation, PayPoint will be required to appoint a new auditor for the year ending 31 March 2025.

Based on the committee's assessment, the committee has provided the board with its recommendation to the shareholders on the re-appointment of Deloitte LLP as external auditor for the year ending 31 March 2017. There are no contractual obligations restricting the committee's choice of auditor. A resolution for re-appointment of the auditor will be proposed at the forthcoming annual general meeting, the notice for which can be found on pages 83 to 87.

Non-audit services

The committee considered the level of non-audit fees for services provided by the auditor in order to satisfy itself that auditor independence is safeguarded. The group has a policy which prohibits the auditor providing certain services which might impair their independence. The committee monitors compliance with the policy safeguarding the independence of the external auditor. The policy also prescribes that any non-audit services to be performed by the auditor in any one year (excluding tax) are to be provisionally capped at an aggregate total equivalent to the level of the annual audit fee. Any proposal to use the auditor for non-audit services exceeding this will be subject to the prior approval of the Audit Committee.

In determining the most appropriate provider of non-audit services, the committee will consider the knowledge and expertise of the potential providers and the proposed costs. Non-audit services will only be undertaken by the auditor where it is deemed to be the preferred provider and the provision of services poses no threat to its independence.

In the current year, services continued to be provided by Deloitte in respect of advice on the sale of the online payments business and mobile payments business that were approved by the Audit Committee in the year ended 31 March 2015.

Details of the remuneration paid to the auditor for the statutory audit and non-audit services, which normally are limited to assurance and tax advice, are set out in note 5.

Risk management and internal control

The board is responsible for establishing and maintaining the group's system of internal control, and for regularly reviewing its effectiveness. The board has carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity. These risks are disclosed on pages 16 to 19 together with how they are being managed or mitigated. Procedures have been designed to meet the particular needs of the group and its risks, safeguarding shareholders' investments and the Company's assets. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key features of the group's internal control systems that ensure the accuracy and reliability of financial reporting include clearly defined lines of accountability and delegation of authority, policies and procedures that cover financial planning and reporting, preparation of monthly management accounts, project governance and information security, annual certifications from business managing directors and finance directors and review of the disclosures within the annual report and accounts from functional leads to ensure that the disclosures made appropriately reflect the developments within the group in the year and meet the requirement of being fair, balanced and understandable.

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

The board supported by the Audit Committee and senior management is responsible for identifying, evaluating and managing the principal risks faced by the group. The operational management of the group, including identification and regular review of principal risks is delegated to the Executive Board and senior managers who are appointed by the Chief Executive. The principal risks are identified in the first instance by the Head of Risk & Compliance through discussion with other senior managers in functions across the group. These identified risks covering all parts of the group's business activities, including financial risks, are categorised and included on a corporate risk register, and are submitted to the Audit Committee for review, and subsequently approved by the board.

The Head of Risk and Compliance coordinates an ongoing review by senior managers within the group, of each area of risk on the register, the aim of which is to:

- review the impact of change on risk
- determine whether each cause is still applicable or whether there are new causes;
- determine the probability of each risk crystallising;
- estimate the financial impact to the business;
- identify controls for risk mitigation and analyse their impact on risk; and
- seek appropriate insurance cover for the residual risk.

In order to ensure that this process is managed effectively, responsibility for each key risk area is assigned to a member of senior management, who must confirm in writing that the potential threats in each area have been properly identified and recorded and the appropriate action taken to mitigate risks so far as possible. The detail associated with each area of risk together with any agreed action is submitted to the Audit Committee for consideration and approval at each Audit Committee meeting throughout the year.

This process has been fully embedded into the operations of the business. The Audit Committee receives regular updates on the on-going risk management, control systems and processes which are discussed at their meetings.

Whistleblowing

In accordance with its Whistleblowing policy, the Company is committed to ensuring malpractice (such as criminal offences or activity, fraud, financial mismanagement or corruption, health & safety issues, breach of compliance or legislation, bribery or corruption) is prevented and, if it arises is immediately dealt with. Employees who act under the Whistleblowing policy are protected and such employees cannot be subjected to victimisation or harassment in relation to anything regarding a disclosure. Employees are encouraged to raise their genuine concerns regarding any malpractice within the Company without fear of harassment or victimisation. Any instances of employee disclosures concerning malpractice are reported to the Audit Committee. There were no instances of malpractice reported to the committee during the year.

Anti-bribery and corruption

The Company operates an anti-bribery and corruption policy which was put in place in response to UK Bribery Act 2010. This policy sets out the responsibilities of employees of the group in observing and maintaining the group's position on bribery and corruption, which is that PayPoint will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which it operates. All employees are required to undertake a Bribery Corruption Awareness training programme as part of their induction process upon joining the group. Subsequent to their induction, employees who are deemed to be at risk by virtue of their roles, are required to attend a tailored anti-bribery and corruption training course which is organised internally on a yearly basis.

Internal audit

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

The Audit Committee report was approved by the board on 26 May 2016 and signed on its behalf by:

Giles Kerr
Chairman Audit Committee
26 May 2016

Remuneration report

Annual statement by the chair of the remuneration committee

Dear Shareholder,

I am pleased to present our remuneration report, prepared by the Remuneration Committee and approved by the board, for the financial year ended 31 March 2016. This report complies with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and also the Listing Rules of the UK Listing Authority, and it is divided into three sections:

- This Annual Statement which is an introduction to the remuneration report. It summarises and gives context to the key points of the report, and the changes made to directors' remuneration;
- The Annual Report on Remuneration which sets out the details of how our remuneration policy was implemented for the year ended 31 March 2016; and
- The Directors' Remuneration Policy Report which contains details of the remuneration policy that was approved at the 2014 annual general meeting, and which remains unchanged.

The Remuneration Committee, whose membership and responsibilities are set out on page 37 of this report, strives to ensure that executive directors' remuneration is aligned with the interests of shareholders. The Remuneration Committee believes that shareholders' interests are best served by linking a significant proportion of total potential remuneration to long-term performance.

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

As was set out in the 2014 annual report, the committee undertook a comprehensive review of PayPoint's remuneration in 2014, with the following objectives:

- Motivate senior management to maximise economic value for shareholders
- Comply with new regulatory and governance requirements
- Respond to shareholder feedback
- Ensure no increase in cost to the Company

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

Bonuses for the year under review were 38.7% of maximum, reflecting growth in economic profit of 4.7%, with 25% deferred into shares vesting after three years subject to continued employment. Based on our three year adjusted earnings per share[1] growth to 31 March 2016 of 28.2%, the 2013 DSB awards will vest in full. 2013 LTIP awards will be performance-tested in May 2016, and based on TSR performance to date relative to FTSE 250 index constituents (excluding investment trusts), we expect these awards to lapse.

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

For 2016/17, executive director salaries were reviewed in line with the shareholder approved salary policy. The Chief Executive's salary has been increased by 3.7% while the salaries of the Finance Director and Business Development Director have been increased by 2.5%. These adjustments are broadly in line with those for the general employee population. Pensions for the executive directors remain unchanged. The proposed LTIP award and bonus opportunity for 2016/17 is also unchanged from last year, as are the performance measures.

The Remuneration Committee has also reviewed in depth the remuneration for the other members of the recently established Executive Board (see page 27 for details of this Executive Board) and senior managers taking into consideration their individual skills and experience to bring their remuneration in line with the market.

PayPoint has now refocused its business strategy as set out on page 10. The Remuneration Committee intends to reinforce the success of this new strategy through the structure of executive remuneration, and this will be a key focus of the remuneration policy review over the next year. Proposed changes will be put forward at the 2017 AGM.

Our current policy contains provisions for malus on DABS and LTIP awards. The committee intends to review its approach to clawback as part of the policy review over the coming year.

I am pleased to state that our previous directors' remuneration report was approved by shareholders at the 2015 annual general meeting with 97.92% of votes in favour. We welcome input to the committee's approach to remuneration and hope to receive your support at the annual general meeting on 28 July 2016.

Neil Carson
Chairman Remuneration Committee
26 May 2016

1. Adjusted earnings per share excludes impairments of £49.0 million and the profit on disposal of the online payments business of £7.0 million.

Annual report on remuneration

The following section provides details of how PayPoint's remuneration policy was implemented during the financial year ended 31 March 2016. The following pages contain information that is required to be audited in compliance with the Directors' Remuneration requirements of the Companies Act 2006. All narrative and quantitative tables are unaudited unless otherwise stated.

Remuneration Committee membership in 2015/2016

The Remuneration Committee is responsible for developing policy on remuneration for executive directors, the Executive Board and senior managers, and for determining specific remuneration packages for each of the executive directors. The committee members are all independent directors. Neil Carson is Chairman of the committee, with Gill Barr, Giles Kerr and Nick Wiles as members. Gill Barr joined the committee on 1 June 2015, and Giles Kerr joined on 20 November 2015.

The Remuneration Committee is formally constituted with written terms of reference which set out the full remit of the committee. A copy of the terms of reference is available to shareholders by writing to the Company Secretary at the registered office. The terms of reference are also available on the Company's website at **www.paypoint.com.** The Remuneration Committee met five times during the year. The details of meeting attendance are set out on page 27.

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

In undertaking its responsibilities, the committee seeks independent external advice as necessary. To this end, for the year under review, the committee continued to retain the services of Kepler, a brand of Mercer as the principal external advisers to the committee. The committee evaluates the support provided by its advisers annually and is comfortable that the Kepler team provide independent remuneration advice to the committee and do not have any connections with PayPoint that may impair their independence. Kepler Associates is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at **www.remunerationconsultantsGroup.com.** During the year, Kepler Associates provided independent advice on a wide range of remuneration matters including current market practice, benchmarking of executive pay, incentive design and remuneration reporting, Kepler and its parent company Mercer provide no other services to the company. The fees paid to Kepler Associates (on the basis of time and materials) in respect of work carried out for the year under review were £55,718.

Summary of shareholder voting at the 2015 AGM

The following table shows the results of the shareholder advisory vote on the 2015 Annual Report on Remuneration at the annual general meeting on 22 July 2015:

	Remuneration Report	
	Total number of votes	% of votes cast
For (including discretionary)	58,729,565	97.92%
Against	1,249,449	2.08%
Total votes cast (excluding withheld votes)	59,979,014	
Total votes withheld[1]	738,882	
Total votes cast (including withheld votes)	60,717,896	

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

Single total figure of remuneration for executive directors (audited)

The table below sets out a single figure for the total remuneration received by each executive director for the year ended 31 March 2016 and the prior year:

	Dominic Taylor (£000)		George Earle (£000)		Tim Watkin-Rees (£000)	
	2016	2015	**2016**	2015	**2016**	2015
Base salary	473	450	338	330	318	310
Taxable benefits[1]	25	25	23	23	22	22
Pension[2]	76	72	96	87	48	43
Annual bonus[3]	155	421	111	309	105	290
Long-term incentives[4]	144	244	109	184	100	169
Other[5]	3	3	3	3	3	3
Total	**876**	**1,215**	**680**	**936**	**596**	**837**

1. Taxable value of benefits received in the year by executives includes car allowance of £17,500 (2015: £15,500) for Dominic Taylor and £15,000 (2015: £13,200) for George Earle and Tim Watkin-Rees, petrol, health insurance, life assurance and permanent health insurance.
2. Pension during the year, the Company made contributions of 16% of salary to Dominic Taylor and 15% of salary to the other executive directors (the Remuneration Committee has agreed that George Earle's pension contributions will be paid direct to him, grossed up for tax as in previous years).
3. Annual bonus: this is the total bonus earned in respect of performance during the relevant year, including deferred amounts. For 2015 and 2016, 25% of the annual bonus was mandatorily deferred in shares under the DABS. Further details of annual bonus awards for 2015 can be found in the Annual Report on Remuneration on page 39.
4. Long-term incentives: For 2016, this is the market value of matching DSB shares granted on 6 June 2013 based on performance to 31 March 2016 and which will vest on 6 June 2016. The share price used to calculate market value is the trailing three month average on 31 March 2016 of 786p. Further details can be found in the Annual Report on Remuneration on pages 39 and 40. For 2015, the long-term incentive figures have been re-stated based on the value at vesting of LTIP and DSB awards granted in 2012 and vesting in 2015.
5. SIP matching and dividend shares awarded in the period valued at the average share price calculated over three months to 31 March 2016 of £7.86 (2015: £8.64). The SIP is an HMRC approved plan that allows participants to purchase shares using gross salary and receive matching award from the Company. There are no performance conditions.

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

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 31 March 2016 and the prior year:

	Base fee (£000)		Committee Chair fees (£000)		Senior Independent Director fees (£000)		Chairman fees (£000)		Total (£000)	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Eric Anstee	17	45	-	8	-	-	-	-	17	53
Gill Barr	38	-	-	-	-	-	-	-	38	-
Neil Carson	46	32	8	5	4	3	-	-	58	40
Giles Kerr	17	-	3	-	-	-	-	-	20	-
David Morrison	46	45	-	-	-	-	-	-	46	45
David Newlands	-	14	-	-	-	-	-	31	-	45
Andrew Robb	-	14	-	3	-	-	-	-	-	17
Stephen Rowley	39	45	-	-	-	-	-	-	39	45
Warren Tucker	-	45	-	-	-	-	20	109	20	154
Nick Wiles	-	45	-	-	-	-	153	-	153	45
Total	**203**	**285**	**11**	**16**	**4**	**3**	**173**	**140**	**391**	**444**

Incentive outcomes for the year ended 31 March 2016

Annual bonus in respect of 2015/16 performance

The annual bonus for the year ended 31 March 2016 was based on economic profit (group operating profit including PayPoint's share of the results of Collect+ after tax and after deducting a charge for capital employed based on the Company's cost of capital). Based upon the actual results for the year, 38.7% of the maximum bonus was payable.

