

**PayPoint plc**  
**Half year financial report**  
**for the 6 months ended 30 September 2016**

**SUMMARY**

	6 months ended 30 September 2016	6 months ended 30 September 2015	(Decrease)/ increase
Revenue	£101.7m	£102.8m	(1.1)%
Net revenue <sup>1</sup>	£58.4m	£59.3m	(1.5)%
Gross margin	49.1%	49.6%	(0.5)ppts
Adjusted operating profit before impairment <sup>2</sup>	£24.7m	£21.3m	15.6%
Operating profit after impairment	£24.2m	£3.5m	589.3%
Basic earnings per share	29.0p	(1.9)p	30.9p
Adjusted earnings per share <sup>3</sup>	28.7p	24.8p	3.9p
Interim dividend per share	15.0p	14.2p	0.8p
Cash at period end	£49.6m	£46.1m	7.8%

**Progress in strategic priorities**

- Delivering against our strategy of refocussing PayPoint on our retailers:
  - Following successful commercial trials, PayPoint One and Core EPoS were launched in September
  - Retail services including investment in rollout and support for PayPoint One and Core EPoS, increasing in the second half
- MultiPay transactions (3 million), up 38.1%; 14 clients contracted. SSE live ahead of customer rollout in 2017
- Collect+ discussions with Yodel and Mobile sale process both progressing

**Financial results**

- Retail services net revenue growth of 14.7% but bill payments growth has moderated
- Revenue reduced by 1.1% as a result of the sale of Online, offset by growth in Retail and Mobile
- Adjusted operating profits<sup>2</sup> increased by 15.6% driven by growth from Romania and Mobile and deferral of costs
- Strong balance sheet with cash of £49.6 million and undrawn credit facility of £45 million
- Increase in interim dividend by 5.6% to 15.0p per share
- Commencement of additional dividend of 12.2p per share as announced in full year results

**Operations**

- Retail network transaction volumes down 1.9% to 307.1 million due to bill and general and top-up decline in the UK offset by growth in retail services and Romania
- Strong growth in Romania bill payment transactions up by 11.7% to 32.6 million, sites up by 12.7% to 10,662
- Collect+ parcels increase 5.7% to 10.5 million
- