PayPoint plc
Preliminary results
Year ended 31 March 2019

FINANCIAL HIGHLIGHTS

Year ended 31 March	2019	2018	Change
Revenue	**£211.6m**	£213.5m	(0.9)%
Net revenue[1]	**£116.6m**	£119.6m	(2.5)%
Operating margin[2]	**46.3%**	44.7%	1.6ppts
Profit before tax excluding exceptional items	**£53.8m**	£52.9m	1.6%
Profit before tax	**£54.7m**	£52.9m	3.3%
Diluted earnings per share	**64.8p**	62.7p	3.3%
Cash generation[3]	**£62.8m**	£67.9m	(7.5)%
Ordinary dividend paid per share	**46.2p**	45.3p	1.9%
Additional dividend paid per share	**36.7p**	36.7p	-
Net corporate cash[4]	**£3.5m**	£18.5m	(81.3)%
Cash and cash equivalents	**£37.5m**	£46.0m	(18.6)%

Strategy execution

- **Embed PayPoint at the heart of convenience retail**
  - The PayPoint One platform was live in 12,881 sites at 31 March 2019, ahead of the original target of 12,400 sites. 13,248 sites are live today[5]. This means that over 74%[6] of PayPoint's independent retailers are now using the new platform.
  - Service fee revenue increased by £2.6 million (33.6%) to £10.3 million.
  - Card payment rebate revenue increased 5.5% to £7.9 million.
- **Become the definitive parcel point solution**
  - Four new parcel partnerships secured; five now signed-up.
  - Collect+'s Trust Pilot rating of 9.2 reconfirms Collect+'s strong consumer proposition.
- **Sustain leadership in 'pay-as-you' go and grow digital bill payments**
  - UK bill payments and top-ups net revenue per transaction grew by 4.7%.
  - 21 new clients launched including Monzo Bank and Anglian Water.
  - MultiPay's net revenue increased by 48.3%.
  - Romania's net revenue grew by 16.8% and 27 new clients were added. 1,500 of Payzone's highest transacting retailers have chosen to migrate to the PayPoint platform and card payments was rolled out to 1,300 sites.
- **Innovate for future growth and profits**
  - Developed and launched a pilot for card payments net settlement which allows the offset of bill payments cash due from retailers against funds due to retailers for card payments.
  - Ready to commence with the initial trial of the LINK Over-The-Counter service.
  - MultiPay's direct debit payment capability developed to unlock further penetration of the energy sector and other verticals.

Organisation and service delivery

- Improved PayPoint One installation capacity by c.40% following the introduction of Salesforce CRM to manage workflow.
- Reduced the time to resolve retailers' claim for refunds by c.70% and their time in automated call handling systems by c.80%.

[1] Net revenue is an alternative performance measure. Refer to note 1 to the financial statements for a reconciliation to revenue.
[2] Operating margin % is an alternative performance measure and is calculated by dividing operating profit by net revenue.
[3] Cash generation is an alternative performance measure. Refer to the financial review – cash flow and liquidity for a reconciliation from profit before tax.
[4] Net corporate cash is cash and cash equivalents excluding clients' funds and retailers' deposits of £34.0 million.
[5] As at 20 May 2019.
[6] Excludes retailers using the PPoS terminal and multiple retailers using the legacy terminal.

Financial highlights

- Underlying revenue[7] (including the share of commission paid to retailers) grew by 1.6%. Reported revenue declined by 0.9% to £211.6 million reflecting the £5.2 million headwinds from the Simple Payments Service (SPS) closure and renegotiation of the Yodel contract.
- Underlying net revenue[8] grew by £2.2 million (2.0%) driven by the roll out of PayPoint One and growth in MultiPay, eMoney and Romania's transactions. Reported net revenue[1] declined by £3.0 million (2.5%) to £116.6 million reflecting the £5.2 million headwinds described above.
- Underlying costs[9] declined by £2.9 million driven by cost efficiencies and savings. Total costs[10] declined by £3.8 million to £62.8 million which includes a one-off VAT recovery of £2.4 million related to prior years.
- Profit before tax excluding exceptional items grew by 1.6% to £53.8 million, profit before tax including exceptional items grew by 3.3% and diluted earnings per share also increased by 3.3%.
- At the year end, net corporate cash was £3.5 million and the £75 million financing facility was unutilised.
- PayPoint remains committed to the additional dividend programme of £25 million per annum until December 2021 alongside the ordinary dividend. Final ordinary dividend of 23.6 pence per share to be paid to shareholders in equal payments on 29 July 2019 and 30 September 2019.

Patrick Headon, CEO commented:

'I am delighted to have joined PayPoint as CEO at an exciting time in its development. Key foundations have been set for future growth. PayPoint One was rolled out to almost 13,000 sites and, in the future, we will continue to enhance product features adding even more value to retailers. Together with our four new parcel partners we can improve online shoppers' experience by delivering their purchases to a PayPoint store convenient to them. MultiPay enhancements allow our clients to offer a full suite of payment options to their end consumers. At the same time, our bill payments business has proved resilient in a rapidly evolving market.

Delivery of the financial result for the year ending 31 March 2020 requires revenue growth across PayPoint One, MultiPay, Romania and Parcels, as we scale up with our new partnerships, as well as continued resilience in bill payments and vigilance on costs. Despite the final year impact of the Yodel renegotiation (£0.7 million), investment in customer service and improved business efficiency (£2 million) and the uncertain broader economic environment, the Board is confident that there will be a progression in profit before tax for the year ending 31 March 2020.'

Enquiries

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A presentation for analysts is being held at 9:30am today (23 May 2019) at Canaccord Genuity Limited, 88 Wood Street, London, EC2V 7QR. This announcement is available on the PayPoint plc website: www.paypoint.com

[7] Underlying revenue excludes the current year impact from the Yodel renegotiation of £1.0 million and SPS closure of £4.2 million.
[8] Underlying net revenue excludes the impact from the Yodel renegotiation of £1.0 million and SPS closure of £4.2 million. See note 1 to the financial statements.
[9] Underlying costs excludes the £2.4 million prior year VAT recovery benefit included in the current year and £1.5 million prior year VAT recovery in 2018. See costs section of the financial review.
[10] Comprising of £18.3 million other costs of revenue (see note 4 to the financial statements), administrative expenses of £44.3 million and net financing costs of £0.2 million.

CHAIRMAN'S STATEMENT

Dear Shareholders,

In last year's annual report, the Board identified the four key strategic priorities for the business. These priorities were to: embed PayPoint at the heart of convenience retail, become the definitive parcel point solution, sustain leadership in pay-as-you-go & grow digital bill payments, and innovate for future growth and profits. These objectives centred around our growth drivers of PayPoint One, parcels, Romania and MultiPay. I am pleased to report good progress against all four of these initiatives. Our PayPoint One estate was extended by 4,331 sites to reach 12,881 sites on 31 March 2019, ahead of the original target of 12,400 sites. We have signed four new significant parcel partnerships. Romania's transactions grew, delivering a 16.8% increase in net revenue. MultiPay also delivered strong growth of 48.3% in net revenue whilst the over-the-counter bill payments business proved to be resilient.

As a Board, we believe there is a significant opportunity to drive further growth from our retail services offering through developing the PayPoint One and parcel products, increasing the penetration of card payments and by achieving a substantial improvement in our service delivery to retail and client partners. To lead the next phase of PayPoint's development, and to build on the success achieved in the business over many years, Patrick Headon was appointed PayPoint's CEO on 1 April 2019. Patrick has a strong management track record in consumer, digital and B2B organisations.

Patrick succeeds Dominic Taylor, who successfully led PayPoint for over 21 years from a start-up company to an organisation of substantial scale and importance in the UK and Romania. The Board and I would like to thank Dominic for his immense contribution and leadership of PayPoint over this period and for the strong legacy he leaves behind in the business.

Looking ahead, the Board remains confident in PayPoint's prospects given its position at the heart of convenience retail. Our low cost, scalable and efficient business model means that PayPoint will play an increasingly important role in the UK by providing vital payment, banking, cash out and parcel services to communities where banks and the Post Office lack physical presence. We aim to fulfil our role in these areas in a way that provides excellent service to clients and retailers, enriching opportunities for all employees, and ensuring strong and sustainable returns to shareholders. The Board remains committed to our additional dividend programme of £25 million per annum which continues up until December 2021 alongside our ordinary dividend programme.

Finally, our dedicated people and their commitment are vital to PayPoint and drive our performance. I am highly appreciative of the work they have done to deliver the results this year.

Nick Wiles
Chairman
22 May 2019

CHIEF EXECUTIVE'S STATEMENT

Introduction

Since joining PayPoint on 1 March 2019, I have spent considerable time with retailers, clients, external stakeholders and PayPoint employees. Four themes have come across clearly in these meetings:

- PayPoint has a strong and scalable business model. It plays a vital role in communities across the UK and Romania and has a strong record of generating sustainable returns for shareholders.
- Foundations for future growth are now established following the first stage of the PayPoint One roll out, the securing of new parcel carrier relationships and the continued adoption of our innovative products, such as MultiPay.
- There are significant changes occurring in the sectors in which PayPoint operates, which present both substantial opportunities and exciting challenges. To optimise performance, the business will need to adapt further and move quickly.
- PayPoint is fortunate to have highly committed employees who are focused on delivering innovative products and services to our customers.

Looking ahead, I have a number of early priorities. These include a strong focus on delivering good growth in retail services. We also need to improve customer service further. The continuing development of Salesforce CRM will support that objective. Finally, as well as executing the existing strategic initiatives, we will look at how we can add more value to the business.

2018/19 performance

Over the past 12 months, underlying net revenue grew by £2.2 million (2.0%) to £115.9 million. Growth was driven by UK retail services, which now represents 32% of group net revenue, and Romania. Service fee revenue exceeded £10 million for the first time as PayPoint One was rolled out to 12,881 sites ahead of the original target of 12,400 sites; a significant achievement for this new product. Our parcel business added three of the UK's largest carriers as well as eBay, which is the UK's largest on-line marketplace. UK bill payments and top-ups revenue demonstrated continued resilience in the face of the current decline in cash payments in the UK. Reported net revenue, which reflects the expected £5.2 million headwinds from the Department for Work and Pensions (DWP) SPS service closure and the impact of the revised Yodel commercial terms, decreased by £3.0 million to £116.6 million.

This financial year we grew pre-tax profits before exceptional items by £0.9 million (1.6%) to £53.8 million, in line with the expectations we set in our 2017/18 annual report. There was an additional benefit of £0.9 million included in reported pre-tax profits of £54.7 million relating to the PayByPhone business disposal in 2016. Reported profit before tax grew by 3.3% with diluted earnings per share also increasing by 3.3% to 64.8 pence. PayPoint remains highly cash generative with profit before tax of £54.7 million converted into £62.8 million cash. Net corporate cash declined by £15.0 million to £3.5 million as a result of the additional dividend programme.

For 2019, the Board is proposing a final dividend of 23.6 pence per share and an additional dividend of 18.4 pence per share which reflects our confidence in the business and the outlook for 2019/20.

Outlook

In the past financial year our performance was driven by revenue growth in PayPoint One, MultiPay and Romania, resilience in bill payments and strong cost control. We also benefited from a non-recurring £2.4 million from improved VAT recoverability, relating to prior years. The improvement in profit before tax was delivered despite significant revenue headwinds from the closure of the DWP SPS service (£4.2 million) and the second year impact from the Yodel commercial negotiation (£1.0 million).

Delivery of the financial result for the year ending 31 March 2020 requires revenue growth across PayPoint One, MultiPay, Romania and Parcels, as we scale up with our new partnerships, as well as continued resilience in bill payments and vigilance on costs. Despite the final year impact of the Yodel renegotiation (£0.7 million), investment in customer service and improved business efficiency (£2 million) and the uncertain broader economic environment, the Board is confident that there will be a progression in profit before tax for the year ending 31 March 2020.

Patrick Headon
CEO
22 May 2019

OUR MARKETS

In the UK, the retail sector comprises of over 63,500 retail sites and is made up of the following segments:

	UK retail sector[11]	PayPoint's network
Independents and symbol groups in convenience retail	34,000	
Specialist and CTN stores (Confectionery, Tobacconist and News)	6,000	
Independent forecourts	3,000	
Symbol and independent retailers	**43,000**	**19,000**
Multiple groups in convenience retail	8,000	
Forecourt dealers	2,000	
Supermarkets and discounters	10,500	
Managed groups	**20,500**	**9,000**
Total UK sites	**63,500**	**28,000**

PayPoint's network is significantly larger than all the banks, supermarkets or the Post Office. Our superior network means 99.5% of the urban population live within one mile of a PayPoint retailer and 98.5% of the rural population within five miles. This provides a convenient place for consumers to pay their bills and utilise other PayPoint services, including the collection and sending of parcels where available.

Convenience retail

- Total convenience sector sales are estimated to have grown by 2.5% in 2018 to over £40bn[12].
- Convenience retail growth is driven by consumers' habits changing towards smaller but more frequent shopping trips at their local stores.
- Convenience retailer sites declined by c.1.0%, mainly symbol groups, driven by disruption in the wholesale supply chain caused by the Palmer & Harvey collapse and consolidation within the sector.

Our PayPoint One technology is well suited for symbol and independent convenience retailers. In conjunction with additional PayPoint services such as parcels, it enables retailers to achieve higher footfall, serve customers more quickly and improve business efficiency. This helps them to grow their businesses profitably and remain competitive. Managed groups which offer PayPoint services typically use the PPoS solution which integrates into their own EPoS systems. As we develop our range of services, we can drive additional growth from service fee revenue.

Card payments

- Total UK card payments transactions increased by 24.1% in the six months to January 2019[13] driven by consumers shifting towards contactless payments.
- As a result of this strong growth in lower value contactless payments, average transaction values declined by 4.3%[13].
- Legislation banning surcharges on card payments became effective from January 2018.
- Over 88% of convenience retailers offer debit and credit card facilities with 80% accepting contactless payments[2].

PayPoint will benefit both from the market growth in UK card payments and by increasing the penetration of its card payments product in its retail network, assisted by our new unique net settlement feature.

ATMs

- LINK's ATM transactions declined by 6.6% to 2,863 million transactions and LINK's ATM network declined by 5,400 (7.8%) sites to 63,200 in 2018[14].
- LINK's interchange fee reduced by 5% in July 2018 and by a further 5% in January 2019 which accelerated the decline of ATMs in the current year. Future interchange reductions are on hold[15].

PayPoint's ATM merchant replenishment model allows retailers to recycle cash received from bill payments into the ATM. This model is more cost effective for both PayPoint and the retailer. It allows PayPoint to grow its market share and creates additional revenue and footfall opportunities for the retailer. The LINK Over-The-Counter opportunity will eliminate the capital investment required in an ATM, allowing sustained access to cash withdrawal facilities for consumers, particularly in areas not justifying an ATM. This will further support PayPoint's position and grow market share.

[11] Data from the IDG retail analysis – UK grocery store numbers 2018
[12] ACS local shop report 2018
[13] Derived from data in 'Total Market Data - Credit Card Statistics - January 2019' available at https://www.ukfinance.org.uk/data-and-research/data/cards/card-spending, comparing seasonally adjusted figures from six months to July 2018 to the six months to January 2019.
[14] https://www.link.co.uk/about/statistics-and-trends/ - 12 months to March 2019.
[15] https://www.link.co.uk/about/news/link-update-to-interchange-rate-implementation/

Parcels

- IMRG continues to forecast UK parcel volumes to grow by 9% year-on-year in 2019, although for the three months to March 2019 volumes were 1.9% below 2018[16].
- The pick-up and drop-off market comprises Click and Collect, returns and send propositions. The Click and Collect market is c.118 million parcels per year and is expected to double by 2025[17]. Returns and send volumes are estimated at c.185 million and c.380 million parcels per year respectively[18].

As PayPoint develops new parcel partnerships it will maximise its share of this growing market. This will drive additional footfall and revenue opportunities for convenience retailers and improve the Click and Collect experience for shoppers.

Bill payments

- The Post Office acquired Payzone's bill payment business following the Competition and Markets Authority clearance in October 2018[19].
- Cash payments in the UK declined by 14.7% in 2017[20].
- Energy:
    - The price cap for pre-pay customers increased by £106 to £1,242 per year in April 2019[21].
    - Non-Big Six energy providers combined market share is now c.25%.
    - 11 challenger energy companies went into administration in the last eight months; Ofgem are introducing financial health tests for new energy suppliers.
- Number of pre-paid mobile subscriptions declined by 6.5% to 27.5 million subscribers[22], with more customers topping up online.
- Big four banks market share of current accounts fell from 92% of all bank customers in 2009 to around 70% today, with Fintech challenger banks such as Monzo, Revolut, N26, Atom and Starling Bank growing market share[23].

Despite falling transaction volumes, PayPoint will work to maintain its leadership in this market and look to drive profitable growth opportunities supporting new entrants in the energy and banking space. Through MultiPay, and its improving range of services, PayPoint will facilitate growth of online bill payment transactions in selected verticals.

[16] https://www.imrg.org/data-and-reports/imrg-metapack-delivery-indexes/mar-imrg-metapack-delivery-index-summary-february-2019/
[17] https://www.imrg.org/uploads/media/default/0001/08/2477f50ad2fee946cdf5ed23ebb8df21f2489d09.pdf?st
[18] Internal management estimates.
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[20] http://www.fasterpayments.org.uk/sites/default/files/Quarterly%20Statistical%20Report%202018%20Q4.pdf (2018 data pending)
[21] https://www.ofgem.gov.uk/publications-and-updates/higher-wholesale-costs-push-default-and-pre-payment-price-caps-april
[22] https://www.ofcom.org.uk/research-and-data/multi-sector-research/cmr/cmr-2018/interactive
[23] https://www.wired.co.uk/article/fintech-startups-taking-on-legacy-banks - Big four are Barclays, Royal Bank of Scotland/NatWest, HSBC and Lloyds

STRATEGIC PRIORITIES

PayPoint's strategy is to exploit the opportunities available from the market developments described above by leveraging our leading retailer network, scalable technology and payments platform. The strategy is executed through the four key priorities described in last year's annual report. We have set out our progress and future ambition for each priority below.

PRIORITY 1: EMBED PAYPOINT AT THE HEART OF CONVENIENCE RETAIL

PayPoint will continue to provide and develop new products and services which enhance our retailers' offer to their customers and help them operate their businesses more effectively. Core to this priority is PayPoint One which includes EPoS and bill payment functionality, and other products such as card payments and ATMs.

Progress in 2018/19

PayPoint One sites increased by a net 4,331 in the year to reach 12,881 by 31 March 2019, ahead of the original target of 12,400. In the first quarter of 2018/19 our focus was on the roll out of EPoS Pro following its launch in January 2018 and at 31 March 2019 it was in 645 sites. The average PayPoint One service fee remained stable at £15 per week. During the year the PayPoint wholesaler links into Booker and Nisa were developed and were in trial at selected retailers. An iOS version of the PayPoint One mobile app was released in January 2019 to complement the existing Android version.

Card payments sites declined by 456 to 9,796 driven by competitor activity in this highly competitive segment of the market. Card rebate revenue grew by 5.5% as card payment transactions increased by 20.1% offsetting the decline in revenue per transaction due to lower average transaction values. The card net settlement feature is in pilot with early indications of success. This will enable retailers to offset their bill payment settlement to PayPoint against their card settlements thereby reducing their working capital requirements and cash banking costs. Card net settlement will be ready for roll out at scale following the go-live of the new Salesforce CRM lead to sales feature.

The ATM estate declined by 319 sites due to our strategy to optimise capital expenditure. This strategy commenced in the current year with ATMs from low transacting sites being removed. Some of these ATMs were redeployed to more profitable sites with initial success evidenced by the 2.9% increase in transactions despite the general decline experienced in the wider market. Net revenue declined by £0.5 million (3.9%) due to LINK's interchange rate reductions. The LINK Over-The-Counter service (which enables cash withdrawals through the use of a pinpad integrated with the PayPoint terminal) is ready for its initial trial.

Ambition for 2019/20

For the year ahead, our emphasis will be on ensuring consistent progress in revenue growth across all products. We intend to grow the PayPoint One estate by a further 3,000 sites to 15,800 sites and to trade-up a portion of the existing Base sites to Core and Pro EPoS versions. This, together with the annual indexation increase, will drive an improvement in the average weekly PayPoint One service fee per site. We will look to reverse the decline in the card payments estate through better sales force focus, roll out of the card net settlement feature and new pricing structures to attract new and retain existing retailers. The ATM estate will remain broadly flat as we use the existing ATM stock and optimise capital expenditure. A successful trial of the LINK Over-The-Counter service will enable future growth from this product.

PRIORITY 2: PAYPOINT BECOMES THE DEFINITIVE PARCEL POINT SOLUTION

Online retail shopping will continue to grow as retailers enhance their offering with convenient delivery methods. Deliveries in the "last mile" are difficult for carriers who are operating in a competitive low-margin market. Our extensive network, which comprises over 7,000, sites brings carriers and retailers together for their, and their customers', benefit.

Progress in 2018/19

We successfully transitioned to a multi-carrier proposition by signing up three of the UK's largest carriers and eBay, the UK's largest on-line marketplace. Our parcel proposition traded under the Collect+ brand which held its Trust Pilot score at 9.2. PayPoint maintained the operational effectiveness of its in-store service. Parcel volumes declined by 8.0% primarily due to lower volumes from our incumbent partner. A parcel app for retailers was launched in December 2018 which allows retailers to scan parcels away from their PayPoint terminal improving both the retailer and customer experience.

Ambition for 2019/20

Our focus for the next financial year is to transition from delivery of new partnerships to growing parcel volumes and revenue. Key to this will be strong delivery of customer service as volumes scale, thereby maintaining the Collect+ Trust Pilot score.

PRIORITY 3: SUSTAIN LEADERSHIP IN 'PAY-AS-YOU-GO' AND GROW DIGITAL BILL PAYMENTS

UK

Over-the-counter payments will remain an important part of the UK economy and we will continue to retain our leadership in this market. This business remains highly cash generative and enables us to invest in future growth and innovation. We intend to grow our presence in omni-channel payments by evolving the MultiPay platform offering and extending beyond the energy sector.

Progress in 2018/19

Bill payment (including MultiPay), top-up and eMoney transactions declined by 6.4% to 361.7 million. This was partially offset by the 5.4% improvement in average net revenue per transaction. The improved margin was driven by growth in small clients' transactions. 21 new clients went live including Monzo Bank which has over 1 million customers. eMoney transactions grew by 11.4% to 7.8 million. The MultiPay platform continued to grow strongly, increasing transactions by 40.7% to 27.3 million. The MultiPay platform now has a new direct debit feature. This enables the service to be extended to other sectors; a new housing association client has already been secured.

Ambition for 2019/20

PayPoint's intentions are to maintain leadership in this sector. This will be achieved by renewing key contracts with existing clients and targeting new clients specifically in the housing (MultiPay) and eMoney sectors. We anticipate existing challenger energy and bank providers will continue to take market share from the incumbents and mobile top-up transaction values will increase. These trends are expected to partially offset the net revenue impact from reducing transaction volumes.

Romania

Romania is an important growth driver for PayPoint. Its technology platform, network strength and brand recognition make it uniquely placed as the Romanian market evolves. This evolution will include, over time, growth in automated, digital, parcel and card payments solutions. Cash bill payments remain a mass market proposition and will continue to be a robust category.

Progress in 2018/19

Romania continued to progress the Payzone integration with over 1,500 of Payzone's highest transacting retailers choosing to migrate to the PayPoint platform driving improved margins. PayPoint maintained its leadership in the country with 27 new clients launched and keeping its 80% consumer awareness. Transactions in Romania increased by 16.4% to 112.2 million with the share of client bill payments steady at 34% (2018: 34%). The card payment service was available in 1,300 sites at 31 March 2019.

Ambition for 2019/20

We intend to continue to grow PayPoint's share of client bill payments and continue to secure new clients. Focus will also be on profitability by improving the margins on transactions and from the Payzone integration. PayPoint will commence with the development of a new terminal which will replace the legacy T2 terminal over time. The card payment solution will also be extended to a further 500 sites.

PRIORITY 4: INNOVATE FOR FUTURE GROWTH AND PROFITS

To maintain PayPoint's competitive advantage we must continually innovate, drive new products and services, improve the retailer experience and increase efficiency.

Progress in 2018/19

Achievements in the year are addressed in the three priorities above but are repeated here for convenience and include:

- Launched an iOS mobile app for PayPoint One to complement the existing Android app which enables retailers to manage their stores remotely.
- Developed and launched a pilot for card payments net settlement feature allowing offset of bill payments cash due from retailers against funds due to retailers for card payments. This reduces retailers' working capital requirements and cash banking costs.
- Developed the LINK Over-The-Counter service which is ready to commence its initial trial.
- Launched a parcel app enabling retailers to scan parcels away from the PayPoint terminal which improves customer service at check-out.
- MultiPay was enhanced with a direct debit feature extending the capabilities beyond card payment via app, web or text. This also enables the digital platform to be used outside of the energy sector.

Ambition for 2019/20

PayPoint will continue to invest in its PayPoint One product enabling it to meet growing retailer requirements and prepare for future products and services. We will work on extending the data analytics capabilities which will, in time, provide further insight for retailers enabling them to manage their stores even more effectively.

ORGANISATION AND SERVICE DELIVERY

Underpinning PayPoint's future success is the continued development and investment in our people, systems and organisation with the aim to create an efficient and high performance based culture with a focus on empowerment, engagement and customer service.

Progress in 2018/19

In the year, the workflow feature of Salesforce CRM was launched. This manages the process from acceptance of an order to installation of services at the retailer, and increased installation capacity levels by 40%. New customer service systems and policies were implemented which reduced both retailers' time in automated call handling systems by c.80% and time to resolve retailers' claim for refunds by c.70%. Finally, legacy terminal maintenance and repairs were transferred in-house which has improved our control over repairs whilst reducing costs by £0.2 million in the year.

Ambition for 2019/20

A cornerstone to delivery of PayPoint's strategy is the continued development of Salesforce CRM sales lead to sale feature. This will enable paperless sign up supported by a system driven workflow. This will improve data accuracy and will ultimately further reduce timeframes from prospecting to installation. Included in the Salesforce CRM development is a new billing engine which will also replace existing manual processes and speed up and simplify delivery of retailers' invoices.

We will also work with retailers to design a new multi-platform self-service portal. This will replace several existing separate portals. Ultimately, this will improve our retailers' experience and reduce their need to call the contact centre.

PRINCIPAL RISKS AND UNCERTAINTIES

Strategy

Our formal approach to risk management is delivered through the application of PayPoint's risk management and internal control framework which is a defined process for identifying and escalating significant risks. It applies throughout the group and the responsibility for oversight of the process rests with the Board. Consideration of appetite for risk forms part of the risk management process, in particular when deciding how best to manage the risks that are identified. Having a robust system of internal control using a combination of people, process and technology helps to mitigate risk to a level acceptable to the Board.

Risk appetite

The level of risk considered appropriate to achieving our business objectives is determined by the Board. PayPoint has no appetite for risk relating to the health, safety and welfare of employees, customers and the wider community. There is a greater appetite for risk in relation to activities which are directed towards creating additional demand for our services to drive revenues and increase financial returns.

Risk identification and management

The risk management and internal control framework, as part of the wider governance framework, aims to provide assurance and confidence to stakeholders about PayPoint's ability to deliver its objectives and manage principal risks. During the year, the Audit Committee received and reviewed risk information relating to the key risk areas below, together with details of actions taken and relevant mitigating controls, prior to advising the Board in this regard. The Board then carried out its formal assessment and gave final approval to the list of principal risks which are as follows:

Risk area	Potential impact	Mitigation strategies	Change
Business			
Innovation and market changes	The group could fail to adapt to changes in consumer behaviour or to commercialise and develop innovation that is scalable and meets the requirements of clients and retailers. The inability to implement new products and services effectively may impact PayPoint's ability to drive growth and profitability.	The group monitors technological and consumer trends through its monthly strategy committee and twice-yearly Board strategy reviews. The group is committed to continued research and investment in technology and products to support its continued growth. Our product portfolio and the progress of new initiatives are reviewed at the monthly product committee that contains representatives from commercial, product, technology, finance and legal. PayPoint also has an active sales function and client teams which are incentivised to promote and sell PayPoint products and services in the regions in which PayPoint operates to expand its client and retailer base.	
Culture	The strategic objectives and values of the group are focused on retailer and consumer-centric products and services. If employees are not aligned with the strategic goals or empowered to realise opportunities, deliver performance or mitigate risks this could lead to poor service quality, a loss in revenue, increased cost or failure by employees to escalate concerns or issues to senior management and the Executive Board.	The PayPoint strategic objectives and values are defined and advocated by the Executive Board. These values are linked to strategic, team and individual employee objectives and performance appraisals. The group's ethical principles are published on its website and intranet. A whistleblowing policy and procedures are published and a third-party service is available for employees to report wrongdoing. The Retailer Pledge is published and all employees made aware of its requirements. Retailer and employee engagement surveys are used to measure satisfaction and identify areas of concern.	
Dependence on key clients and retailers	The consolidation or loss of major clients or multiple retailers could adversely affect revenue. Insolvency, liquidation, administration or receivership of retailers could lead to PayPoint being unable to recover some or all the client monies processed by the retailer. PayPoint would be liable to account to those clients where PayPoint bears the risk of collection.	The group monitors client and retailer concentration risk to ensure that no one client or retailer accounts for a disproportionate share of the group's net revenue. In addition, the group continues to acquire new clients and retailers to reduce reliance on existing sources of revenue. All major clients are covered by specific contracts or agreements. Contract end dates and start of notice periods are scheduled and regularly reviewed by client management teams. Retail teams maintain and develop the relationship with retailers.	
Competitor activity	Competitor activity in the market continues to evolve. There is, however, no evidence of an any increased impact to PayPoint from clients and retailers switching to competitors.	Where there is concern that the competitor activity may be unlawful then PayPoint will challenge this through the Competition and Markets Authority. Appropriate terms are included in client and retailer contracts. PayPoint offers products and services not available from competitors. Retailer engagement surveys are used to measure satisfaction and identify areas of concern.	

Risk area	Potential impact	Mitigation strategies	Change
Partners & suppliers	Reliance on third parties for the provision of key parts of the PayPoint services (e.g. Payment Service Providers) could lead to extended outages if the supplier fails to meet required SLAs or goes into administration.	The group selects and negotiates agreements with strategic suppliers and partners 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. Suppliers are selected on merit following tendering, procurement and due diligence processes.	→
Interruptions in processes and systems	The group's ability to provide reliable services largely depends on the efficient and uninterrupted operation of our computer network systems, financial settlement systems, data and call centres, as well as maintaining sufficient staffing levels. System or network interruptions, recovery from fraud or security incidents or the unavailability of key staff or management resulting from a pandemic outbreak could delay and disrupt our ability to develop, deliver or maintain our products and services, causing harm to our business and reputation and resulting in loss of customers or revenue.	Resilience is built into systems and contingency plans are in place should systems fail. These plans are exercised regularly. Programmes are in place to remove technical debt and to automate manual processes. Payment files are automatically imported into settlement systems. All payments are checked / authorised by nominated signatories. Segregation is maintained between settlement and corporate accounts. Invoices are recorded and approved by authorised managers. Daily reconciliation of client settlement accounts and weekly reconciliation of PayPoint corporate accounts are carried out. Audited controls for supplier and client account set-up are in place. A programme is in place to upgrade PayPoint's financial and back office systems.	→
Operational			
Legislation or regulatory reforms and risk of non-compliance	PayPoint is required to comply with relevant legal and regulatory requirements. Any breach of these obligations could lead to costly and damaging legal or corrective actions to return to compliance e.g. Health & Safety at Work Act, Data Protection Act / GDPR, Stock Market listing rules, Financial Conduct Authority requirements, anti-money laundering legislation, employment law etc. It could also lead to the prosecution of individual company officers or employees.	The group's legal department works closely with senior managers to adopt strategies to educate legislature regulators, consumer and privacy advocates and other stakeholders to support the public policy debate and, where appropriate, to ensure regulation does not have unintended consequences over the group's services. A central compliance department co-ordinates all compliance monitoring and reporting. Subsidiary managing and finance directors are required to sign annual compliance statements.	→
Cyber security, data protection, resilience and business continuity	System or network interruptions, recovery from fraud or cyber security incidents or poorly implemented change could delay and disrupt our ability to develop, deliver or maintain our products and services, causing harm to our business and reputation and resulting in loss of customers or revenue. PayPoint's ability to provide reliable and secure services largely depends on the availability and uninterrupted operation of its network of retailer terminals, computer systems, financial settlement and key business processes. Due to the heightened activity in the external environment the level of risk has been increased.	PayPoint has established a Cyber Security and IT Sub-committee to oversee cybersecurity and information technology matters pertaining to PayPoint. Service delivery is constantly monitored with technical support teams in place to address service outages or errors. Contact Centre, Service Management and Technical Services Helpdesk are in place to assist with and resolve issues. Client Management and Retail Management teams are in place to interface with clients and retailers. Resilient systems are in place across the group. Disaster recovery and business continuity plans are maintained and exercised regularly to ensure contingencies are in place in the case of failure.	↑
Attracting and retaining key talent	Future success is substantially dependent on the continued services and performance of executive directors, senior management, competent and qualified personnel. The failure to attract the right candidates, loss of key personnel or failure to adequately train employees could damage the group's business or lead to non-compliance with legal and regulatory requirements.	Effective recruitment programmes are on-going across all business areas, as well as personal and career development initiatives. The executive management reviews talent potential twice a year and retention plans are put in place for individuals identified at risk of leaving. Compensation and benefits programmes are competitive and reviewed regularly.	→
Brexit	The effect on inter-company relationships may be adversely affected by the outcomes of the negotiations between the UK government and the other member countries during the UK's exit from the European Union.	PayPoint has carried out an assessment of the impact of a no-deal Brexit scenario and identified key risks to its operating model. Whilst no business can mitigate against the impact of Brexit, actions to reduce disruption in the short term are in place including building a buffer stock of PayPoint One terminals, maximising intercompany dividends and engaging with clients and suppliers determining their own readiness and impact assessments.	↑

VIABILITY AND GOING CONCERN STATEMENTS

As part of the risk monitoring programme, each year the directors consider the Group's viability over a three-year period. This aligns with the financial planning cycle which, considering the dynamics of the markets in which the business operates, is an appropriate time horizon to use. The viability assessment includes consideration of the principal risks, including those that would threaten its business model, future performance, solvency and liquidity.

The business activities, its performance, future development are set out on strategic priorities on pages 7 to 9 and market conditions are described on pages 5 and 6. These together with the assessment of principal risks set out on pages 10 and 11 are considered in determining PayPoint's viability which is based on business plans with several different, but plausible, principal risks crystallising. These include:

- Business risk: the loss of large clients and retailers.
- Business risk: slower than anticipated growth in retail services and a quicker than expected decline in the cash payments business.
- Operational risk: impact of a technical event resulting in the temporary disturbance of usual operations.
- Financial: impact on cash or financing facilities as a result of viability assessment scenario.
- Possible impact from Brexit.

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

From this assessment, the directors have concluded the PayPoint will a remain viable operation over the assessment period and have therefore prepared the financial statements on a going concern basis.

KEY PERFORMANCE INDICATORS[24]

PayPoint has identified the following KPIs to measure progress of our strategic priorities:

	KPI	Description, purpose and reference	2018/19	2017/18	2016/17
Overall performance	Net revenue (£ million) (Group)	Revenue less commissions paid to retailers and the cost of mobile top-ups and SIM cards where PayPoint is principal. This reflects the benefit attributable to PayPoint's performance eliminating pass-through costs and is an important measure of the overall success of our strategy. (See Finance review – 'Overview' on page 15)	**116.6**	119.6	117.5
	Operating margin (%) (Group)	Operating profit before exceptional items as a percentage of net revenue. Operating margin provides a broad overview of the efficient and effective management of the cost base enabling shareholder returns and investment in the business. (See Finance review – 'Operating margin' on page 18)	**46.3**	44.7	45.3
	Cash generation (£ million) (Group)	Earnings before exceptional items, tax, depreciation and amortisation adjusted for corporate working capital movements (excludes movement in clients' funds and retailers' deposits). This represents the cash generated by operations which is available for capex, taxation and dividend payments. (See Finance review – 'Cash flow and liquidity' on page 19)	**62.8**	67.9	62.1
Embed PayPoint at the heart of convenience retail	PayPoint One sites (Number) (UK)	The number, at the reporting date, of retailer sites in which at least one PayPoint One terminal was operational. A site may have more than one terminal (multiple lanes). This provides a measure of the extent of our network into which services and features can be sold driving future growth. (See Strategic priorities on page 7)	**12,881**	8,550	3,601
	PayPoint One average weekly fee per site (£) (UK)	The average weekly service fee across all PayPoint One sites based on the PayPoint One devices in store at the reporting date. This provides a measure of the weekly value derived from PayPoint One and EPoS services from each PayPoint One site. (See Strategic priorities on page 7)	**15.1**	14.9	14.2
	Card payment net revenue (£ million) (UK)	Card payment net revenue represents the rebate earned from card transactions processed by retailers through PayPoint's card payment service. This is an important measure of the overall success of our card payment solution. (See Finance review – 'Sector analysis' on page 17)	**7.9**	7.5	7.0
	ATM net revenue (£ million) (UK)	ATM net revenue represents the fees earned less the commissions paid to retailers from consumers using PayPoint's ATMs located inside a retailer's store. This is an important measure of the overall success of our ATM product. Fees are earned from either interchange fees (from free-to-use ATMs) or surcharge fees (from pay-to-use ATMs) from cash withdrawals and balance enquiries. (See Finance review – 'Sector analysis' on page 17)	**12.3**	12.8	13.1
Become the definitive parcel point solution	Parcel sites (Number) (UK)	The number, at the reporting date, of sites where the parcel proposition was enabled on PayPoint terminals. This currently represents the number of Collect+ branded sites. This provides an indication of the coverage of our network with a larger coverage being more attractive to clients and consumers wanting to use the product. (See Strategic priorities on page 7)	**7,134**	7,436	6,167
	Parcels processed (Millions) (UK)	The number of parcels processed and registered through a PayPoint terminal or mobile app. Parcel volume provides a measure of the source of revenue where revenue is earned on a per parcel basis. (See Finance review – 'Sector analysis' on page 17)	**21.8**	23.7	23.3

[24] All these KPIs are non-IFRS measures or Alternative Performance Measures ('APMs'). The definitions, calculations and reconciliations of all APMs (including these KPIs) to IFRS are set out within the APMs section on pages 25 and 26.

	KPI	Description, purpose and reference	2018/19	2017/18	2016/17
Sustain leadership in 'pay-as-you-go 'and grow digital bill payments	Transaction value (£ million) (Group)	The value of bill payment (including MultiPay), top-up and eMoney transactions processed via our terminals or MultiPay platform where PayPoint provides the collection and settlement of funds. Transaction value provides a measure of the extent of the service PayPoint provides to clients. In certain instances, it also provides a measure of the source of revenue where revenue is based on a percentage of the transaction value.	**9,237**	**9,201**	9,222
	Transactions processed (Millions) (Group)	The number of bill payment (including MultiPay), top-up and eMoney transactions processed in the year on our terminals or MultiPay platform. Transactions processed provides a measure of the source of revenue which is earned on a per transaction basis. (See Finance review – 'Sector analysis' on page 17)	**472.7**	**482.1**	499.4
	Net revenue per transaction (Pence) (Group)	The net revenue earned from bill payments (including MultiPay, excluding SPS), top-ups and eMoney divided by the annual number of transactions processed on our terminals and MultiPay platform. This provides an indication of profitability per transaction. (See Finance review – 'Sector analysis' on page 17)	**16.4**	15.9	14.7
Shareholder returns	Diluted earnings per share (Pence) (Group)	Diluted earnings divided by the weighted average number of ordinary shares in issue during the year (including potentially dilutive ordinary shares). Earnings per share is a measure of the profit attributable to each share. (See note 7 to the financial statements on page 20)	**64.8**	**62.7**	87.2
	Dividends paid per share (Pence) (Group)	Dividends (ordinary and additional) paid during the financial year divided by number of ordinary shares in issue at reporting date. Dividends paid per share provides a measure of the return to shareholders. (See Finance review – 'Dividends' on page 17)	**82.9**	**82.0**	115.2
Non-financial KPIs	Employee turnover (%) (Group)	Number of permanent employees who left during the year divided by average total permanent employees. Labour turnover provides an indication of employee job satisfaction.	**25.9**	**26.8**	29.0
	PayPoint sites (Number) (Group)	The number, at reporting date, of retailer sites which had a least one PayPoint One or legacy terminal or PPoS terminal which was operational. This provides the extent of PayPoint's network in which PayPoint services are available to retailers, clients and consumers. (For UK, see Market overview on page 5. For Romania, see Strategic priorities on page 8)	**46,901**	**49,628**	40,478

FINANCIAL REVIEW

OVERVIEW

Year ended 31 March (£m)	2019	2018	Change %
Net revenue			
UK retail services	**37.8**	37.7	0.4%
UK bill payments and top-ups	**64.9**	70.0	(7.3%)
Romania	**13.9**	11.9	16.8%
Total net revenue	**116.6**	119.6	(2.5%)
Costs	**62.8**	66.6	(5.7%)
Profit before exceptional items and tax	**53.8**	52.9	1.6%
Profit before tax	**54.7**	52.9	3.3%
Cash generation	**62.8**	67.9	(7.5%)
Net corporate cash	**3.5**	18.5	(81.1%)

Profit before exceptional items and tax of £53.8 million reflects headwinds of £5.2 million from the closure of the DWP SPS service and the renegotiation of the Yodel commercial arrangement. It also includes a one-off benefit from improved VAT recovery of £2.4 million. Excluding these items underlying pre-tax profits grew by 11.3%.

Profit before tax of £54.7 million includes an exceptional item of £0.9 million relating to a provision release which was held against potential liabilities arising from the disposal of the PaybyPhone business in the 2016/17 financial year. These are no longer considered probable and have been reported separately as an exceptional item to distinguish it from our underlying performance.

Net revenue decreased by £3.0 million to £116.6 million but reflects headwinds of £5.2 million as mentioned above. Underlying net revenue which excludes these items increased by £2.2 million (2.0%) driven by growth in UK service fee revenue and Romania supported by a good performance in the UK bill payments and top-up businesses.

UK retail services delivered underlying net revenue growth of £1.1 million (3.2%) after adjusting the £1.0 million impact in the current year from the renegotiation of the Yodel commercial arrangement. The growth was from increased service fee revenue driven by the roll out of PayPoint One to a further 4,331 sites.

UK bill payments and top-up businesses delivered net revenue of £64.9 million (2018: £70.0 million), a decline of £5.1 million from prior year, however this includes the £4.2 million impact from the closure of the DWP SPS service. Excluding this, underlying net revenue declined by 1.3% which was less than the 6.4% decline in transaction volumes. The anticipated decline in transaction volumes was mitigated by margin improvement driven by continued focus on adding new smaller clients with higher yields. The digital payments platform, MultiPay, continued to grow robustly, with transactions increasing by 40.7% to 27.3 million and eMoney transactions also increased by 0.8 million (or 11.4%) to 7.8 million.

In Romania transactions grew by 15.8 million (16.4%) to 112.2 million. The integration of Payzone continued and is evidenced by the net revenue per transaction fee of 12.3p remaining flat despite including a full year of Payzone which historically had a much lower net revenue per transaction rate. Net revenue grew by 16.8% to £13.9 million (2018: £11.9 million). Payzone was acquired in October 2017 and therefore was included in the comparative figures for only six months.

Costs decreased by £3.8 million to £62.8 million which includes a £2.4 million (2018: £1.5 million) VAT benefit related to prior years. This benefit stems from the enhancement of VAT recovery and has an estimated ongoing benefit of £0.7 million. Depreciation and amortisation declined by £0.7 million as assets reached the end of their useful lives. Other cost reductions of £1.0 million were driven from sustainable efficiencies from the implementation of a new interactive voice response system, reorganisation to implement the agile development programme and bringing legacy terminal maintenance and repairs inhouse. Underlying costs which excludes the VAT benefits declined by 4.2%.

Cash generation declined by £5.1 million to £62.8 million. As highlighted in last year’s annual report, the 2017/18 year included a working capital timing benefit of £3.4 million reflecting VAT receipts from clients received in advance of the net payment to HMRC as a result of the tribunal ruling. In the current year a net payment of £2.1 million was made to the HMRC. Excluding this, working capital improved by £2.5 million driven by improved focus on debtor collections.

Net corporate cash declined by £15.0 million to £3.5 million as a result of the additional dividend programme. The financing facility of £75 million was unutilised at 31 March 2019, but was used during the year where borrowings peaked at £12 million.

SECTOR ANALYSIS

We have continued to evolve the disclosures this year with additional emphasis being placed on key drivers of business performance for each of our main operating sectors namely, UK retail services, UK bill payments, UK top-ups & eMoney and our Romanian operations.

UK retail services

UK retail services are services PayPoint provides to retailers which form part of PayPoint's networks. Services include providing the PayPoint One platform (which has a basic till application), EPoS, ATMs, card payments, parcels, money transfer and SIMs.

Year ended 31 March	2019	2018	Change %
Number of retailers	**17,608**	17,812	(1.1%)
PayPoint terminal sites (No.)			
PayPoint One[25]	**12,881**	8,550	50.7%
Legacy (T2)	**7,000**	11,980[27]	(41.6%)
PPoS[26]	**8,554**	8,584	(0.3%)
Total sites	**28,435**	29,114[27]	(2.3%)
Services in sites (No.)			
PayPoint One Base	**6,337**	3,718	66.9%
EPoS Core	**5,899**	4,678	28.9%
EPoS Pro	**645**	154	318.8%
Card payments	**9,796**	10,252	(4.4%)
ATMs	**3,827**	4,146	(7.7%)
Parcels	**7,134**	7,436	(4.1%)
Transactions (Millions)			
Card payments	**113.5**	94.5	20.1%
ATMs	**42.1**	40.9	2.9%
Parcels	**21.8**	23.7	(8.0%)
PayPoint One average weekly service fee per site (£)	**15.1**	14.9	1.5%
Net revenue (£m)			
Service fees	**10.3**	7.7	33.6%
Card payments rebate	**7.9**	7.5	5.5%
ATM	**12.3**	12.8	(3.9%)
Parcels and other	**7.3**	9.7	(24.4%)
Total net revenue (£m)	**37.8**	37.7	0.4%

As at 31 March 2019, PayPoint had a terminal in 28,435 UK sites, a reduction of 679 from 31 March 2018 reflecting the closure of the Ireland network which had 450 terminals on 31 March 2018. The PayPoint One roll-out continued resulting in PayPoint One sites increasing by 4,331 sites to 12,881 sites and, as a consequence, the number of UK sites with the legacy terminal reduced by 4,530 sites to 7,000. The sun-setting of the legacy terminal remains on track through specific geographical cohorts and a planned service fee increase for the legacy terminal early in 2020.

UK retail services underlying net revenue increased by £1.1 million 3.2% to £37.8 million excluding the impact of £1.0 million from the revised commercial terms with Yodel. As presented in the prior year, the net revenue of each of our key products is separately addressed below.

Service fees: This is a core growth area and consists of service fees from PayPoint One and our legacy terminal. As PayPoint One extends further into our existing network together with moving retailers up the EPoS value chain, service fees will become a significant revenue item. In the current year, service fee revenue increased by £2.6 million (33.6%) to £10.3 million driven by the additional 4,331 PayPoint One sites. The PayPoint One average weekly fee per site was broadly stable at £15. Retailers taking

[25] PayPoint One will replace the legacy terminal and is the platform from which we can grow our retail services by offering additional products and services.
[26] PPoS is a plug-in device and a virtual PayPoint terminal used on larger retailers' own EPoS systems who wish to use PayPoint services.
[27] The 2018 figures included 450 Ireland sites.

the Core version of the product represent 45.8% (2018: 54.7%) of all PayPoint One sites and the Pro version representing 5.0% (2018: 1.8%).

ATMs: Transactions increased by 2.9% to 42.1 million despite the overall decline experienced across the LINK network. This was achieved through the optimisation of PayPoint's ATM network by relocating existing machines to better performing locations. ATM net revenue declined by £0.5 million (3.9%) due to the reduction of LINKs interchange fee and to a lesser extent by an increased share of non-surcharge machines from which there is a lower net revenue rate per transaction.

Card payment rebate: Card payment transaction volumes grew by 20.1% to 113.5 million benefitting from the market trend of growing card payments, in particular contactless payments. Across our network 9,796 retailers were using the card payment solution, 456 sites lower than the prior year driven by competitor activity in the convenience market. Net revenue increased by 5.5% to £7.9 million, with the increased number of transactions being offset by lower average transaction values due to the growth in contactless payments. PayPoint's revenue rebate is broadly based on a percentage of the transaction value processed.

Parcels & other: Parcel volumes declined by 8.0% to 21.8 million due to lower volumes from our incumbent partner. This was slightly offset by volumes from new parcel partners which joined the network in the second half of the year. The strategy to expand the parcel service to other partners was achieved by renegotiating Yodel's commercial arrangement which had a £1.0 million net revenue impact in the current year. Other services provided include SIM sales, money transfer services and other adhoc items. SIM sales continue to be affected by the overall decline in the mobile top-up market.

UK bill and general*

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

Year ended 31 March	2019	2018	Change %
Total transactions (millions)	**317.2**	334.2	(5.1%)
Of which: MultiPay transactions (millions)	**27.3**	19.4	40.7%
Transaction value (£m)	**6,390.2**	6,717.6	(4.9%)
Net revenue (£m)	**47.8**	52.3	(8.6%)
Net revenue per transaction (pence)[28]	**15.1**	14.4	4.7%

UK bill and general net revenue declined by 0.6% (£0.3 million) to £47.8 million excluding the impact of £4.2 million from the closure of the DWP SPS service. The impact of the 5.1% (17.0 million) decline in transaction volumes was offset by an improved mix of smaller but higher yielding clients which drove the net revenue per transaction up by 0.7 pence (4.7%). MultiPay continued to grow strongly, transactions increased by 7.9 million (40.7%) to 27.3 million and net revenue by 48.3% to £3.5 million.