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

Measure	Weighting	Threshold (20% of maximum) £000	Target (80% of maximum) £000	Stretch (100% of maximum) £000	Actual achieved £000	Bonus earned (% of salary) Dominic Taylor	George Earle	Tim Watkin-Rees
Group economic profit	100%	32,160 (90% of plan)	35,733 (100% of plan)	39,307 (110% of plan)	32,814	32.9%	32.9%	32.9%
Annual bonus (% of salary)								

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

2013 DSB vesting

With respect to the DSB matching awards granted on 6 June 2013, vesting was based on earnings per share growth. The three-year performance period for these awards ended on 31 March 2016 with vesting on the third anniversary of the date of grant. Further details relating to these awards are provided in the table below:

Measure	Weighting	Targets	Outcome[1]	% vest
EPS	100%	0% vesting below RPI+3% p.a. 100% vesting at RPI+3% p.a.	EPS growth of 28.2% Target: 14.7%	100%
Total DSB vesting				100%

1. Based on 2016 adjusted EPS of 58.6p, 2013 EPS of 45.7p and RPI growth over the three year period of 5.7%.

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

Director	Interests held	Vesting %	Number of shares vesting	Date of vesting	Market price on vesting[1]	Value £000
Dominic Taylor	18,338	100%	18,338	6 June 2016	£7.86	144
George Earle	13,898	100%	13,898	6 June 2016	£7.86	109
Tim Watkin-Rees	12,733	100%	12,733	6 June 2016	£7.86	100

1. As the price on the date of vesting is unknown, the value of an award is calculated by multiplying the number of shares, which vested by the average share price calculated over three months to 31 March 2016 of £7.86.

Remuneration report continued

2013 LTIP vesting

With respect to the LTIP awards granted on 31 May 2013, vesting is based 100% on TSR. The three-year performance period for these awards will end on 31 May 2016 with vesting on the third anniversary of the date of grant. Further details relating to these awards are provided in the table below:

Measure	Weighting	Targets	Outcome (to 30 April 2016)	Implied % vesting
Relative TSR vs FTSE 250 index (excluding investment trusts)	100%	0% vesting below median 30% vesting at median 100% vesting at upper quartile Straight-line vesting between these points	129th position out of 182 companies equating to 29.2 centile	0%
Total LTIP vesting				**0%**

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

Director	Interests held	Implied % vesting	Number of shares vesting	Date of vesting	Market price on vesting[1]	Value £000
Dominic Taylor	52,577	0%	-	31 May 2016	£7.86	-
George Earle	32,989	0%	-	31 May 2016	£7.86	-
Tim Watkin-Rees	30,927	0%	-	31 May 2016	£7.86	-

1. As the price on the date of vesting is unknown, the value of an award is calculated by multiplying the number of shares which vested by the average three month share price to 31 March 2016 of £7.86.

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

Scheme interests awarded in the year ended 31 March 2016

LTIP

In the year under review, LTIP awards were granted with a face value of 145% of salary for the Chief Executive and 125% of salary for other executive directors. The awards will vest on the third anniversary of the date of grant, 1 June 2018. The performance condition is based 100% on relative TSR vs. the FTSE 250 index (excluding investment trusts). The three year performance period, over which TSR performance will be measured began on the grant date of 1 June 2015 and will end on 1 June 2018.

Executive director	Basis of award	Face value[1]	Potential award for minimum performance	End of performance period	Performance measures
Dominic Taylor	As a % of salary in line with stated remuneration policy	145% of salary	25% of face value	1 June 2018	100% on TSR relative vs. FTSE 250 (excluding investment trusts): – 0% vesting below median – 25% vesting at median – 100% vesting at upper quartile – Straight-line vesting in between
George Earle		125% of salary			
Tim Watkin-Rees					

1. Face value is based on the middle market quotation of a share in the capital of the Company on the preceding dealing day of award, 1 June 2015, of £9.46.

Payments for loss of office

No such payments were made during the year under review.

Payments to past directors

No such payments were made during the year under review.

Implementation of remuneration policy for 2016/2017

Base salary

Executive directors received the following salary increases with effect from 1 April 2016:

	From 1 April 2015	**From 1 April 2016**	% increase
Dominic Taylor	£472,500	£490,000	3.7%
George Earle	£338,250	£346,706	2.5%
Tim Watkin-Rees	£317,750	£325,694	2.5%

Salary increases for the Finance Director and Business Development Director are in line with the market, and are also in line with the averaged increases for the general employee population. The 3.7% increase for the Chief Executive Officer reflects performance during the year, experience and relative market position.

Pension

Pension contributions remain unchanged with Dominic Taylor's at 16% of salary, and 15% of salary for George Earle and Tim Watkin-Rees (the maximum allowable under our remuneration policy is 20% of salary).

Annual bonus

The annual bonus for the year ending 31 March 2017 will operate as described in the remuneration policy report, with a maximum opportunity of 106% of salary and will be based on economic profit. 20% of maximum is paid for threshold performance and 80% for target.

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

Economic profit targets for 2016/17 have been set to be challenging relative to the business plan. These targets are currently commercially sensitive, but will be disclosed in next year's Annual Report on Remuneration.

LTIP

The LTIP to be granted in June 2016 will operate as described in the remuneration policy report. The Chief Executive will receive an LTIP award of 145% of salary and the other executive directors will receive an award of 125% of salary.

Final vesting will be based on the achievement of three year TSR relative to the FTSE 250 Index (excluding investment trusts), as set out in the table below.

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

Additionally, the committee must satisfy itself that the recorded TSR is a genuine reflection of the underlying financial performance of the Company. If events occur which cause the committee to consider that these performance requirements have become unfair or impractical, it may, in its discretion, amend the performance requirements so that they are no more or less difficult to satisfy than when it was originally set.

Recovery by the Company will apply to unvested LTIP shares in the event of misstatement, participant misconduct, error in calculations and/or excessive risk taking.

Non-executive director fees

In March 2016, the board undertook its annual review of non-executive directors' fees. Following consideration of general non-executive director fee increases across the market and the competitiveness of current market fee levels, the board determined that a modest increase in the base fee was appropriate. A summary of the fee increases, which are effective 1 April 2016, is set out in the table below:

	From 1 April 2015	**From 1 April 2016**
Base fees		
Non-executive director	£46,125	£46,625
Additional fees		
Chairman, Audit Committee	£8,200	£8,700
Chairman, Remuneration Committee	£8,200	£8,700
Senior Independent Director	£4,100	£5,100

The Chairman's fee in the current year remains unchanged at £165,000.

Percentage change in Chief Executive remuneration

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

	Change in remuneration from 2015 to 2016			
	Chief Executive			
	2016 £000	2015 £000	% change	Average % change for other employees[1]
Salary	473	450	5.1%	6.4%
Taxable benefits	25	25	1.9%	0.0%
Annual bonus	155	421	(63.1)%	(62.4)%[2]
Total	653	896	(27.1)%	

1. Increase in salary is for UK based employees who were employed by PayPoint for the entirety of both financial years, but excludes those who were promoted to a new role.
2. Increase is for UK based employees who earned a bonus pay out in both financial years.

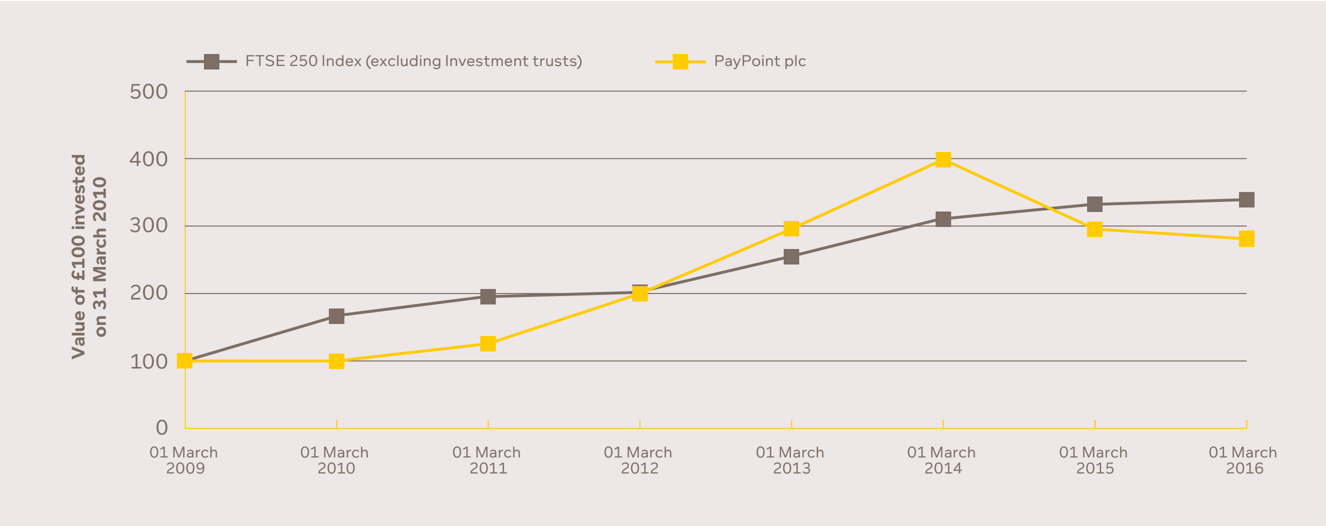
Relative importance of spend on pay

The table below shows the Company's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 March 2015 and 31 March 2016.

	Total employee pay expenditure £000	Distributions to shareholders £000
2016	33,903	27,436
2015	36,682	24,696
% change	(7.58)%	11.10%

Pay for performance

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



	2010	2011	2012	2013	2014	2015	**2016**
Chief Executive single figure of remuneration (£000)	637	677	1,067	2,639	2,247	1,215	**876**
Annual bonus pay-out (as % of maximum)	84.50%	80.90%	88.70%	86.20%	91.43%	88.11%	**30.98%**
LTIP vesting (as % of maximum)	0.00%	0.00%	40.10%	100.00%	100.00%	0.00%	**0.00%**

Directors' shareholdings (audited)

The shareholdings of the directors and their connected persons in the ordinary shares of the Company against their respective shareholding requirement as at 31 March 2016:

	Shares held				
	Owned outright or vested[4]	Unvested and subject to holding period	Unvested and subject to performance conditions	Current shareholding[4]	Shareholding guideline[5]
Dominic Taylor	1,831,690	12,257	223,603	1,831,690	62,351
George Earle[1]	331,058	9,205	144,547	331,058	44,117
Tim Watkin-Rees[2]	557,545	8,794	135,374	537,837	41,444
Gill Barr	2,595	-	-		
Neil Carson	30,000	-	-		
Giles Kerr	7,500	-	-		
David Morrison[3]	35,000	-	-		
Nick Wiles	35,000	-	-		

1. Includes 287,762 shares held by Mrs C Earle.
2. Includes 284,190 shares held by Mrs E Watkin-Rees.
3. Held by Prospect Investment Management Limited, which is wholly owned by David Morrison and his connected persons.
4. Current shareholding includes DABS and DSB bonus and SIP shares other than SIP matching shares subject to a holding period.
5. Shareholding guidelines apply to executive directors with immediate effect. Executive directors are required to hold shares of a value equivalent to 100% of their salaries as at 1 April 2016. An average three month share price to 31 March 2016 of £7.86 has been used to calculate this guideline.

The market price of the Company's shares on 31 March 2016 was £7.48 (31 March 2015: £8.20) per share and the low and high share prices during the period were £7.20 and £10.91 respectively.

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

Long Term Incentive Plan[1] (audited)

	Number of shares at 31 March 2015	Number of shares awarded during the period[3]	Number of shares released during the period	Number of shares lapsed during the period	**Number of shares at 31 March 2016**	Value of shares awarded	Date of grant	Release date
D Taylor	79,807[1,3]			(79,807)	**-**	£490,813	25.05.12	25.05.15
	52,577[1,4]				**52,577**	£509,997	31.05.13	31.05.16
	61,848[2,5]				**61,848**	£652,496	02.06.14	02.06.17
		72,423[2,6]			**72,423**	£685,122	01.06.15	01.06.18
G Earle	50,406[1,3]			(50,406)	**-**	£309,997	25.05.12	25.05.15
	32,989[1,4]				**32,989**	£319,993	31.05.13	31.05.16
	39,099[2,5]				**39,099**	£412,494	02.06.14	02.06.17
		44,694[2,6]			**44,694**	£422,805	01.06.15	01.06.18
T Watkin-Rees	46,178[1,3]			(46,178)	**-**	£283,995	25.05.12	25.05.15
	30,927[1,4]				**30,927**	£299,992	31.05.13	31.05.16
	36,729[2,5]				**36,729**	£387,491	02.06.14	02.06.17
		41,985[2,6]			**41,985**	£397,178	01.06.15	01.06.18

1. These LTIP awards will only vest if the Company's comparative TSR performance is equal to or greater than the median level of performance over the three year holding period, at which point 30% of awards will vest, with full vesting occurring for upper quartile performance (proportionate vesting between points).
2. These LTIP awards will only vest if the Company's comparative TSR performance is equal to or greater than the median level of performance over the three year holding period, at which point 25% of awards will vest, with full vesting occurring for upper quartile performance (proportionate vesting between points).
Awards were granted at the following closing prices on the preceding day:
3. £6.15 per share.
4. £9.70 per share.
5. £10.55 per share.
6. £9.46 per share (being the mid-market share price on the dealing day preceding the date of grant).

Deferred Share Bonus Plan (audited)

	Number of bonus shares purchased at 31 March 2015[1]	Number of matching shares awarded at 31 March 2015[2]	Number of bonus shares (released)/ purchased during the period	Number of matching shares awarded during the period	Number of matching shares (lapsed) during the period	**Number of bonus shares purchased at 31 March 2016**	**Number of matching shares awarded at 31 March 2016**	Value of matching shares awarded	Date of grant	Date lapsed/ release date[3]
D Taylor	13,525[4]	28,178[4]	(13,525)	(28,178)		-	-	£176,113	25.05.12	25.05.15
	9,719[5]	18,338[5]				9,719[5]	18,338[5]	£176,201	06.06.13	06.06.16
	9,761[6]	18,417[6]				9,761[6]	18,417[6]	£194,299	02.06.14	02.06.17
	33,005	64,933				**19,480**	**36,755**			
G Earle	10,237[4]	21,328[4]	(10,237)	(21,328)		-	-	£133,300	25.05.12	25.05.15
	7,366[5]	13,898[5]				7,366[5]	13,898[5]	£133,539	06.06.13	06.06.16
	7,349[6]	13,867[6]				7,349[6]	13,867[6]	£146,297	02.06.14	02.06.17
	24,952	49,093				**14,715**	**27,765**			
T Watkin-Rees	9,366[4]	19,514[4]	(9,366)	(19,514)		-	-	£121,963	25.05.12	25.05.15
	6,748[5]	12,733[5]				6,748[5]	12,733[5]	£122,345	06.06.13	06.06.16
	6,890[6]	13,000[6]				6,890[6]	13,000[6]	£137,150	02.06.14	02.06.17
	23,004	45,247				**13,638**	**25,733**			

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

Deferred Annual Bonus Scheme (DABS)[1] (audited)

	Number of shares at 31 March 2015	Number of shares awarded during the period	Number of shares released during the period	Number of shares lapsed during the period	**Number of shares at 31 March 2016**	Value of shares awarded	Date of grant	Release date
D Taylor	-	11,137[2]	-	-	11,137	£105,356	01.06.15	01.06.18
G Earle	-	8,167[2]	-	-	8,167	£77,260	01.06.15	01.06.18
T Watkin-Rees	-	7,672[2]	-	-	7,672	£72,577	01.06.15	01.06.18

1. The release of shares is dependent upon continuous employment for a period of three years from the date of grant
2. £9.46 per share

Share Incentive Plan (audited)

	Number of Partnership Shares purchased at 31 March 2015	Number of Matching Shares awarded at 31 March 2015	Number of Free Shares[1] awarded at 31 March 2015	Dividend Shares[2] acquired at 31 March 2015	Total shares at 31 March 2015	Number of Partnership Shares[3] purchased during the period	Matching Shares[4] awarded during the period	Dividend Shares acquired during the period	Dates of release of Matching and Free Dividend Shares[5]	**Total shares at 31 March 2016**
D Taylor	3,040	3,040	1,562	1,943	9,585	164	164	148	22.04.15 – 22.04.18	**10,061**
G Earle	3,063	3,063	-	1,477	7,603	164	164	148	22.04.15 – 22.04.18	**8,079**
T Watkin-Rees	3,063	3,063	1,562	1,949	9,637	164	164	148	22.04.15 – 22.04.18	**10,113**

1. Free Shares are ordinary shares of the Company awarded conditionally on 24 September 2004 based on the share price on admission of £1.92.
2. Dividend Shares are ordinary shares of the Company purchased with the value of dividends paid in respect of all other shares held in the plan.
3. Partnership Shares are ordinary shares of the Company purchased on a monthly basis during the period (at prices from £7.465 to £10.34).
4. Matching Shares are ordinary shares of the Company awarded conditionally on a monthly basis during the period (at prices from £7.465 to £10.34) in conjunction with two share purchases.
5. The dates used are based on the earliest allocation of the matching shares.

Remuneration report continued

Executive directors' remuneration

This section of the report sets out the remuneration policy for executive directors. This policy was approved and formally came into effect at the 2014 Annual General Meeting on 23 July 2014, and remains unchanged.

The table below summarises our policy on each element of the remuneration package for executive directors.

	Element and link to strategy	Operation	Opportunity	Performance metrics
Fixed	**Base salary** Takes account of personal contribution and performance against Company strategy	Reviewed annually, with account taken of responsibility and skills, the individual director's performance and experience, pay for comparable roles and pay and conditions throughout the Company.	Any base salary increases are applied in line with the outcome of the annual review. Salaries are generally positioned broadly around median, but may fall within the second and third quartiles. In respect of existing executive directors, it is anticipated that salary increases will have regard to those of salaried employees as a whole. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity) the committee has discretion to make appropriate adjustments to salary levels to ensure they remain market competitive.	The salary review takes into account individual and Company performance.
Fixed	**Pension** Provides market appropriate benefits	The Company makes contributions to personal pension plans.	Executive directors may receive a contribution of up to 20% of salary.	None
Fixed	**Benefits** Provides appropriate market benefits	Benefits may include, but are not limited to, car allowance, health insurance and employee share plans. In certain circumstances, the committee may also approve the provision of additional allowances relating to the relocation of an executive director and other expatriate benefits to perform his or her role.	Benefits vary by role and individual circumstances and are reviewed periodically. Benefits will not normally exceed 15% of salary. The committee retains discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in insurance premiums).	None

	Element and link to strategy	Operation	Opportunity	Performance metrics
Variable	**Annual bonus and Deferred Annual Bonus Scheme (DABS)** Rewards delivery of the group's annual financial and strategic goals and supports retention	The Remuneration Committee reviews and agrees measures, targets and weightings at the beginning of each financial year. At the end of the year, the Remuneration Committee determines the extent to which targets have been achieved. Under the DABS at least 25% of any annual bonus award is deferred into conditional share awards, deferred cash or nil-cost options for at least three years, subject to continued employment and the Company has a right to cancel DABS awards in the event of material misstatement and/or gross misconduct or other similar circumstances. Dividends accrue on deferred awards as additional share entitlements over the deferral period but would only vest on awards that vest.	For executive directors, the target annual bonus opportunity is 85% of salary. The maximum opportunity is currently 125% of target (106% of salary). For threshold level of performance, the bonus pays out at 25% of target (21% of salary). The committee retains discretion to increase the maximum opportunity to 150% of salary. Targets will be commensurately more stretching.	The bonus is currently based 100% on group economic profit vs. the budget agreed by PayPoint's board. The committee has the discretion to add performance measures and determine appropriate weightings to ensure they continue to be linked to the delivery of Company strategy. However, if other measures were incorporated, at least 50% of the bonus would continue to be tied to economic profit. The range for threshold to maximum performance is calibrated with reference to the target. The Remuneration Committee reviews and agrees targets at the beginning of each financial year and may subsequently adjust those targets as detailed in the notes to this table. The committee also has the discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards, to ensure that payments are a true reflection of performance of the Company over the performance period, e.g. in the event of unforeseen circumstances outside of management control.
	Long Term Incentive Plan (LTIP) Drives sustained long term performance, aids retention and aligns the interests of executive directors with shareholders	Annual awards of conditional share awards or nil-cost options vesting subject to performance and continued employment over at least three years. Award levels and performance conditions are reviewed by the committee in advance of grant to ensure they remain appropriate. The Company has the right to cancel LTIP awards in the event of material misstatement and/or gross misconduct or other similar circumstances. The committee may decide at the time of grant that the shares acquired on vesting may be required to be retained, for a period of up to three years following the end of the performance period, during which time they would be subject to cancellation. Dividends accrue as additional share entitlements over the vesting period but would only be paid on awards that vest.	Annual awards of performance shares of up to 200% of salary for executive directors. The proposed awards for 2016 are 145% of salary for the Chief Executive and 125% of salary for other executive directors. Achievement of threshold level of performance results in 25% of maximum vesting.	The LTIP is based on Total Shareholder Return (increase in the share price plus dividends paid per share) TSR relative to an appropriate benchmark. The committee has the discretion to determine the appropriate benchmark prior to each grant, and to add performance measures and determine appropriate weightings to ensure they continue to be linked to the delivery of Company strategy. At least 50% of the LTIP will be based on TSR. The Remuneration Committee will satisfy itself that the recorded TSR is a genuine reflection of the underlying financial performance of the Company. In addition, the committee has the discretion to adjust the formulaic outcomes to ensure alignment of pay with performance, i.e. to ensure the outcome is a true reflection of the performance of the Company, e.g. in the event of unforeseen circumstances outside of management control.
	Share Incentive Plan (SIP) Encourage share ownership across all employees	Opportunity to purchase shares out of pre-tax salary and receive a matching award. The PayPoint SIP is an HMRC approved plan open to all UK tax resident employees of participating group companies. Executive directors are eligible to participate. The plan is an HMRC approved plan that allows an employee to purchase shares using gross salary and receive a matching award from the Company. Matching shares are subject to continued employment for three years. Dividends may accrue on purchased and matching shares and be paid either in cash or rolled up into additional shares.	Participants can purchase shares up to the prevailing HMRC approved limit at the time employees are invited to participate. The Company currently offers to match purchases made through the plan at the rate of one free matching share for every one share purchased.	None

Notes to the policy table

Payments from previous awards

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

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

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

Use of discretion

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

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

Any use of discretion by the committee during the financial year will be detailed in the relevant annual report on remuneration.

Performance measure selection

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

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

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

Remuneration policy for other employees

PayPoint's approach to annual salary reviews is consistent across the group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies. All UK employees are eligible to participate in the Company's SIP and senior managers participate in the annual bonus scheme with the same measure at the appropriate business level as is set for the executive directors at group level, but each with personal targets in addition. Members of the Executive Board who are not executive directors will be eligible to receive an additional one-off bonus award in respect of the financial year ending 31 March 2017. Payment of the bonus will be subject to the delivery of agreed strategic objectives. Members of the Executive Board and senior managers (c.25 individuals) are eligible to participate in the LTIP. Performance conditions are consistent for all participants, while award sizes vary by organisational level.

Shareholding guidelines

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

Non-executive director remuneration

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

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

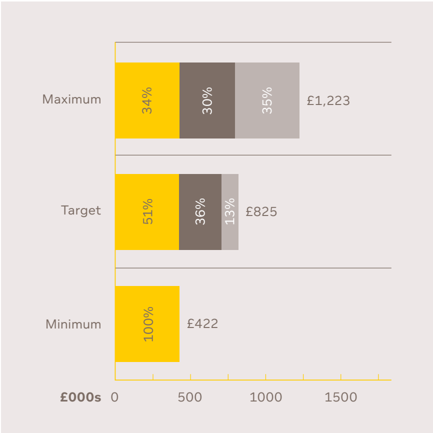
Element and link to strategy	Operation	Opportunity	Performance metrics
Fees To attract and retain non-executive directors of the highest calibre with broad commercial and other experience relevant to the Company	Fee levels are reviewed annually, with any adjustments effective 1 April in the year following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

Pay scenario charts

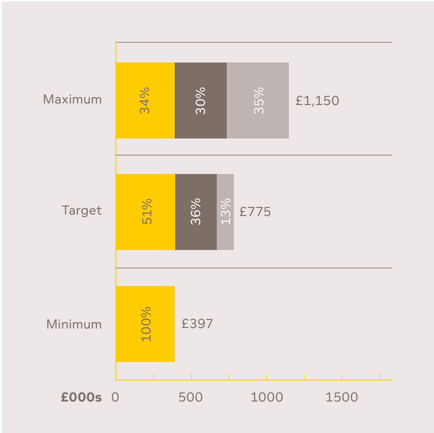
The charts below provide an illustration of the potential future reward opportunities for the executive directors, and the potential split between the different elements of remuneration under three different performance scenarios: minimum, target and maximum. Potential reward opportunities are based on PayPoint's remuneration policy, applied to base salaries as at 1 April 2016. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance based on the maximum bonus opportunity under the current remuneration policy of 106% of salary. For the LTIP, the award opportunities are based on LTIP awards under the current remuneration policy of 145% of salary for the Chief Executive and 125% of salary for other executive directors. Note that LTIP awards granted in the year do not normally vest until the third anniversary of the date of grant, and the projected value is based on the face value at award rather than vesting (i.e. the scenarios exclude the impact of any share price movement over the period).

Chief Executive
Dominic Taylor

Finance Director
George Earle



Business Development Director
Tim Watkin-Rees



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

	Component	Minimum	Target	Maximum
Fixed	Base salary	Salary as at 1 April 2016		
	Pension	Current contribution rate applied to latest known salary		
	Other benefits	Benefits as provided in the single figure table on page 38		
Annual Bonus (Maximum opportunity of 106% of salary)		No bonus payable	Target bonus (80% of max)	Maximum bonus
LTIP (Awards of 145% of salary for the Chief Executive and 125% of salary for the other directors)		No LTIP vesting	Threshold vesting (25% of max)	Maximum vesting

Approach to recruitment remuneration

External appointment

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

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

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

Internal appointment

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

Non-executive directors

In recruiting a new non-executive director, the Remuneration Committee will utilise the policy as set out in the table on page 49.

Service contracts and exit policy

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

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

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

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

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

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

Non-executive directors

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

Name	Date of letter	Unexpired term as at 31 March 2016	Date of appointment	Notice period
D Morrison	24 July 2013	115 days	10 August 2004	1 month
N Wiles[1]	24 July 2013	852 days	22 October 2009	1 month
N Carson	18 June 2014	478 days	23 July 2014	1 month
G Barr	27 May 2015	852 days	01 June 2015	1 month
G Kerr	28 October 2015	852 days	20 November 2015	1 month

1. Nick Wiles signed a new letter of appointment following his appointment as Chairman on 8 May 2015 with an unexpired term of three years.