UK top-ups & eMoney

Top-ups include transactions where consumers can top up their mobiles, prepaid debit cards and lottery tickets. This sector also includes eMoney transactions where PayPoint provides the physical network for consumers to convert cash into electronic funds with online organisations.

Year ended 31 March	2019	2018	Change %
Transactions (millions)	**44.5**	52.2	(14.8%)
Of which: eMoney transactions (millions)	**7.8**	7.0	11.4%
Transaction value (£m)	**607.0**	639.1	(5.0%)
Net revenue (£m)	**17.1**	17.7	(3.3%)
Net revenue per transaction (pence)	**38.7**	33.9	14.2%

UK top-ups continued to be affected by market trends whereby UK prepay mobile transactions are being displaced by direct debit pay monthly options. UK top-up transactions declined by 7.7 million to 44.5 million. The impact of the lower level of transactions on net revenue was offset by increased average top-up transaction values and growth in eMoney transactions of 11.4%. eMoney transactions derive a substantially higher fee per transaction than traditional top-up transactions.

[28] Prior year net revenue per transaction excludes the impact of the £4.2 million from the closure of the SPS service. This revenue was not based on transaction levels.
* Ireland is included in the 2018 figures and in the 2019 figures up to 31 October 2018 when Ireland ceased operations.

Romania

The Romanian business comprises mainly of bill payments and top-ups operating on a similar basis to our UK business. Cash payment remains a mass market proposition in the country and is expected to be the dominant payment method for the medium term.

Year ended 31 March	2019	2018	Change %
PayPoint terminal sites (No.)	**18,466**	20,514	(10.0%)
Transaction value (£m)	**2,312**	1,913	20.9%
Transactions (millions)			
Bill payments	**99.1**	85.3	16.2%
Top-ups	**11.9**	10.4	14.4%
Other	**1.2**	0.7	71.4%
Total transactions	**112.2**	96.4	16.4%
Net revenue (£m)	**13.9**	11.9	16.8%
Net revenue per transaction (pence)	**12.3**	12.3	>0.1%

Romania's transactions grew by 15.8 million (16.4%) to 112.2 million helped by the inclusion of Payzone for the full year. Payzone was acquired in October 2017 which added over 10,000 sites to the network. Romania's net revenue per transaction remained flat at 12.3 pence per transaction with the inherited lower per transaction rate from Payzone offset by the migration of 1,500 Payzone retailers onto the PayPoint platform where client rates are higher for bill payment and top-up transactions. Romania's sites declined by 2,048 sites as part of management's focus to optimise the network by removing low performing sites.

COSTS

Year ended 31 March (£m)	2019	2018	Change %
Other costs of revenue	**9.0**	9.4	(4.6%)
Depreciation and amortisation	**9.8**	10.5	(7.3%)
Administrative costs	**43.8**	46.2	(4.8%)
Finance costs	**0.2**	0.5	(69.1%)
Total costs	**62.8**	66.6	(5.7%)
Add back VAT recovery benefit related to prior years	2.4	1.5	60.0%
Underlying costs	**65.2**	68.1	(4.2%)

Costs decreased by £3.8 million to £62.8 million. Key drivers to the decline include:

- £2.4 million (2018: £1.5 million) VAT benefit which stems from improved cost allocations when determining irrecoverable VAT.
- £0.7 million ongoing benefit from the improved VAT recovery.
- £0.7 million reduction in depreciation and amortisation as assets reached the end of their useful lives.
- Cost reductions of £1.0 million from sustainable efficiencies including:
    - the implementation of a new interactive voice response system,
    - reorganisation to implement the agile development programme, and
    - bringing legacy terminal maintenance and repairs inhouse.
- Other one-off cost reductions, partially offset by including Payzone's overheads for a full year.

Excluding the one-off impact from prior year VAT recoveries, underlying costs declined by 4.2%.

OPERATING MARGIN[29]

Operating margin of 46.3% (2018: 44.7%) improved by 1.6ppts benefiting from the £2.4 million prior year VAT benefit described above.

PROFIT BEFORE TAX AND TAXATION

The tax charge of £10.3 million (2018: £10.0 million) on profit before tax of £54.7 million (2018: £52.9 million) represents an effective tax rate[30] of 18.8%, 0.1% lower than prior year due to the non-taxable nature of the £0.9 million exceptional item. Excluding the exceptional item, the effective tax rate would have been 19.1%, slightly higher than prior year due to the tax deduction for vested share options being lower than the expense recognised in the statement of profit and loss and other non-deductible expenses.

[29] Operating margin % is an alternative performance measure and is calculated by dividing operating profit by net revenue.
[30] Effective tax rate is the tax cost as a percentage of profit before tax.

STATEMENT OF FINANCIAL POSITION

Net assets of £50.2 million (2018: £61.3 million) declined by £11.1 million as a result of the additional dividend programme to return £25 million per year from December 2016 to December 2021 to shareholders. Current assets declined by £31.7 million to £176.6 million due to funds in the course of collection reducing by £22.4 million as prior year end fell over Easter weekend which added an extra two days of funds held by retailers. There is a corresponding decrease in trade and other payables. Non-current assets increased by £0.7 million to £54.9 million, with capital expenditure of £11.0 million largely offset by depreciation and amortisation of £9.8 million.

CASH FLOW AND LIQUIDITY

The following table summarises the cash flow movements during the year.

Year ended 31 March (£m)	2019	2018	Change %
Profit before tax	**54.7**	52.9	3.3%
Exceptional items	**(0.9)**	-	0.0%
Depreciation and amortisation	**9.8**	10.5	(6.7%)
VAT and other non-cash items	**(2.3)**	(0.1)	>100%
Share based payments and other items	**1.1**	1.2	
Working capital changes (corporate)	**0.4**	3.4	(85.3%)
Cash generation	**62.8**	67.9	(7.5%)
Taxation payments	**(10.0)**	10.3)	(2.9%)
Capital expenditure	**(11.0)**	(13.4)	(17.9%)
Acquisition of subsidiary	**-**	(0.9)	(100.0%)
Dividends paid	**(56.6)**	(55.9)	1.2%
Net decrease in corporate cash and cash equivalents	**(14.8)**	(12.6)	17.5%
Net change in clients' funds and retailers' deposits	**7.3**	5.4	35.2%
Net decrease in cash and cash equivalents	**(7.5)**	(7.2)	4.2%
Cash and cash equivalents at the beginning of year	**46.0**	53.1	(13.4%)
Effect of foreign exchange rate changes	**(1.0)**	0.1	(1100.0%)
Cash and cash equivalents at the end of year	**37.5**	46.0	(18.5%)
Comprising:			
Net corporate cash	**3.5**	18.5	(81.1%)
Clients' funds and retailers' deposits	**34.0**	27.5	23.6%

Cash generation declined by £5.1 million to £62.8 million. As highlighted in last year's annual report, the 2017/18 working capital movement included a timing benefit of £3.4 million reflecting the temporary benefit from the VAT tribunal ruling where receipts from clients were received in advance of the net payment to HMRC. This was finalised in the current year with a net payment to the HMRC of £2.1 million. Excluding this working capital improved by £2.5 million driven by improved focus on debtor collections.

Taxation payments of £10.0 million (2018: £10.3 million) represents payments on account and is in line with the current tax charge for the year. In 2019/20 tax payments will be c.£5 million higher due to HMRC bringing forward payments on account by six months.

Capital expenditure of £11.0 million (2018: £13.4 million) consists of PayPoint One terminals and EPoS and CRM development.

Net corporate cash declined by £15.0 million to £3.5 million at 31 March 2019. PayPoint also has a £75 million revolving credit facility which was unutilised at year end but was used during the year where borrowings peaked at £12 million.

DIVIDENDS

Year ended 31 March	2019	2018	Change %
Ordinary dividends per share (pence)			
Interim (paid)	**15.6**	15.3	1.9%
Final (proposed)	**23.6**	30.6	(22.9%)
Additional dividend per share (pence)			
Interim (paid)	**12.2**	12.2	-
Final	**18.4**	24.4	(24.6%)
Total dividend per share (pence)	**69.8**	82.5	(15.4%)
Total dividends paid in year (£m)	**56.6**	55.9	1.2%

From 1 April 2019 a programme of four equal dividends payable in July, September, December and March was implemented. This change will not alter the quantum of dividend that will be paid to shareholders within a financial year, although it does reduce the reported dividends for the current year.

We have declared a final dividend of 23.6 pence per share payable in equal instalments of 11.8 pence per share on 29 July 2019 and 30 September 2019 to shareholders on the register on 5 July 2019 and 6 September 2019 respectively. The final dividend is subject to the approval of the shareholders at the annual general meeting on 25 July 2019. We have also declared the additional dividend of 18.4 pence per share payable in equal instalments of 9.2 pence per share on the same dates as the ordinary dividend.

The final dividends will result in £28.8 million being paid to shareholders from the standalone statement of financial position of the Company which, as at 31 March 2019, had approximately £79.8 million of distributable reserves.

An interim ordinary dividend of 15.6p and an additional interim ordinary dividend of 12.2 were paid on 11 January 2019.

GOING CONCERN

The financial statements have been prepared on a going concern basis having regard to the identified principal risks, uncertainties and viability statement on pages 10 to 12. Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group including dividends.