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

Consideration of conditions elsewhere in the Company

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

Consideration of shareholder views

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

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

This report was approved by the Remuneration Committee on 26 May 2016 and signed on its behalf by:

Neil Carson
Chairman Remuneration Committee
26 May 2016

Directors' report

The directors present their annual report on the affairs of the Company and of the group, together with the financial statements and independent auditor's report, for the year ended 31 March 2016.

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

Strategic report

The strategic report is on pages 2 to 23. The Company has chosen to set out certain matters in this strategic report that would otherwise be required to be disclosed in the directors' report. These matters include disclosures concerning: greenhouse gas emissions (page 21); use of financial instruments (pages 15 and 81); credit risk and price risk (page 81); employment of disabled persons (page 23); employee involvement (pages 22 and 23); and likely future developments in the business (page 15).

Principal activity

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

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

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

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

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

Substantial shareholdings

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

As 31 March 2016:

Name of holder	No. of ordinary shares	Percentage of issued capital
Woodford Investment Management	8,513,587	12.50
Liontrust Asset Management plc	6,800,219	9.99
Capital Research & Management	5,919,900	8.69
Neptune Investment Management	5,759,657	8.46
Mawer Investment Management	4,994,944	7.34
Standard Life Investments Limited	4,038,904	5.93
Schroder Investment Management	3,710,349	5.45
Kames Capital	2,768,069	4.07
T. Rowe Price International Inc.	2,394,296	3.52

As at 26 May 2016:

Name of holder	No. of ordinary shares	Percentage of issued capital
Woodford Investment Management	8,790,125	12.91
Liontrust Asset Management plc	5,575,613	8.19
Capital Research & Management	5,919,900	8.69
Neptune Investment Management	6,646,819	9.76
Mawer Investment Management	4,868,709	7.15
Standard Life Investments Limited	4,034,105	5.92
Schroder Investment Management	3,725,352	5.47
Kames Capital	2,768,069	4.07
T. Rowe Price International Inc.	2,016,089	2.96

Share capital
As at the date of this report, 68,092,729 ordinary shares of 1/3p each have been issued and fully paid up and are quoted on the London Stock Exchange. During the year ended 31 March 2016, 40,781 ordinary shares were issued under the Company's share schemes. The rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Company's directors are set out in the Company's articles of association, copies of which can be obtained from Companies House or by writing to the Company Secretary.

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

At the annual general meeting on 22 July 2015, the directors were given authority to purchase 14.99% of its issued share capital, allot relevant securities up to an aggregate nominal amount of £68,045 and to dis-apply pre-emption rights in respect of allotments of relevant securities up to an aggregate nominal amount of £10,206. Resolutions to renew these authorities will be proposed at the 2016 annual general meeting, details of which are set out in the notice of meeting on pages 83 to 87.

The Company's issued share capital as at 31 March 2016, together with details of purchases of own shares during the year, are set out in note 25.

Directors
The names of the directors at the date of this report and their biographical details are given on page 25 and their interests in the ordinary shares of the Company are given on page 43.

Results for the period
The consolidated income statement, statement of financial position and cash flow statement for the year ended 31 March 2016 are set out on pages 62 to 65. An analysis of risk is set out on pages 16 to 19 and of risk management on page 34. The statement of financial position and cash flow statement of the holding Company for the year ended 31 March 2016 are set out on pages 66 and 67. Since 1 April 2016, there have been no material events likely to impact the future development of the Company.

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

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

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

Suppliers payment policy
Terms of payment are agreed with individual suppliers prior to supply. The group aims to pay its creditors promptly, in accordance with terms agreed for payment, provided the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group had 27 days' purchases outstanding at 31 March 2016 (2015: 38 days), based on the average daily amount invoiced by suppliers during the year.

Charitable and political donations
The group made no political donations during the period (2015: £nil). Details of the charitable donations policy can be found within the strategic report on page 20.

Employee matters and environmental issues
Employee matters and environmental issues are discussed in the strategic report on pages 20 to 23.

Related party transactions
Related party transactions that took place during the year can be found in note 29.

Future developments
An indication of likely future developments in the business of the Company and details of research and development activities are included in the strategic report on pages 2 to 23.

Dividends
The directors recommend the payment of a final dividend of 28.2p (2015: 26.1p) per ordinary share amounting to £19,198,610 (2015: £17,760,000) to be paid on 29 July 2016 to members on the register on 1 July 2016. An interim dividend was declared and paid during the period of 14.2p per share (2015: 12.4p per share) amounting to £9,667,385 (2015: £8,437,587).

Going concern
At the end of the year, the group had cash of £80.8 million, excluding £2.4 million in assets held for sale, and an undrawn £45.0 million revolving term credit facility expiring in May 2019. The Company's cash and borrowing capacity is adequate to meet the foreseeable needs of the group, taking into account any risks (see pages 16 to 19). The directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Therefore, the financial statements have been prepared on a going concern basis.

The group's liquidity review, viability statement and commentary on the current economic climate are shown on page 15 of the strategic report and commentary on financial risk management is shown in note 28.

Independent auditor
Deloitte LLP has expressed its willingness to continue as the Company's auditor and a resolution for its re-appointment will be proposed at the forthcoming annual general meeting. The notice of the annual general meeting can be found on pages 83 to 87.

Corporate governance statement
The information that fulfils the requirements of the corporate governance statement for the purposes of the FCA's Disclosure and Transparency Rules can be found in this directors' report and in the governance section on pages 26 to 35 (which is incorporated into this directors' report by reference).

Statement as to disclosure of information to auditor
Each of the persons who is a director at the date of approval of this report confirms that:

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

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

Annual general meeting
The annual general meeting will be held at the offices of Canaccord Genuity, 88 Wood Street, EC2V 7QR on 28 July 2016. The notice of meeting and explanatory information on the resolutions to be passed at the annual general meeting can be found on pages 83 to 87 of the annual report.

The Directors' report was approved by the board on 26 May 2016 and signed on its behalf by:

Susan Court
Company Secretary
26 May 2016

Statement of directors' responsibilities

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

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

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

Dominic Taylor
Chief Executive
26 May 2016

Independent auditor's report to the members of PayPoint plc

Opinion on financial statements of PayPoint plc

In our opinion:
- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statements of changes in equity, the consolidated and company cash flow statement and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Going concern

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within the Directors' Report on page 56 and the directors' statement on the longer-term viability of the group contained within the strategic report on page 14.

We have nothing material to add or draw attention to in relation to:
- the directors' confirmation on page 14 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 16 to 19 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation on page 15 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

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

Risk	How the scope of our audit responded to the risk
Consideration of non-current assets held for sale Management is required to assess the implications of the planned disposal of the mobile payments businesses comprising PayByPhone and Adaptis (Mobile), on the presentation in the group financial statements. In particular, management is required to take into account the requirements of IFRS 5 – Non-current assets held for resale and discontinued operations (IFRS 5). Following the impairment (£30.8 million) associated with this business, the net assets of Mobile are £1.7 million as at 31 March 2015, and have been described in note 16 to the financial statements, with the accounting policy and critical accounting judgement in note 1. Key judgements relate to the following: – Whether the status of the planned disposal meets the criteria for the Mobile to be disclosed as a disposal group, in particular whether the sale is considered highly probable as at the year end; and – Ensuring the disposal group is held at the lower of carrying value and fair value less cost to sell.	We obtained management's assessment of the application of IFRS 5 and assessed the status of the planned disposal at 31 March 2016 against the criteria set out in IFRS 5. Our procedures included discussion with management and agreeing project milestones to supporting documentation including board minutes and correspondence with advisors. We have compared the carrying value of Mobile (following the impairment) to management's estimate of fair value less cost to sell. We have inspected correspondence with potential acquirers to critically assess management's estimates of fair value less cost to sell.
Valuation of Collect+ The carrying value of financial assets including the group's joint venture is required to be assessed at the end of each reporting period to determine whether there is any objective evidence of impairment. The joint venture has reported a loss for the year as a result of a temporary increase in costs charged by one of the joint venture partners for services provided. Discussions are ongoing with the joint venture partner on the pricing of services it provides to the joint venture. The group's share of the net assets of the joint venture under the equity method of accounting shown in the consolidated accounts is £1.6 million (2015: £1.9 million) and the investment in the parent company balance sheet is £5.9 million. Details of the investment have been described in note 13 to the financial statements, with the accounting policy and critical accounting judgement in note 1.	We have met with board members directly involved in the discussions to understand the proposals that have been put forward and the range of potential outcomes. We have inspected correspondence from the joint venture partner and examined minutes of the discussions that have taken place. We have read the terms of the joint venture agreement and the terms of the services agreement governing the services provided and the pricing thereof to assess the basis on which revisions can be made to the pricing of services. We have audited the results and financial position of Collect+ and evidenced the impact on profitability of the additional charges by the joint venture partner which have turned profits in the prior year to current year losses. We have inspected evidence that the additional charges that had been borne by the joint venture ceased on 31 March 2016.
Revenue recognition Revenues of £212 million have been recognised in the year. The group's accounting policy for the recognition of revenue is described in note 1 to the financial statements and further information is included in note 2 to the financial statements. The majority of the group's revenue is driven by high volume, low value transactions and the group relies heavily on its computer systems to record this data accurately. Automated controls in the computer systems are supported by business process controls designed to ensure completeness and accuracy of recording of the transactions processed across the group's retail network. There is an inherent risk around the revenue recorded given the complexity of systems and the large number of schemes operated by the group, particularly where there are manual interventions such as in processing changes to fee structures.	With the assistance of our IT specialists, we tested the effectiveness of the controls over the IT environment in which transaction polling, billing and rating reside, including the change control procedures in place over systems that bill material revenue streams. We tested controls over end-to-end reconciliations from transaction polling from terminals, to billing and rating, to the general ledger, including interface controls designed to determine completeness of recording of all revenue transactions. We also tested controls over manual adjustments to transaction-based invoices. In addition to this controls work, we have performed the following: – substantive testing on the fee rates input into the computer systems; – for all material revenue streams, analytical procedures were undertaken; and – any non-routine revenue streams were also substantively tested and the revenue recognition policies assessed against the criteria of IAS 18.

Last year our report included two other risks which are not included in our report this year: taxation ((i) deferred asset valuation where the judgement on unrecognised assets is no longer significant in light of actual and planned business disposals and (ii) impact of a VAT ruling, where the group is accounting in accordance with the ruling passed) and the carrying value of goodwill for PayPoint Romania (business performance and future forecasts indicate that the risk of material misstatement is no longer significant).

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 33.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

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

We determined materiality for the group to be £2.5 million (2015: £2.5 million), which is 5% (2015: 5%) of adjusted pre-tax profit, and below 3% (2015: 3%) of equity. A profit measure is considered most relevant to users of the accounts; and an adjusted measure has been used to exclude impairments and the profit on disposal of the online payment business, as the benchmark for determining materiality as these transactions are non-recurring in nature.

We agreed with the Audit Committee that we would report to the committee all audit differences in excess of £50,000 (2015: £50,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit scope focused primarily on the audit work on 12 entities (2015: 13 entities), with the reduction from 2015 representing changes in the group's structure, in particular the disposal of the online payments business. Of those:

- 8 (2015: 9) (including the joint venture, Drop and Collect Limited) were subject to a full audit. These audits were performed by the group audit team without the assistance of a component auditor;
- 1 (PayPoint Romania) was subject to a statutory audit to 31 December 2015, followed by 3 months roll forward through specific audit procedures;
- 2 entities which were disposed of during the year were subject to analytical review procedures by the Group audit team for the period, during which they were under PayPoint's control; and
- 1 was subject to an audit of specified account balances.

The extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the group's business operations at those locations. These 12 entities represent the principal business units within the group and account for 99% (2015: 99%) of the group's net assets, 99% (2015: 99%) of the group's revenue and 99% (2015: 99%) of the group's adjusted profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work on the 12 entities was executed at levels of materiality applicable to each individual entity which were lower than group materiality. The highest materiality applied to an individual trading component was £1.4 million (2015: £1.2 million).

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

The group audit team, including the Senior Statutory Auditor, visits PayPoint Romania (the only location where a component auditor assists with the audit work) every year.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement
Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

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

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

Scope of the audit of the financial statements

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

Hadleigh Shekle FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
26 May 2016

Consolidated income statement

	Note	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Continuing operations			
Revenue	2	**212,556**	218,495
Cost of sales	2	**(106,539)**	(113,415)
Gross profit		**106,017**	105,080
Administrative expenses		**(55,689)**	(56,892)
Operating profit before impairments and business disposal		**50,328**	48,188
Impairments	15	**(48,986)**	-
Profit on disposal of online payments business	17	**7,014**	-
Operating profit after impairments and business disposal		**8,356**	48,188
Share of (loss)/profit of joint venture	13	**(224)**	1,317
Investment income	6	**123**	151
Finance costs	6	**(103)**	(95)
Profit before tax		**8,152**	49,561
Tax	7	**(10,247)**	(10,414)
(Loss)/profit for the year	5	**(2,095)**	39,147
Attributable to:			
Equity holders of the parent		**(2,111)**	39,150
Non-controlling interests	26	**16**	(3)
	25	**(2,095)**	39,147
(Loss)/earnings per share			
Basic	9	**(3.1)p**	57.6p
Diluted	9	**(3.1)p**	57.4p

Consolidated statement of comprehensive income

	Note	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Items that may subsequently be reclassified to the consolidated income statement:			
Exchange differences on translation of foreign operations	25	**968**	(1,393)
Tax effect thereof		**-**	-
Other comprehensive income/(expenses) for the year		**968**	(1,393)
(Loss)/profit for the year		**(2,095)**	39,147
Total comprehensive (expense)/income for the year		**(1,127)**	37,754
Attributable to:			
Equity holders of the parent		**(1,143)**	37,757
Non-controlling interests		**16**	(3)
		(1,127)	37,754

Consolidated statement of financial position

	Note	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Non-current assets			
Goodwill	10	**8,068**	7,694
Other intangible assets	11	**8,038**	6,443
Property, plant and equipment	12	**21,452**	21,505
Investment in joint venture	13	**1,629**	1,853
Deferred tax asset	14	**-**	1,131
		39,187	38,626
Current assets			
Inventories	18	**523**	686
Trade and other receivables	19	**109,247**	163,395
Cash and cash equivalents	20	**80,831**	43,913
Assets held for sale	16	**4,794**	59,066
		195,395	267,060
Total assets		**234,582**	305,686
Current liabilities			
Trade and other payables	21	**140,095**	181,724
Current tax liabilities		**3,487**	4,349
Liabilities directly associated with assets classified as held for sale	16	**3,070**	4,250
		146,652	190,323
Non-current liabilities			
Other liabilities	23	**-**	21
Deferred tax liability	14	**67**	-
		67	21
Total liabilities		**146,719**	190,344
Net assets		**87,863**	115,342
Equity			
Share capital	25	**227**	227
Share premium	25	**2,365**	1,977
Share based payment reserve	25	**3,956**	3,926
Translation reserve	25	**(3,038)**	(4,006)
Retained earnings	25	**84,467**	113,348
Total equity attributable to equity holders of the parent		**87,977**	115,472
Non-controlling interest	26	**(114)**	(130)
Total equity		**87,863**	115,342

These financial statements were approved by the board of directors and authorised for issue on 26 May 2016 and signed on behalf of the board of directors.