Rachel Kentleton
Finance Director
22 May 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March (£000)	Note	2019	2018
Continuing operations			
Revenue	3	**211,576**	213,515
Cost of revenue	4	**(113,303)**	(113,565)
Gross profit		**98,273**	99,950
Administrative expenses		**(44,319)**	(46,489)
Operating profit		**53,954**	53,461
Finance income		**427**	95
Finance costs		**(586)**	(609)
Profit before tax before exceptional items		**53,795**	52,947
Exceptional items – prior year business disposals		**922**	-
Profit before tax		**54,717**	52,947
Tax	5	**(10,285)**	(10,012)
Profit for the year attributable to equity holders of the parent		**44,432**	42,935
Earnings per share			
Basic	7	**65.2p**	63.0p
Diluted	7	**64.8p**	62.7p

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March (£000)	2019	2018
Items that may subsequently be reclassified to the consolidated income statement:		
Exchange differences on translation of foreign operations	**(740)**	67
Other comprehensive income for the year	**(740)**	67
Profit for the year	**44,432**	42,935
Total comprehensive income for the year attributable to equity holders of the parent	**43,692**	43,002

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March (£000)	Note	2019	2018
Non-current assets			
Goodwill		**11,618**	12,171
Other intangible assets		**15,875**	13,586
Property, plant and equipment		**26,665**	28,047
Deferred tax asset		**781**	414
		54,939	54,218
Current assets			
Inventories		**124**	279
Trade and other receivables	8	**139,010**	161,987
Cash and cash equivalents		**37,485**	46,040
		176,619	208,306
Total assets		**231,558**	262,524
Current liabilities			
Trade and other payables	10	**176,720**	196,562
Current tax liabilities		**4,455**	4,213
		181,175	200,775
Non-current liabilities			
Trade and other payables	10	**233**	390
Deferred tax liability		**-**	66
		233	456
Total liabilities		**181,408**	201,231
Net assets		**50,150**	61,293
Equity			
Share capital	11	**227**	227
Share premium		**3,352**	2,907
Share-based payment reserve	12	**2,684**	2,771
Translation reserve		**(989)**	(249)
Retained earnings		**44,876**	55,637
Total equity attributable to equity holders of the parent		**50,150**	61,293

These financial statements were approved by the board of directors and authorised for issue on 22 May 2019 and were signed on behalf of the board of directors.

Patrick Headon
CEO
22 May 2019

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 £000
Opening equity 1 April 2017		**227**	**2,633**	**4,404**	**(316)**	**66,197**	**73,145**
Profit for the year		-	-	-	-	42,935	42,935
Exchange differences on translation of foreign operations		-	-	-	67	-	67
Comprehensive income for the year		-	-	-	67	42,935	43,002
Equity-settled share-based payment expense		-	-	1,567	-	-	1,567
Vesting of share scheme	12	-	274	(2,999)	-	2,403	(322)
Deferred tax on share-based payments		-	-	(201)	-	-	(201)
Dividends		-	-	-	-	(55,898)	(55,898)
Closing equity 31 March 2018		**227**	**2,907**	**2,771**	**(249)**	**55,637**	**61,293**
Profit for the year		-	-	-	-	44,432	44,432
Exchange differences on translation of foreign operations		-	-	-	(740)	-	(740)
Comprehensive income for the year		-	-	-	(740)	44,432	43,692
Adoption of IFRS 15		-	-	-	-	975	975
Equity-settled share-based payment expense		-	-	1,466	-	-	1,466
Vesting of share scheme	12	-	445	(1,563)	-	393	(725)
Deferred tax on share-based payments		-	-	10	-	-	10
Dividends		-	-	-	-	(56,561)	(56,561)
Closing equity 31 March 2019		**227**	**3,352**	**2,684**	**(989)**	**44,876**	**50,150**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March (£000)	Note	**2019**	2018
Net cash inflow from operating activities	13	**59,563**	62,990
Investing activities			
Investment income		**427**	95
Purchases of property, plant and equipment		**(5,087)**	(7,112)
Purchases of intangible assets		**(5,894)**	(6,258)
Net proceeds from disposal of property, plant and equipment		**12**	-
Acquisition of subsidiary		**-**	(2,480)
Acquisition of subsidiary – clients' funds and retailers' deposits		**-**	1,554
Net cash used in investing activities		**(10,542)**	(14,201)
Financing activities			
Dividends paid	6	**(56,561)**	(55,898)
Net cash used in financing activities		**(56,561)**	(55,898)
Net decrease in cash and cash equivalents		**(7,540)**	(7,109)
Cash and cash equivalents at beginning of year		**46,040**	53,080
Effect of foreign exchange rate changes		**(1,015)**	69
Cash and cash equivalents at end of year		**37,485**	46,040

Reconciliation of cash and cash equivalents

As at 31 March (£000)	**2019**	2018
Corporate cash	**3,471**	18,547
Clients' funds and retailers' deposits	**34,014**	27,493
Cash and cash equivalents on the statement of financial position	**37,485**	46,040

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

Basis of preparation

This preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 March 2019 or 31 March 2018 but is derived from the statutory accounts and has complied with International Financial Reporting Standards (IFRS). This announcement does not contain sufficient information to fully comply with IFRS. The Company expects to publish full financial statements that comply with IFRS in due course.

Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts and the report was unqualified, did not draw attention to any emphasis of matters and did not contain statements under s498(2) or (3) of the Companies Act 2006.

This preliminary announcement complies with the recognition and measurement criteria of IFRS, and with the accounting policies of the Group which were set out on pages 82 to 86 of the 2018 annual report and accounts. No subsequent material changes have been made to the Group's accounting policies with selected accounting policies included below.

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

Alternative performance measures

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

These measures are not defined terms under IFRS and therefore they may not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures. These measures include net revenue, operating margin, effective tax rate (note 5), reported dividends (note 6) and cash generation.

Net revenue

Net revenue is revenue less commissions paid to retailers and the cost of mobile top-ups and SIM cards where PayPoint is principal. This reflects the benefit attributable to PayPoint's performance eliminating pass-through costs and is an important measure of the overall success of our strategy.

The reconciliation of revenue to net revenue is as follows:

Year ended 31 March (£000)	2019	2018
Service revenue	**147,988**	164,519
Sale of goods	**62,557**	47,809
Royalties	**1,031**	1,187
Revenue	**211,576**	213,515
less:		
Retailers' commissions	**(46,434)**	(49,100)
Cost of mobile top-ups and SIM cards as principal	**(48,507)**	(44,844)
Net revenue	**116,635**	119,571
SPS revenue and Yodel contract renegotiation	**(706)**	(5,924)
Underlying net revenue	**115,929**	113,647

Effective tax rate (non-IFRS measure)

Effective tax rate is the ongoing tax cost as a percentage of the net profit before tax.

Reported dividends (Non-IFRS measure)

Reported dividends are based on a financial year's results from which the dividend is declared and consist of an interim and final dividend. This is different to statutory dividends as the final dividend on ordinary shares is recognised in the following year when they are approved by the Company's shareholders.

Cash generation (non-IFRS measure)

Cash generation reflects earnings before tax, depreciation, amortisation and exceptional items adjusted for working capital (excluding movement in clients' funds and retailers' deposits) as detailed in note 13 to the financial statements. This measures the cash generated which can be used for new investments and financing activities.

Operating margin (non-IFRS measure)

Operating margin is calculated by dividing operating profit by net revenue. This measure reflects the efficiency of converting revenue into profits.

Costs (non-IFRS measure)

Costs comprises of other cost of revenue (note 4), admin expenses, financing income and financing costs. This represents the total operating costs of the Group and is a key driver of profitability for operating on a low-cost model.

Revenue accounting policy

Revenue represents the value of services and goods delivered or sold to clients and retailers which is measured using the fair value of the consideration received or receivable, net of value added tax. Performance obligations are identified at contract inception and the revenue is recognised once the performance obligations are satisfied.

Revenue from bill payments comprises fees from clients for providing an over-the-counter payments, digital bill payments and CashOut services. Over-the-counter and digital payments services are products where customers of PayPoint's clients can pay their bills (due to the client) at any of PayPoint's retailers or online. PayPoint provides the technology for recording the payment of bills and transmission of that payment data to the client. PayPoint also collects bill payment funds from retailers and remits those funds to clients. Revenue is recognised as performance obligations are satisfied which is usually at the point in time each transaction is processed. Management fees, set-up fees or up-front lump sum payments are deferred and recognised on a straight-line basis over the contracted period with the client.

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

Retail services revenue comprises:

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

Use of judgements and estimates

In the application of the Group's accounting policies, 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.

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.

Judgement: Capitalised development expenditure

An accounting judgement at the statement of financial position date that has a risk of causing an adjustment to the carrying amount of assets and liabilities through estimation uncertainty is the evaluation of capitalised development expenditure shown in intangible assets.

Critical estimate: Useful economic lives of intangible assets

The useful life used to amortise intangible assets relates to the expected future performance of the assets and management's judgement of the period over which economic benefit will be derived from the asset. For development costs, the Group has determined the useful life based on historical experience with similar products and platforms controlled by the Group as well as anticipation of future events which may impact their life such as changes in technology. Development costs recognised as an intangible asset could be amortised on a straight-line basis over a period of three to ten years which could impact the annual amortisation charge by £1.5 million to £2.3 million.

Significant judgement: agent vs principal

A critical judgement for revenue recognition is PayPoint's assessment of whether it is acting as a principal or agent. This includes evaluating:

a) Which party was responsible for fulfilling the promise to provide the service.
b) Inventory risk before the service is transferred to a customer.
c) Discretion in establishing the price for the service.

In most cases it was clear that PayPoint acts in the capacity of the agent for clients. However the nature of Romania's mobile top-ups makes this a key judgement area. Revenues are recognised on the principal basis considering the level of service responsibility, inventory risk and price discretion held by PayPoint. This is consistent with the judgement in prior years. The cost of mobile top-ups and SIM cards as principal was £48.5 million (2018: £44.8 million).

Significant judgement: recognition of cash and cash equivalents

The nature of bill payments services means that PayPoint collects and holds funds on behalf of clients and also retains retailers' deposits as security for those collections. The recognition of cash, retailer receivables and the related client payables is a key judgement area as those funds pass through the settlement process.
PayPoint uses the following criteria to determine whether clients' funds and retailers' deposits are recognised on balance sheet:

a) Existence of a binding agreement clearly identifying the beneficiary of the funds.
b) The identification, ability to allocate and separability of funds.
c) Identification of the holder of those funds at any point in time.

Where there is a binding agreement specifying that PayPoint holds funds on behalf of the client (i.e. acting in the capacity of a trustee) and those funds have been separately identified as belonging to that beneficiary, the cash and the related liability is held off balance sheet. In all other situations the cash and corresponding liability are recognised on the balance sheet.