Dominic Taylor
Chief Executive
26 May 2016

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 (note 25) £000	Total equity £000
Opening equity 1 April 2014		**226**	**408**	**3,682**	**(2,613)**	**101,995**	**103,698**	**(127)**	**103,571**
Profit for the year		-	-	-	-	39,150	39,150	(3)	39,147
Dividends paid	8	-	-	-	-	(24,696)	(24,696)	-	(24,696)
Exchange differences on translation of foreign operations	25	-	-	-	(1,393)	-	(1,393)	-	(1,393)
Movement in share based payment reserve	25	-	-	244	-	-	244	-	244
Arising on issue of shares	25	1	1,569	-	-	-	1,570	-	1,570
Adjustment on share scheme vesting (net of tax benefit of £686,000)	25	-	-	-	-	(2,457)	(2,457)	-	(2,457)
Deferred tax on share based payments	14	-	-	-	-	(644)	(644)	-	(644)
Closing equity 31 March 2015		**227**	**1,977**	**3,926**	**(4,006)**	**113,348**	**115,472**	**(130)**	**115,342**
(Loss)/profit for the year		-	-	-	-	(2,111)	(2,111)	16	(2,095)
Dividends paid	8	-	-	-	-	(27,436)	(27,436)	-	(27,436)
Exchange differences on translation of foreign operations	25	-	-	-	968	-	968	-	968
Movement in share based payment reserve	25	-	-	30	-	-	30	-	30
Arising on issue of shares	25	-	388	-	-	-	388	-	388
Adjustment on share scheme vesting (net of tax benefit of £666,000)	25	-	-	-	-	666	666	-	666
Deferred tax on share based payments	14	-	-	-	-	-	-	-	-
Closing equity 31 March 2016		**227**	**2,365**	**3,956**	**(3,038)**	**84,467**	**87,977**	**(114)**	**87,863**

Consolidated cash flow statement

	Note	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Net cash inflow from operating activities	30	**59,014**	44,896
Investing activities			
Investment income		**123**	153
Purchases of property, plant and equipment and technology		**(8,219)**	(10,076)
Proceeds from disposal of property, plant and equipment		**-**	4
Repayment of loan by joint venture	15	**-**	150
Acquisition of subsidiary		**-**	(180)
Net proceeds on disposal of subsidiary	17	**11,966**	-
Net cash generated/(used) in investing activities		**3,870**	(9,949)
Financing activities			
Cash settled share based remuneration		**(576)**	(2,898)
Dividends paid:			
- Final and interim	8	**(27,436)**	(24,696)
Net cash used in financing activities		**(28,012)**	(27,594)
Net increase in cash and cash equivalents		**34,872**	7,353
Cash and cash equivalents at beginning of year		**47,198**	41,600
Effect of foreign exchange rate changes		**1,151**	(1,755)
Cash and cash equivalents at end of year		**83,221**	47,198

	Note	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Reconciliation of items disclosed on the consolidated statement of financial position:			
Cash and cash equivalents		**80,831**	43,913
Cash and cash equivalents included in assets held for sale	16	**2,390**	3,285
Cash and cash equivalents at end of year		**83,221**	47,198

Company statement of financial position

	Note	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Non-current assets			
Investments	15	**61,743**	127,512
		61,743	127,512
Current assets			
Trade and other receivables	19	**41,181**	12,618
Cash and cash equivalents		**12,337**	382
		53,518	13,000
Total assets		**115,261**	140,512
Current liabilities			
Trade and other payables	21	**429**	895
Current tax liabilities		**-**	498
		429	1,393
Non-current liabilities			
Other liabilities	23	**25,901**	76,353
Total liabilities		**26,330**	77,746
Net assets		**88,931**	62,766
Equity			
Share capital	25	**227**	227
Share premium	25	**2,365**	1,977
Share based payment reserve	25	**3,956**	3,926
Retained earnings	25	**82,383**	56,636
Total equity		**88,931**	62,766

The financial statements of PayPoint plc (registered number 03581541) were approved by the board of directors and authorised for issue on 26 May 2016 and signed on behalf of the board of directors.

Dominic Taylor
Chief Executive
26 May 2016

Company statement of changes in equity

	Note	Share capital £000	Share premium £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
Opening equity 1 April 2014		**226**	**408**	**3,682**	**65,430**	**69,746**
Profit for the year		-	-	-	18,359	18,359
Dividends paid	8	-	-	-	(24,696)	(24,696)
Movement in share-based payment reserve	25	-	-	244	-	244
Arising on issue of shares	25	1	1,569	-	-	1,570
Adjustment on share scheme vesting (net of tax benefit of £686,000)	25	-	-	-	(2,457)	(2,457)
Closing equity 31 March 2015		**227**	**1,977**	**3,926**	**56,636**	**62,766**
Profit for the year		-	-	-	52,517	52,517
Dividends paid	8	-	-	-	(27,436)	(27,436)
Movement in share-based payment reserve	25	-	-	30	-	30
Arising on issue of shares	25	-	388	-	-	388
Adjustment on share scheme vesting (net of tax benefit of £666,000)	25	-	-	-	666	666
Closing equity 31 March 2016		**227**	**2,365**	**3,956**	**82,383**	**88,931**

Company cash flow statement

	Note	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Net cash inflow from operating activities	30	**30,460**	10,081
Investing activities			
Dividends received from subsidiaries		**-**	18,279
Proceeds on disposal of investments		**12,300**	-
Repayment of loan by joint venture	15	**-**	150
Investment in group companies	15	**(3,369)**	(3,482)
Net cash generated from investing activities		**8,931**	14,947
Financing activities			
Dividends paid	8	**(27,436)**	(24,696)
Net cash used in financing activities		**(27,436)**	(24,696)
Net increase in cash and cash equivalents		**11,955**	332
Cash and cash equivalents at beginning of year		**382**	50
Cash and cash equivalents at end of year		**12,337**	382

Notes to the financial statements

1. Accounting policies

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

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

The directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the viability statement in the strategic report on page 15.

In the current year, the group has applied a number of amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 April 2015 (except as noted below). Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- Annual Improvements to IFRS: 2010-2011 Cycle
- Annual Improvements to IFRS: 2011-2013 Cycle
- IFRIC 21 Levies

At the date of authorisation of these financial statements, the group has not applied the following new and revised IFRS that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IFRS 9: Financial instruments
- IFRS 15: Revenue from contracts with customers
- IFRS 16: Leases
- IFRS 11 (amended): Accounting for Acquisitions of interests in Joint Operations
- IAS1 (amended): Disclosure initiative
- IAS 16 and IAS 41 (amended): Agriculture bearer plants
- IAS 27 (amended): Equity method in separate financial statements
- IFRS 10 and IAS 28 (amended): Sale or Contribution of Asset between an Investor and its Associate or Joint Venture
- Annual improvements to IFRS: 2012 – 2014 cycle: Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group, except for the following:

- IFRS 15 is a new standard, based on a five step model framework, which replaces all existing revenue standards. This standard is effective for accounting periods commencing on or after 1 January 2018. The group is yet to assess its full impact.
- IFRS 16 is a new leasing standard replacing the current leasing standard (IAS17). The new standard requires all leases to be treated in a consistent way to the current rules on finance leases, requiring all leases, with limited exceptions, to be disclosed in the balance sheet. IFRS 16 changes the nature of expenses related to those leases, replacing the straight line operating lease expense with a depreciation charge for the lease asset (included within operating costs) and an interest expense on the lease liability (included within finance costs) IFRS 16 does not require a lessee to recognised assets or liabilities for short-term leases (12 months or less) or low value leases. This standard is effective for accounting periods commencing on or after 1 January 2019. The group is yet to assess its full impact.

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

The principal accounting policies adopted are set out below.

Basis of consolidation
PayPoint plc (the Company) acts as a holding company. The group accounts consolidate the accounts of the Company and entities controlled by the Company (its subsidiaries) drawn up to March each year. Control is achieved when the Company has the power over the investee, is exposed, or has rights, to variable return from its involvement with the investee, and has the ability to use its powers to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. All intergroup transactions, balances, income and expenses are eliminated on consolidation except for joint ventures.

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

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is not amortised but is reviewed at least annually for impairment. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

Impairment of tangible and intangible assets other than goodwill

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Note 15 details the impairments losses recognised in the year.

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

Assets held for sale and discontinued operations

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

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

Revenue

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

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

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

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

Cost of sales

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

Pension costs

The group makes payments to a number of defined contribution pension schemes. Pension costs are recognised as an expense when employees have rendered services entitling them to the contributions. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Share-based payments

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

Interest income

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

Notes to the financial statements continued

Taxation

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

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

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

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

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

Foreign currency

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

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

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Intangible assets

Recognised on acquisition:

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

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

Software development expenditure:

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

Property, plant and equipment

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

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

Following a review of the period of use experience of the group's automatic teller machines, their estimated useful economic life has been increased from four years to five years in the current year. This change in estimate has been accounted for on a prospective basis. The impact on the profit and loss account for the year ended 31 March 2016 was a reduction in depreciation of £0.5 million. Providing the level of investment in ATM's continues at the current rate the impact of this change in future profit and loss accounts will be similar to the current year.

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

Inventories

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

Trade and other receivables

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

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

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

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

Joint ventures
A joint venture is a joint arrangement in which the group has the right to net assets through joint control with third parties.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The group's share of net assets, post tax profit and loss and dividends are accounted for using the equity method of accounting.

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

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

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

Investments
Investments in subsidiaries and joint ventures are stated at cost less any provisions for impairment.

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

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

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

The critical accounting judgements at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next year and key sources of estimation uncertainty in the business are the valuation of the mobile payment business which is held for sale, the valuation of goodwill of £8.1 million at 31 March 2016 (2015: £7.7 million), other intangible assets of £8.0 million at 31 March 2016 (2015: £6.4 million) and the assessment of the recoverability of investment in and loan to Collect+.

Impairment reviews
IFRS requires management to undertake an annual test for impairment of goodwill and for finite lived assets, to test for impairment if events or changes in circumstances indicated that the carrying amount of an asset may not be recoverable.

Impairment testing of goodwill is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projects which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of uncertain matters, including management's expectations of growth in revenue and net revenues, operating margin, the timing and quantum of capital expenditure, long-term growth rates and the discount rates to reflect the risks involved. Similar considerations apply in assessing the recoverability of investments in subsidiaries and joint ventures in estimating the recoverable amount.

For assets held for sale, impairment testing requires an assessment as to whether the carrying value of the assets is supported by the fair value less cost to sell. In estimating fair value less cost to sell, significant estimation is required in respect of uncertain matters, including the ultimate outcome of the sale process including the impact on sale proceed estimate of purchaser diligence and contractual negotiations.

Useful economic lives
The useful life used to amortise intangible assets relates to the expected future performed 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. Historically, changes in useful lives have not resulted in material changes to the group's amortisation charge.

Management reviews goodwill and intangible assets not available for use for any impairment on an annual basis (notes 10 and 11). Intangible assets are amortised over their economic useful life (note 11). The group's consideration of the valuation of assets held for sale is disclosed in note 16. The accounting policies for goodwill, intangible assets, assets held for sale and investments are included above in this note 1.

Notes to the financial statements continued

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

(i) Segment information

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

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

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

(ii) Revenue, net revenue and cost of sales

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

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

Net revenue

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Revenue – transaction processing	**211,401**	217,430
– service charge income from ATMs	**1,155**	1,065
	212,556	218,495
less:		
Commission payable to retail agents	**(57,650)**	(63,337)
Cost of mobile top-ups and SIM cards as principal	**(28,082)**	(29,549)
Card scheme sponsors' charges	**(3,191)**	(2,478)
Net revenue	**123,633**	123,131

Cost of sales

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Cost of sales		
Commission payable to retail agents	**57,650**	63,337
Cost of mobile top-ups and SIM cards as principal	**28,082**	29,549
Card scheme sponsors' charges	**3,191**	2,478
Depreciation and amortisation	**5,784**	6,530
Other	**11,832**	11,521
Total cost of sales	**106,539**	113,415

Geographical information

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Revenue		
UK	**168,926**	173,976
Ireland	**6,371**	9,062
Romania	**31,956**	30,673
North America	**5,303**	4,784
Total	**212,556**	218,495
Non-current assets (excluding deferred tax)		
UK	**38,426**	36,519
Romania	**761**	976
North America	**-**	-
Total	**39,187**	37,495

3. Employee information

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Average number of persons employed		
Sales, distribution and marketing	**195**	219
Operations and administration	**519**	512
	714	731

	£000	£000
Staff costs during the year (including directors)		
Wages and salaries	**28,924**	31,585
Social security costs	**2,904**	3,850
Pension costs (note 27)	**1,146**	1,247
	32,974	36,682

Redundancy and termination costs were £0.9 million (2015: nil).