Judgement: Impact from Brexit

PayPoint has carried out an assessment of the impact of a no-deal Brexit scenario by identifying key risks to its operating model. Whilst no business can mitigate against the impact of Brexit, actions to reduce disruption in the short term were undertaken. Details of these are included in the principal risks and uncertainties found on page 10. Furthermore as part of viability assessment (see page 12) a scenario of a systematic risk in the markets we operate was assessed including the impact on retailers and clients. The directors concluded that PayPoint is a viable operation.

2. Segment reporting

The Group provides a number of different services and products, however these do not meet the definition of different segments under IFRS 8 and the Group has only one operating segment. A sector analysis has been provided in the finance review on pages 16 to 18.

Geographical information

Year ended 31 March (£000)	**2019**	2018
Revenue		
UK	**143,294**	152,225
Ireland	**1,381**	3,727
Romania	**66,901**	57,563
Total	**211,576**	213,515

Non-current assets

As at 31 March (£000)	**2019**	2018
UK and Ireland	**41,759**	40,411
Romania	**13,180**	13,807
Total	**54,939**	54,218

3. Revenue

Disaggregation of revenue

Year ended 31 March (£000)	2019	2018
Bill payments	**78,095**	82,478
Top-ups and eMoney	**79,076**	75,400
Retail services	**54,405**	55,637
Total	**211,576**	213,515

Seasonality of operations

PayPoint operates in many sectors each within their own form of seasonality. The energy bill payment and parcel sectors are the most seasonal sectors with the energy sector generating more transactions during the winter months and parcels generating higher volumes in the lead up to Christmas. As a result, higher revenue and operating profits are usually expected in the second half of the year rather than in the first six months. This does not constitute "highly seasonal" as considered by IAS 34 Interim Financial Reporting.

Contract balances

As at 31 March (£000)	2019	2018
Trade receivables	**15,271**	18,425
Accrued income	**2,047**	3,644
Contract assets – deferral of setup and development fees	**3,636**	**-**
Contract liabilities	**(2,696)**	-
Deferred income	**(599)**	(721)
Total	**17,659**	21,348

4. Cost of revenue

Year ended 31 March (£000)	2019	2018
Retailers' commissions	**46,434**	49,100
Cost of mobile top-ups and SIM cards as principal	**48,507**	44,844
Cost of revenue deducted to arrive at net revenue	**94,941**	93,944
Depreciation and amortisation	**9,365**	10,195
Other	**8,997**	9,426
Other costs of revenue	**18,362**	19,621
Total cost of revenue	**113,303**	113,565

5. Tax

Year ended 31 March (£000)	2019	2018
Current tax		
Charge for current year	**10,475**	10,224
Adjustment in respect of prior years	**233**	62
Current tax charge	**10,708**	10,286
Deferred tax		
Charge for current year	**(195)**	(262)
Adjustment in respect of prior years	**(228)**	(12)
Deferred tax charge	**(423)**	(274)
Total income tax		
Income tax charge	**10,285**	10,012

The income tax charge is based primarily on the United Kingdom statutory rate of corporation tax for the year of 19% (2018: 19%). The charge for the year is reconciled below to the profit before tax as set out in the consolidated income statement.

Year ended 31 March (£000)	2019	2018
Profit before tax	**54,717**	52,947
Tax at the UK corporation tax rate of 19% (2018: 19%)	**10,396**	10,059
Tax effects of:		
Effect of tax rates in other countries where the rate is different to the UK	**(182)**	(130)
Disallowable expenses	**103**	49
Losses in companies where a deferred tax asset is not recognised	**-**	4
Adjustments in respect of prior years	**5**	50
Tax impact of share based payments	**102**	(22)
Revaluation of deferred tax asset	**36**	2
Non-taxable exceptional items	**(175)**	-
Actual amount of tax charge	**10,285**	10,012

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

Year ended 31 March (£000)	2019	2018
Profit before tax	**54,717**	52,947
Exceptional items	**(922)**	-
Total for calculating the effective tax rate excluding exceptional items	**53,796**	52,947

Year ended 31 March (£000)	2019	2018
Effective tax rate	**18.8%**	18.9%
Effective tax rate excluding exceptional items	**19.1%**	18.9%

6. Dividends per share

Year ended 31 March	2019		2018	
	£000	**pence per share**	£000	pence per share
Reported dividends on ordinary shares:				
Interim ordinary dividend	**10,643**	**15.6**	10,431	15.3
Proposed final ordinary dividend	**16,105**	**23.6**	20,863	30.6
Total ordinary dividends	**26,748**	**39.2**	31,294	45.9
Interim additional dividend	**8,326**	**12.2**	8,316	12.2
Proposed additional final dividend	**12,557**	**18.4**	16,636	24.4
Total additional dividend	**20,883**	**30.6**	24,952	36.6
Total reported dividends (Non-IFRS measure)	**47,631**	**69.8**	56,246	82.5
Dividends paid on ordinary shares:				
Final ordinary dividend for the prior year	**20,867**	**30.6**	20,450	30.0
Interim dividend for the current year	**10,643**	**15.6**	10,431	15.3
Total ordinary dividend paid	**31,510**	**46.2**	30,881	45.3
Final additional dividend for the prior year	**16,725**	**24.5**	16,701	24.5
Additional interim dividend for the current year	**8,326**	**12.2**	8,316	12.2
Total additional dividend paid	**25,051**	**36.7**	25,017	36.7
Total dividends paid	**56,561**	**82.9**	55,898	82.0
Number of shares used for purposes of dividends per share calculations	**68,243,406**		68,180,545	

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

7. Earnings per share

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

Year ended 31 March (£000)	2019	2018
Profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**44,432**	42,935

As at 31 March (Number of shares)	2019	2018
Weighted average number of ordinary shares in issue (for basic earnings per share)	**68,160**	68,113
Potential dilutive ordinary shares:		
Long-term incentive plan	**361**	260
Deferred annual bonus scheme	**39**	48
SIP and other	**38**	29
Weighted average number of ordinary shares in issue (for diluted earnings per share)	**68,598**	68,450

Earnings per share (pence)	2019	2018
Basic	65.2	63.0
Diluted	64.8	62.7

8. Trade and other receivables

As at 31 March (£000)	2019	2018
Trade receivables	**15,271**	18,425
Items in the course of collection[1]	**117,263**	139,666
Revenue allowance	**(2,957)**	(3,862)
	129,577	154,229
Other receivables	**1,032**	1,208
Contract assets	**3,636**	-
Accrued income	**2,047**	3,644
Prepayments	**2,718**	2,906
	139,010	161,987

1. Items in the course of collection represent amounts collected for clients by retail agents. An equivalent balance is included within trade and other payables.

9. Cash and cash equivalents

The Group operates cash pooling amongst its various bank accounts in the UK and therefore individual accounts can be overdrawn without penalties being incurred so long as the overall position is in credit.

Included within Group cash and cash equivalents of £37.5 million are balances of £34.0 million relating to funds collected on behalf of clients where PayPoint has title to the funds (clients' funds) and where retailers have provided security deposits (retailers' deposits). An equivalent balance is included within trade payables (note 10). Clients' funds held in trust which are not included in cash and cash equivalents amounted to £47.5 million at 31 March 2019.

10. Trade and other payables

As at 31 March (£000)	2019	2018
Amounts owed in respect of clients' funds and retailers' deposits[1]	**34,014**	27,493
Settlement payables[2]	**117,263**	139,666
Client payables	**151,277**	167,159
Trade payables	**7,536**	8,010
Other taxes and social security	**1,985**	7,286
Other payables	**5,939**	2,823
Accruals	**6,921**	10,953
Deferred income	**599**	721
Contract liabilities	**2,696**	-
	176,953	196,952

Disclosed as:

Current	**176,720**	196,562
Non-current	**233**	390
Total	**176,953**	196,952

1 Relates to monies collected on behalf of clients where the Group has title to the funds (clients' funds and retailers' deposits). An equivalent balance is included within cash and cash equivalents.

2 Payable in respect of amounts collected for clients by retailers. An equivalent balance is included within trade and other receivables.

11. Share capital

As at 31 March (£000)	2019	2018
Authorised share capital		
4,365,352,200 ordinary shares of 1/3p each	**14,551**	14,551
Allotted and fully paid share capital		
68,243,406 (2018: 68,180,545) ordinary shares of 1/3p each	**227**	227

12. Share based payments

A total charge of £1.6 million (2018: £2.9 million) previously recognised directly to equity for schemes which have now lapsed or vested was transferred from the share-based payments reserve to retained earnings during the period.

During the year 209,694 shares under the LTIP scheme were granted with 50% of the vesting based on total shareholder return (TSR) and 50% on earnings per share (EPS) growth. The performance condition for the TSR element is the same as the vesting period. The performance period for the EPS element is for the three financial years up to 31 March 2020. A further 48,444 shares were issued under the DABS scheme vesting over three years to 4 June 2021.

Other share based payments include 62,196 restricted shares which were issued to eligible employees which do not contain any performance criteria. Half will vest over two years on 25 March 2021 with the second half vesting over three years on 25 March 2022.

13. Notes to the consolidated statement of cash flows

Year ended 31 March (£000)	**2019**	2018
Profit before tax	**54,717**	52,947
Adjustments for:		
Depreciation of property, plant and equipment	**6,318**	6,362
Amortisation of intangible assets	**3,466**	4,155
VAT and R&D credits	**(2,427)**	(166)
Exceptional items	**(922)**	-
Loss on disposal of fixed assets	**110**	52
Net finance costs	**159**	514
Share-based payment charge	**1,730**	1,567
Cash-settled share-based remuneration	**(725)**	(322)
Operating cash flows before movements in corporate working capital	**62,426**	65,109
Movement in inventories	**152**	148
Movement in receivables	**3,715**	(424)
Movement in contract assets	**(614)**	-
Movement in contract liabilities	**649**	-
Movement in payables	**(3,482)**	3,650
Cash generated by operations	**62,846**	68,483
Corporation tax paid	**(9,952)**	(10,285)
Finance charges paid	**(586)**	(609)
Net cash from operating activities (Corporate)	**52,308**	57,589
Movement in clients' funds and retailers' deposits	**7,255**	5,401
Net cash from operating activities	**59,563**	62,990

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