Directors' emoluments, pension contributions and share options are disclosed in the Remuneration Committee report on pages 36 to 53. Included within staff costs is a share based payment charge (note 25) of £1,660,000 (2015: £1,570,000).

4. Profit of parent company

The Company has taken advantage of the exemption under S.408 of the Companies Act 2006 and consequently the income statement of the parent company is not presented as part of these financial statements. The profit of the parent company for the financial year amounted to £52,517,000 (2015: £18,359,000).

5. (Loss)/profit for the year

	Group	
	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
(Loss)/profit is after charging/(crediting):		
Inventory expensed – cost of mobile top-ups and SIM cards as principal	**28,082**	29,549
Depreciation on owned assets	**4,698**	5,418
Loss on disposal of property, plant and equipment	**25**	7
Foreign exchange gains/(losses)	**10**	(19)
Amortisation of intangible assets:		
– on acquired assets	**-**	180
– on internally generated assets	**1,086**	932
Operating leases:		
– other operating lease charges	**153**	227
– ATM service charge income	**(1,155)**	(1,065)
Impairment of goodwill	**(48,986)**	-
Profit on disposal of business (note 17)	**7,014**	-
Auditor's remuneration (note below)	**877**	558
Research and development costs	**2,800**	2,000
Staff costs (note 3)	**32,974**	36,682

	2016 £000	2015 £000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**33**	11
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**133**	198
Total audit fees	**166**	209
Fees payable to the group's auditor for the review of the interim results	**28**	36
Audit-related assurance services	**28**	36
Fees payable to the group's auditor and its associates for other services to the group:		
Corporate finance services	**300**	100
Tax compliance services	**86**	70
Tax advisory services	**297**	142
Total other services	**683**	312
Total auditor's remuneration	**877**	557

Fees payable to Deloitte LLP and its associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. A description of the work of the Audit Committee is set out on pages 32 to 35 and includes an explanation of how auditor independence is safeguarded where non-audit services are provided by the auditor.

6. Investment income and finance costs

Investment income comprises interest on current and deposit accounts.

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Investment income		
Bank deposit interest	**123**	151
Finance costs		
Finance costs	**103**	95

7. Tax

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Current tax		
Charge for current year	**9,909**	10,015
Adjustment in respect of prior years	**(860)**	(3)
Current tax charge	**9,049**	10,012
Deferred tax		
Charge for current year	**420**	345
Adjustment in respect of prior years	**778**	57
Deferred tax charge (note 14)	**1,198**	402
Total tax		
Tax charge	**10,247**	10,414
The tax charge is based on the United Kingdom statutory rate of corporation tax for the period of 20% (2015: 21%)		
The total tax charge for the year can be reconciled to the profit before tax as set out in the consolidated income statement		
Profit before tax	**8,152**	49,561
Tax at the UK corporation tax rate of 20% (2015: 21%)	**1,630**	10,408
Tax effects of:		x
Losses in countries where the tax rate is different to the UK	**(228)**	(200)
Disallowable expenses	**(52)**	235
Utilisation of tax losses not previously recognised	**(38)**	(274)
Losses in companies where a deferred tax asset was not recognised	**459**	406
Adjustments in respect of prior years	**(43)**	54
Research and development allowance	**-**	(310)
Tax impact of share based payments	**208**	95
Revaluation of deferred tax asset due to change in tax rate	**(25)**	-
Disallowable impairments and profit on disposal	**8,336**	-
Actual amount of tax charge	**10,247**	10,414

8. Dividends on equity shares

	Group	
	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Equity dividends on ordinary shares:		
Interim dividend paid of 14.2p per share (2015: 12.4p)	**9,667**	8,437
Proposed final dividend of 28.2p per share (2015: paid 26.1p per share)	**19,199**	17,760
Total dividends paid and recommended of 42.4p per share (2015: 38.5p per share)	**28,866**	26,197
Amounts distributed to equity holders in the year:		
Final dividend for the prior year	**17,769**	16,259
Interim dividend for the current year	**9,667**	8,437
	27,436	24,696

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

9. Earnings per share

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

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
(Loss)/profit for basic and diluted earnings per share is the net (loss)/profit attributable to equity holders of the parent	**(2,111)**	39,150

	Number of shares 31 March 2016	Number of shares 31 March 2015
Weighted average number of ordinary shares in issue (for basic earnings per share)	**68,080,179**	68,019,437
Potential dilutive ordinary shares:		
Long-term incentive plan	**-**	-
Deferred share bonus	**147,156**	239,049
Diluted basis	**68,227,335**	68,258,486

Adjusted earnings per share

	Earnings 2016 £'000	Per share amount 2016 pence
Earnings for the purpose of basic EPS	**(2,111)**	(3.1)
Adjustments:		
Impairments (note 15)	**48,986**	72.0
Profit on disposal of business (note 17)	**(7,014)**	(10.3)
Earnings for the purpose of adjusted EPS	**39,861**	58.6
Effect of potential dilutive ordinary shares	**-**	(0.2)
Earnings for the purpose of adjusted diluted EPS	**39,861**	58.4

There were no adjustments made to the 2015 EPS.

10. Goodwill

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

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next four years and extends cash flows to perpetuity. Terminal values are based on nominal growth rates that do not exceed 3% (2015: 3%). The pre-tax rates used to discount the forecast cash flows are based on the group's estimated weighted average cost of capital, adjusted for tax, country or business specific risk premiums. The pre-tax rate used was 14.9% (2015: 14.9%) for PayPoint Romania.

	Total £000
Cost	
At 31 March 2015	7,694
Exchange rate adjustment	374
At 31 March 2016	**8,068**
Accumulated impairment losses	
At 31 March 2015	-
Impairment losses for the year	**-**
At 31 March 2016	**-**
Carrying amount	
At 31 March 2016	**8,068**
At 31 March 2015	7,694

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

Goodwill arising on acquisition:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
PayPoint Romania	**8,068**	7,694
Total	**8,068**	7,694

11. Other intangible assets

	Acquired systems £000	Development costs £000	Acquired contracts with merchants £000	Total £000
Cost				
At 31 March 2015	1,800	7,352	2,052	11,204
Additions	-	2,976	-	2,976
Disposals	(1,800)	-	(1,251)	(3,051)
At 31 March 2016	**-**	**10,328**	**801**	**11,129**
Amortisation				
At 31 March 2015	1,505	1,204	2,052	4,761
Charge for the year	135	1,086	-	1,221
Disposals	(1,640)	-	(1,251)	(2,891)
At 31 March 2016	**-**	**2,290**	**801**	**3,091**
Carrying amount				
At 31 March 2016	**-**	**8,038**	**-**	**8,038**
At 31 March 2015	295	6,148	-	6,443

The amortisation period for acquired systems and development costs incurred is between 5 years and 10 years. Amortisation is charged to cost of sales.

At 31 March 2016, the group had not entered into any material contractual commitments for other intangible assets.

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

12. Property, plant and equipment

	Group			
	Terminals and ATMs £000	Fixtures, fittings and equipment £000	Land and buildings £000	Total £000
Cost				
At 31 March 2015	50,951	3,870	6,412	61,233
Additions	4,595	39	-	4,634
Disposals	(709)	(15)	-	(724)
Exchange rate adjustment	204	55	-	259
At 31 March 2016	**55,041**	**3,949**	**6,412**	**65,402**
Accumulated depreciation				
At 31 March 2015	37,944	1,233	551	39,728
Charge for the year	4,399	211	88	4,698
Disposals	(684)	(15)	-	(699)
Exchange rate adjustment	181	42	-	223
At 31 March 2016	**41,840**	**1,471**	**639**	**43,950**
Carrying amount				
At 31 March 2016	**13,201**	**2,478**	**5,773**	**21,452**
At 31 March 2015	13,007	2,637	5,861	21,505

The cost of ATMs provided to retail agents under operating leases is £13.2 million (2015: £13.7 million) and the accumulated depreciation is £8.7 million (2015: £8.9 million). At 31 March 2016, the group had entered into contractual commitments for the acquisition of terminals and ATMs amounting to £2.9 million (2015: £0.7 million).

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

Notes to the financial statements continued

13. Investment in joint venture

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

PayPoint's share of aggregated amounts relating to joint ventures	**Year ended 31 March 2016**	Year ended 31 March 2015
Opening balance	**1,853**	686
Result for the year	**(224)**	1,317
Repayment of loan	**-**	(150)
Closing balance	**1,629**	1,853
Revenues	**24,794**	23,030
(Loss)/profit for the year	**(224)**	1,317

14. Deferred tax asset/(liability)

	31 March 2015 £000	Charge to income statement £000	**31 March 2016 £000**
Tax depreciation	884	(1,112)	**(228)**
Share-based payments	235	(74)	**161**
Short-term temporary differences	12	(12)	**-**
Total	1,131	(1,198)	**(67)**

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

At the balance sheet date, a deferred tax liability of £0.1 million (2015: asset £1.1 million) was recognised. This was in respect of accelerated capital allowances granted from research and development expenditure.

At the balance sheet date, the group had unused tax losses of £10.4 million (2015: £9.2 million) available for offset against future profits for which no deferred tax asset is recognised. All losses are held by group companies within the mobile payments business asset held for sale and may be carried forward indefinitely by those companies.

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

During the prior year, reductions in the main rate of UK corporation tax were enacted from 21% to 20% from 1 April 2015. Future reductions in the main rate of UK corporation tax from 20% to 19% for the year beginning 1 April 2017, with a further reduction from 19% to 18% for the year beginning 1 April 2020 have been substantively enacted at the balance sheet date. Deferred tax has been calculated using the 18% corporation tax rate. These future reductions in the main tax rate are expected to have a similar impact as for 2015, however the actual impact will be dependent on the deferred tax position at that time.

15. Investments

Subsidiary undertakings

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

Subsidiary of the Company	Principal activity	Country of registration
PayPoint Network Limited	Management of an electronic payment service	England and Wales
PayPoint Collections Limited	Provision of a payment collection service	England and Wales
PayPoint Retail Solutions Limited	Provision of retail services	England and Wales
PayPoint Ireland Limited	Holding company in Ireland	Ireland
PayPoint Network Ireland Limited	Management of an electronic payment service in Ireland	Ireland
PayPoint Collections Ireland Limited	Provision of a payment collection service in Ireland	Ireland
PayPoint Services SRL	Management of an electronic payment and collection service in Romania	Romania
Counter Payment Managers Limited	ESOP scheme	Isle of Man
PayByPhone Limited	Provision of a payment by phone service	England and Wales
PayByPhone Mobile Technologies Inc.	Provision of a payment by phone service	Canada
PayPoint Technologies Canada Inc.	Holding company in Canada	Canada
Mobile Payment Services SAS	Provision of a payment by phone service	France
PaybyPhone (Australia) Pty Limited	Provision of an online payment service	Australia
Adaptis Solutions Limited	Provision of a payment by phone service	England and Wales
PayPoint Payment Services Limited	Provision of regulated payments services	England and Wales
Drop & Collect Limited	Provision of parcel drop-off and pick-up services	England and Wales
PayPoint Trust Managers Limited	Provision of employee benefit trust services	England and Wales
PayPoint.net (US) Inc.	Provision of a payment by phone service	USA

Investments in subsidiaries and joint venture held by the Company are detailed below:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
At start of year	**127,512**	124,180
Additions for the year		
PaybyPhone Mobile Technologies Inc.	**1,959**	1,322
PaybyPhone Limited	**320**	500
Adaptis Solutions Limited	**110**	1,530
PayPoint Payment Services Limited	**-**	130
Metacharge Limited	**554**	-
Total additions	**2,943**	3,482
Loan repayments (note 13)	**-**	(150)
Impairments	**(68,712)**	-
At end of year	**61,743**	127,512

In the year as a result of the review of the carrying value of the Mobile and Online assets the following impairments have been charged to the profit and loss account:

	Group		Company	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Impairments:				
Online	**18,207**	-	**21,655**	-
Mobile	**30,779**	-	**47,057**	-
	48,986	-	**68,712**	-

The impairments recorded in the current year represent the accumulated impairment losses for both the group and Company.

The group has classified the mobile payments business as held for sale since 31 March 2015. The group continues to pursue the sale of the business which has to date, proved challenging. In light of this, the group has re-evaluated the fair value less costs of disposal to determine the recoverable amount and has recorded an impairment charge of £30.8 million.

16. Assets held for sale

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

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Assets held for sale:		
Goodwill	-	49,321
Other intangible assets	-	3,449
Property plant and equipment	549	733
Deferred tax asset	-	14
Trade and other receivables	1,855	2,264
Cash and cash equivalents	2,390	3,285
	4,794	59,066
Liabilities directly associated with assets classified as held for sale:		
Trade and other payables	3,070	4,030
Current tax liabilities	-	220
	3,070	4,250
Net assets held for sale	1,724	54,816

The assets held for sale at 31 March 2016 are the mobile payments business and those held for sale at 31 March 2015 are those of the mobile and online payments businesses, including their related goodwill.

In the first half of the year ended 31 March 2016 management recorded an impairment of all goodwill in the online payments business of £18.2 million. The online payments business was subsequently sold on 8 January 2016.

17. Profit on disposal of business

As referred to in note 16, on 8 January 2016 the group disposed of its interest in the online payments business.

The net assets of the online payments business consisted of PayPoint.net Limited and Metacharge Limited and at the date of disposal were as follows:

	£000
Intangible assets	4,258
Property, plant & equipment	178
Deferred tax asset	43
Trade and other receivables	1,313
Cash and cash equivalents	334
Trade and other payables	(840)
Net carrying value of disposed business	5,286
Profit on disposal	7,014
Net consideration[1]	12,300
Satisfied by:	
Cash and cash equivalents	12,300
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents[1]	12,300
Less: cash and cash equivalents disposed of	(334)
	11,966

1. Net of £2.1 million of disposal costs.

There were no disposals of subsidiaries made in the year ended 31 March 2015.

The impact of the online payments business on the group's results in the current year was a net loss of £0.2 million.

18. Inventories

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

19. Trade and other receivables

	Group		Company	
	31 March 2016 £000	31 March 2015 £000	**31 March 2016 £000**	31 March 2015 £000
Trade receivables[1]	**18,645**	15,598	**-**	-
Allowance for doubtful debts	**(954)**	(946)	**-**	-
	17,691	14,652	**-**	-
Items in the course of collection[2]	**81,403**	139,940	**-**	-
Amounts owed by group companies	**-**	-	**41,164**	11,558
Other receivables	**1,071**	1,001	**15**	13
Prepayments and accrued income	**9,082**	7,802	**2**	1,047
	109,247	163,395	**41,181**	12,618

1. The average credit period on the sale of goods is 33 days (2015: 28 days).
2. Items in the course of collection represent amounts collected for clients by retail agents and includes an allowance for doubtful debts of £1,849,000. PayPoint bears credit risk and will have title to the cash collected on only £17,801,742 of this balance at 31 March 2016 (2015: £29,719,000). Credit risk is mitigated by daily direct debiting and the suspension of terminals where direct debits fail. At the date of this report, all but £21,000 has been collected from retailers.

The group's exposure to the credit risk inherent in its trade receivables is discussed in note 28. The concentration of credit risk is limited due to the spread of the retail agent, merchant and client bases. Clients, retailers and merchants are credit checked to mitigate credit risk and in all new client contracts, we have the right of set-off of funds collected against monies due.

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

Included in the group's trade receivable balance are debtors with a carrying amount of £1,867,852, (2015: £2,104,268), which are past due at the reporting date, for which the group has not provided as there has not been a significant change in credit quality and the group believes that the amounts are still recoverable. The average age of these receivables is 46 days (2015: 47 days) and of the total balance £1,055,067 is past due by fewer than 30 days.

	Trade receivables past due by				
	Less than 1 month £000	1-2 months £000	2-3 months £000	More than 3 months £000	Total £000
Carrying value at 31 March 2016	1,055	218	95	500	1,868
Carrying value at 31 March 2015	1,829	207	9	59	2,104

Movement in the allowance for doubtful debts:

	Group		Company	
	31 March 2016 £000	31 March 2015 £000	**31 March 2016 £000**	31 March 2015 £000
Balance at the beginning of the year	**946**	1,313	**-**	-
Amounts utilised in the year	**(116)**	(250)	**-**	-
Increase in allowance	**124**	134	**-**	-
Transfer to assets held for sale	**-**	(251)	**-**	-
Balance at end of the year	**954**	946	**-**	-

	Age of allowance for doubtful debts				
	Less than 1 month £000	1-2 months £000	2-3 months £000	More than 3 months £000	Total £000
Carrying value at 31 March 2016	28	2	2	922	954
Carrying value at 31 March 2015	561	37	237	111	946

20. Cash and cash equivalents

Included within group cash and cash equivalents is £21,539,000 (2015: £3,772,000) relating to monies collected on behalf of clients where PayPoint has title to the funds (client cash). An equivalent balance is included within trade payables (note 21).

The group operates cash pooling amongst its various bank accounts in the UK and therefore individual accounts can be overdrawn without penalties being incurred so long as the overall position is in credit. At 31 March 2016, the group's cash was £80,831,000 (2015: £43,913,000), excluding £2,390,000 in assets held for sale (2015: £3,285,000).

Client settlement funds in the UK and Ireland are not shown in the balance sheet as the funds are held in trust for clients. In Romania, all client settlement funds are held in bank accounts owned by PayPoint Romania and this cash, which at 31 March 2016 amounted to £8.6 million (31 March 2015 £10.1 million) is included in the balance sheet.

21. Trade and other payables

	Group		Company	
	31 March 2016 £000	31 March 2015 £000	**31 March 2016 £000**	31 March 2015 £000
Amounts owed in respect of client cash[1]	**21,539**	3,772	**-**	-
Other trade payables[2]	**22,920**	24,847	**-**	-
Trade payables	**44,459**	28,619	**-**	-
Settlement payable[3]	**83,252**	139,940	**-**	-
Other taxes and social security	**1,540**	1,873	**-**	-
Other payables	**1,867**	3,106	**82**	798
Accruals	**8,058**	7,401	**347**	97
Deferred income	**919**	785		-
	140,095	181,724	**429**	895

1. Included within trade payables is £21,539,000 (2015: £3,772,000) relating to monies collected on behalf of clients where the group has title to the funds (client cash). An equivalent balance is included within cash and cash equivalents (note 20).
2. The group aims to pay its creditors promptly, in accordance with terms agreed for payment. The group had 27 days purchases outstanding at 31 March 2016 (2015: 38 days) based on the average daily amount invoiced by suppliers during the period.
3. Payable in respect of amounts collected for clients by retail agents.

22. Operating lease receivables

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Amounts receivable under operating leases:		
Within one year	**122**	249
Within two to five years	**89**	239
	211	488

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

23. Other non-current liabilities

	Group		Company	
	31 March 2016 £000	31 March 2015 £000	**31 March 2016 £000**	31 March 2015 £000
Deferred income	**-**	21	**-**	-
Amounts owed to group companies	**-**	-	**25,901**	76,353
	-	21	**25,901**	76,353

24. Financial commitments

Operating lease commitments

	31 March 2016		31 March 2015	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Leases which expire:				
Within one year	**439**	-	**658**	-
Within two to five years	**826**	-	**2,789**	-

25. Equity

Share-based payments equity settled share scheme

The group's share schemes are described in the Remuneration Committee report on pages 36 to 53. The vesting period for all awards is three years, and they are forfeited if the employee leaves the group before shares vest. The amount charged to the income statement in the period was £1,660,000. (2015: £1,570,000).

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

	Number of shares 2016	Number of shares 2015
Outstanding at the beginning of the year	**992,732**	1,035,238
Granted during the year – Long Term Incentive Plan (LTIP)	**269,851**	276,720
Granted during the year – Deferred Share Bonus (DSB)	**-**	82,643
Lapsed during the year	**(397,452)**	(401,869)
Outstanding at end of the year	**865,131**	992,732

Awards granted	**Number of shares**	**Vesting date**
LTIP 31 May 2013	221,978	31 May 2016
DSB 6 June 2013	64,513	6 June 2016
LTIP 2 June 2014	276,720	2 June 2017
DSB 2 June 2014	82,643	2 June 2017
LTIP 1 June 2015	269,851	1 June 2018

All options granted are for free shares and therefore the weighted average exercise price for all outstanding options is £nil.

The long term incentive plan tranche did not vest in June 2015. Under IFRS 2, the fair value charges of £848,000 relating to this tranche, which had been previously charged to the income statement, have been reclassified to retained earnings. The deferred share bonus did fully vest in June 2015 and accordingly the fair value charge of £115,000 was also reclassified to retained earnings.

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

	2016		2015	
	LTIP	LTIP	**LTIP**	DSB
Weighted average share price	**5.75**	5.99	**5.40**	4.39
Expected volatility[1]	**28%**	28%	**27%**	
Expected life	**3 years**	3 years	**3 years**	3 years
Risk free rate	**0.7%**	0.8%	**1.29%**	
Expected dividend yield	**3.75%**	3.79%	**2.90%**	2.90%

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

In 2016, there was no DSB scheme and the LTIP awards were made on two different dates.

Other share based payment plans

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

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Authorised share capital				
4,365,352,200 ordinary shares of 1/3p each (2015: 4,365,352,200 ordinary shares of 1/3p each)	**14,551**	14,551	**14,551**	14,551
	14,551	14,551	**14,551**	14,551
Called up, allotted and fully paid share capital				
68,087,481 ordinary shares of 1/3p each (2015: 68,045,059 ordinary shares of 1/3p each)	**227**	227	**227**	227
	227	227	**227**	227
Called up share capital				
At start of year	**227**	226	**227**	226
Arising on issue of shares	**-**	1	**-**	1
At end of year	**227**	227	**227**	227
Share premium				
At start of year	**1,977**	408	**1,977**	408
Arising on issue of shares	**388**	1,569	**388**	1,569
At end of year	**2,365**	1,977	**2,365**	1,977
Share based payment reserve				
At start of year	**3,926**	3,682	**3,926**	3,682
Additions in year	**1,660**	1,570	**1,660**	1,570
Lapsed in year	**(1,630)**	(1,326)	**(1,630)**	(1,326)
At end of year	**3,956**	3,926	**3,956**	3,926
Translation reserve				
At start of year	**(4,006)**	(2,613)	**-**	-
Movement during year	**968**	(1,393)	**-**	-
At end of year	**(3,038)**	(4,006)	**-**	-
Retained earnings				
At start of year	**113,348**	101,995	**56,636**	65,430
(Loss)/profit for year	**(2,095)**	39,147	**52,517**	18,359
Non-controlling interest (profit)/loss for year included in above (note 26)	**(16)**	3	**-**	-
Dividends paid	**(27,436)**	(24,696)	**(27,436)**	(24,696)
Adjustment on share scheme vesting (net of tax benefit of £666,000)	**666**	(2,457)	**666**	(2,457)
Deferred tax on share based payments	**-**	(644)	**-**	-
At end of year	**84,467**	113,348	**82,383**	56,636

26. Non-controlling interest

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
At start of year	**130**	127
Share of (profit)/loss for year	**(16)**	3
At end of year	**114**	130

27. Pension arrangements

The group administers a non-contributory defined contribution scheme for executive directors and employees. The amount charged in the consolidated income statement for the year for pension costs of the group under the scheme was £1,146,000 (2015: £1,247,000). There is no accrual for pension contributions at 31 March 2016 (2015: £nil).

28. Derivatives and other financial instruments

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

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

(a) Interest rate risk
The group had no interest bearing financial assets at 31 March 2016 other than sterling, euro, Romanian lei, US dollars and Canadian dollars deposits of £83,221,000 (2015: £47,198,000), including £2,390,000 in assets held for sale. Of these deposits, £21,539,000 (2015: £3,772,000) relates to monies held on behalf of clients where PayPoint has title to the funds for periods of up to seven days.

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

(b) Liquidity risk
The group's policy throughout the year ended 31 March 2016 regarding liquidity has been to maximise the return on funds placed on deposit whilst minimising the associated risk.

The group had no financial liabilities at 31 March 2016 other than short-term payables such as trade payables and accruals.

(c) Foreign exchange risk

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

The group's currency exposures comprise those transactional exposures that give rise to the net currency gains and losses recognised in the income statement. Such exposures comprise the monetary assets and monetary liabilities of the group that are not denominated in the operating (or functional) currency of the operating unit involved. At 31 March 2016, these exposures were £nil (2015: £nil).

(d) Borrowing facilities

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

(e) Fair value of financial assets and liabilities

The directors consider there to be no material difference between the book value and the fair value of the group's financial instruments at 31 March 2016.

(f) Market price risk

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

(g) Capital risk management

The group's objectives when managing capital (the definition of which is consistent with last year and is the group's assets and liabilities including cash) are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The group manages its capital by continued focus on free cash flow generation and managing the level of capital investment in the business.

(h) Credit risk

The group's financial assets are cash, trade and other receivables and investments. The group's credit risk is primarily attributable to its trade receivables and retailer debt to the extent that PayPoint bears the credit risk. Clients, retailers and merchants are credit checked to mitigate credit risk and in all new client contracts, we have the right of set-off of funds collected against monies due. The group's maximum exposure, at 31 March 2016, was £37,517,742 (2015: £46,318,000).

(i) Financial instrument sensitivities

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

29. 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 2016 £000	Year ended 31 March 2015 £000
Short term benefits and bonus[1]	**1,570**	2,624
Pension costs[2]	**219**	202
Long term incentives[3]	**353**	597
Other[4]	**9**	9
Total	**2,151**	3,432

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

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends. The directors' remuneration is disclosed in the Remuneration Committee Report on pages 36 to 53.

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 received nil repayments from Drop and Collect Limited. The amount outstanding at 31 March 2016 is £5.4 million (2015: £5.4 million).

The terms of the loan are:

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

The Company and its subsidiaries, in the ordinary course of business, enter into various sales, purchase and service transactions with Collect+. These transactions are under terms that are no less favourable than those arranged with third parties.

Amounts received from Collect+ during the year totalled £13.3 million (2015: £12.4 million) and PayPoint held a trade debtor at year end for Collect+ of £0.5 million (2015: £0.3 million).

The Company has loans with its subsidiaries, the balances receivable or payable at the year end are disclosed in note 19 and 23 respectively. The terms of the loans are:

- Interest charged at 5% monthly.
- The loans are unsecured and have no fixed terms of repayment.

During the year the Company paid interest on these loans of £2.7 million and received interest of £4.4 million. In addition the Company received from the Company's subsidiaries £110.0 million of dividend income.

30. Notes to the cash flow statement

	Group		Company	
	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Profit before tax	**8,152**	49,561	**52,517**	18,363
Adjustments for:				
Depreciation of property, plant and equipment	**4,698**	5,383	**-**	-
Amortisation of intangible assets	**1,086**	1,147	**-**	-
Share of losses/(profit) in joint venture	**224**	(1,317)	**-**	-
Research and development credit	**(522)**	-	**-**	-
Impairments	**48,986**		**68,712**	
Profit on sale of investments	**(7,014)**	-	**(12,300)**	-
Loss on disposal of fixed assets	**25**	7	**-**	-
Investment revenues	**-**	-	**(110,000)**	(18,279)
Net interest income	**(20)**	(56)	**(1,626)**	(1,009)
Share based payment charge	**1,442**	1,570	**1,442**	1,570
Operating cash flows before movements in working capital	**57,057**	56,295	**(1,255)**	645
Decrease/(increase) in inventories	**193**	(25)	**-**	-
(Increase)/decrease in receivables	**(1,500)**	(971)	**82,167**	(571)
Increase/(decrease) in payables			**-**	-
– client cash	**17,762**	(2,687)	**-**	-
– other payables	**(4,516)**	995	**(50,452)**	10,007
Cash generated/(used) by operations	**68,996**	53,607	**30,460**	10,081
Corporation tax paid	**(9,877)**	(8,614)	**-**	-
Bank charges paid	**(105)**	(97)	**-**	-
Net cash from operating activities	**59,014**	44,896	**30,460**	10,081

Movements in items in the course of collection (see note 19) and settlement payables (see note 21) have not been included in this reconciliation as the directors do not consider them to be operating working capital balances.

Trading history

	Year ending 31 March									
	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m
Revenue	157.1	212.1	224.4	196.6	193.2	200.0	208.5	212.2	218.5	212.6
Net revenue	57.7	69.9	77.4	77.4	82.7	90.4	105.7	113.7	123.1	123.6
Profit before tax[1]	**26.6**	**30.4**	**34.6**	**32.6**	**34.5**	**37.2**	**41.3**	**46.0**	**49.6**	**50.1**
Tax	7.9	9.4	10.8	10.5	10.6	10.3	10.3	10.1	10.4	10.2
Profit after tax	**18.7**	**21.0**	**23.8**	**22.1**	**23.8**	**26.9**	**31.0**	**35.9**	**39.1**	**39.9**
Earnings per share[1]										
Basic	27.7p	31.1p	35.6p	32.9p	35.2p	39.8p	45.7p	52.9p	57.6p	58.6p
Diluted	27.3p	30.8p	35.3p	32.7p	35.1p	39.8p	45.3p	52.6p	57.4p	58.4p
Dividend per share (excluding special dividends)	9.1p	10.4p	11.6p	21.8p	23.4p	26.5p	30.4p	35.3p	38.5p	42.4p

This table does not form part of the audited financial statements or notes (as listed in the Independent Auditor's Report on pages 58 to 61). All numbers quoted are reported under IFRS.

1. 2016 profit before tax and earnings per share excludes the impairments of £49.0 million and the profit on disposal of the online payments business of £7.0 million.

This notice of meeting is important and requires your immediate attention.

If you are in any doubt as to any aspect of the proposals referred to in this notice of meeting or as to the action you should take, you should seek your own advice from a stockbroker, bank manager, solicitor, tax adviser, accountant or other independent professional adviser.

If you have recently sold or otherwise transferred all of your ordinary shares in PayPoint plc, please pass this notice of meeting together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer, so that they can pass these documents to the person who now holds the shares as soon as possible.

PayPoint plc

Notice of annual general meeting

Notice is hereby given that the 2016 annual general meeting of PayPoint plc (the Company) will be held at the offices of Canaccord Genuity, 88 Wood Street, EC2V 7QR, on Thursday 28 July at 12.00 noon. You will be asked to consider and pass the resolutions below. Resolutions 15, 16 and 17 will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

Ordinary Business

1. To receive the annual accounts and reports for the financial year ended 31 March 2016.
2. To approve the Directors' Remuneration Report for the financial year ended 31 March 2016, other than the part containing the Directors' Remuneration Policy, as set out on pages 36 to 45 of the Company's Annual Report and Accounts for the year ended 31 March 2016.
3. To declare a final dividend of 28.2 pence per ordinary share of the Company for the year ended 31 March 2016.
4. To re-elect Ms Gill Barr as a director.
5. To re-elect Mr Neil Carson as a director.
6. To re-elect Mr George Earle as a director.
7. To re-elect Mr David Morrison as a director.
8. To re-elect Mr Dominic Taylor as a director.
9. To re-elect Mr Tim Watkin-Rees as a director.
10. To re-elect Mr Nick Wiles as a director.
11. To elect Mr Giles Kerr as a director who having been appointed since the last annual general meeting of the Company, offers himself for election in accordance with the Company's articles of association.
12. To re-appoint Deloitte LLP as auditor of the Company until the conclusion of the next annual general meeting of the Company at which the accounts are laid.
13. To authorise the directors to determine the auditor's remuneration.

Notice of annual general meeting continued

Special Business

14. That the directors are authorised in accordance with section 551 of the Companies Act 2006 (the Act), to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company up to an aggregate nominal amount of £75,659 provided that this authority shall expire on the conclusion of the annual general meeting of the Company to be held in 2017 or, on a date which is 15 months from the date of this resolution, whichever is earlier, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or rights to be granted after such expiry and the directors shall be entitled to allot shares or grant rights pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the directors under section 551 of the Act are revoked (save to the extent that the same are exercisable pursuant to section 551(7) of the Act by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date).

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

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

    b) the allotment (otherwise than under sub-paragraph (a) above) to any person or persons of equity securities up to an aggregate nominal amount of £11,349.

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

16. That subject to, and in accordance with the Company's articles of association and pursuant to Section 701 of the Act, the Company is authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of ⅓ of one penny of the Company ("ordinary shares") provided that:-

    (a) the maximum number of ordinary shares that may be purchased under this authority is 6,809,273;

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

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

    (d) this authority shall expire on the conclusion of the annual general meeting of the Company to be held in 2017 or on a date which is 15 months from the date of this resolution, whichever is earlier; and

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

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

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

By Order Of The Board

Susan Court
Company Secretary
26 May 2016

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

Notes to the notice of annual general meeting

1. A form of proxy accompanies this notice for use by shareholders. To be valid, a proxy must be received by the Company's registrar, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not less than 48 hours before the time of the annual general meeting. Completion and return of a form of proxy does not preclude a shareholder from attending the AGM and voting in person.
2. A member entitled to attend, speak and vote at the annual general meeting may appoint a proxy (who need not be a member of the Company) to exercise all or any of his or her rights to attend and to speak and vote on his or her behalf. A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her. To appoint more than one proxy you may photocopy the proxy form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

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

   – in hard copy form by post, by courier or by hand to the Company's registrar, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF; or

   – in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below,

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

   You must inform the Company's registrar in writing of any termination of the authorities of a proxy.
3. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the annual general meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
4. The statement of the rights of shareholders to appoint a proxy in paragraphs one and two above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company. Nominated person are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investments in the Company.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a CREST proxy instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of annual general meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedure in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
7. To be entitled to attend and vote at the annual general meeting or any adjournment thereof (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the Company by close of business on 26 July 2016 (or by close of business on the date being two days before any adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Notes to the notice of annual general meeting continued

8. Biographical details of the directors of the Company are shown on page 25 of the 2016 annual report.
9. Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, in accordance with section 319A of the Companies Act 2006 and subject to some exceptions, the Company must cause such questions to be answered. However no such answer need be given if:
   (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
   (b) the answer has already been given on a website in the form of an answer to a question; or
   (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
10. Information relating to the meeting which the Company is required by section 311A of the Companies Act 2006 to publish on a website in advance of the meeting may be viewed at www.paypoint.com. A member may not use any electronic address provided by the Company in this document or with any proxy appointment form or in any website for communicating with the Company for any purpose in relation to the meeting other than as expressly stated in it.
11. It is possible that, pursuant to members' requests made in accordance with section 527 of the Companies Act 2006, the Company will be required to publish on a website a statement in accordance with section 528 of that Act setting out any matter that the members concerned propose to raise at the meeting relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company cannot require the members concerned to pay its expenses in complying with those sections. The Company must forward any such statement to its auditor by the time it makes the statement available on the website. The business which may be dealt with at the meeting includes any such statement.
12. The issued share capital of the Company as at 26 May 2016 was 68,092,729 ordinary shares of ⅓ pence each, carrying one vote each. The Company holds no treasury shares or unallocated shares for the purpose of employee share schemes, therefore, the total number of voting rights in the Company on 26 May 2016 is 68,092,729.
13. The directors' service agreements and letters of appointment are available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the place of the annual general meeting from 15 minutes before the meeting until it ends

Recommendation and voting intentions
With respect to resolutions 4 to 10 (inclusive), the Chairman confirms that, based on the performance valuation undertaken during the period, each of the retiring director's performance continues to be effective and to demonstrate commitment to the role. The board has considered this and recommends that each director who wishes to serve again be proposed for re-election. This opinion is based on an assessment of each director's relevant knowledge and experience and the conclusion that, in each case, their informed opinions are of significant value and contribute greatly to board discussions. The directors' biographies can be found on page 25 of the 2016 annual report.

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

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

Resolution 2: Directors' Remuneration Report
Shareholders are asked to approve the directors' remuneration report that appears on pages 36 to 45 other than the part containing the Directors' Remuneration Policy, of the 2016 annual report and accounts. This vote is advisory, and the directors' entitlement to remuneration is not conditional on it.

Resolution 14: Directors' authority to allot shares
By virtue of section 551 of the Companies Act 2006 (the Act), the directors require the authority of shareholders of the Company to allot shares or grant rights to subscribe for or convert any security into shares. The resolution numbered 14 authorises the directors to make allotments of up to 22,697,576 ordinary shares, representing approximately one-third of the issued share capital of the Company (excluding treasury shares) as at the date of this document). If approved at the forthcoming annual general meeting, the authority will expire no later than 15 months from the date on which the resolution is passed or on the conclusion of the annual general meeting of the Company to be held in 2017, whichever is the sooner. The directors have no present intention of exercising the authority proposed to be conferred pursuant to resolution 14.

Resolution 15: Authority for disapplication of statutory pre-emption rights
By virtue of section 561 of the Act, any issue by the Company of equity capital for cash made otherwise than to existing shareholders on a proportional basis requires the consent of shareholders of the Company unless the Company has obtained their authority under sections 570 and 573 of the Act. The resolution numbered 15 is for that purpose. It authorises the directors to allot shares by way of rights issue or pursuant to an open offer or otherwise than strictly pro rata when the directors consider that it is expedient to do so and also allows them to issue for cash up to 3,404,636 ordinary shares (representing approximately five per cent) of the issued share capital of the Company (excluding treasury shares) as at the date of this document other than on a pre-emptive basis. If approved at the forthcoming annual general meeting, the authority will expire no later than 15 months from the date on which the resolution is passed or on the conclusion of the annual general meeting of the Company to be held in 2017, whichever is the sooner. The directors have no present intention of exercising the authority proposed to be conferred pursuant to resolution 15.

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

The maximum number of ordinary shares which could be purchased under this authority is 6,809,273, being 10 per cent of the issued share capital of the Company (excluding treasury shares) as at the date of this document. Any repurchase of ordinary shares carried out by the Company would be at a maximum price per ordinary share of 105 per cent. of the average middle market price of such a share for the five business days immediately preceding the date of the purchase, the price equal to the last independent trade or the highest current independent bid and at a minimum price equal to the nominal value. The authority to repurchase ordinary shares will, if approved by shareholders, only be exercised after careful consideration by the directors and if such exercise would result in an increase in earnings per share and be in the best interests of shareholders generally. If approved at the forthcoming annual general meeting, the authority will expire no later than 15 months from the date on which the resolution is passed, or on the conclusion of the annual general meeting of the Company to be held in 2017, whichever is the sooner.

Resolution 17: Authority to allow any general meeting of the Company that is not an annual general to be called on not less than 14 clear days' notice
The minimum notice period for general meetings of listed companies is 21 days, but companies may reduce this period to 14 days (other than for annual general meetings) provided that:

(a) the Company offers a facility for shareholders to vote by electronic means. This condition is met if the Company has a facility enabling all shareholders to appoint a proxy by means of a website; and

(b) on an annual basis, a shareholders' resolution approving the reduction of the minimum notice period from 21 days to 14 days is passed.

The board is therefore proposing Resolution 17 as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than annual general meetings. The approval of this resolution will be effective until the end of the 2017 annual general meeting of the Company, when it is intended that the approval will be renewed. The board intends that the shorter notice period will only be used in limited exceptional circumstances which are time-sensitive, rather than as a matter of routine, and only where the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole. The directors do not have any current intention to exercise this authority but consider it appropriate to ensure that the Company has the appropriate flexibility to respond to all eventualities.

Officers and professional advisers

Directors
G Barr*
N Carson*
G Earle
G Kerr*
D Morrison*
D Taylor
T Watkin-Rees
N Wiles (Chairman)*

* Non-executive directors

Company Secretary
S Court

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

Registered in England and Wales
number 03581541

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

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

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

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

Registrar
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent, BR3 4TU

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WORLD LAND TRUST™

Carbon Balancing by the World Land Trust tackles climate change through projects that both offset carbon dioxide (CO2) emissions and conserve biodiversity.

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

Tel +44 (0)1707 600 300
Fax +44 (0)1707 600 333
www.paypoint.com

PayPoint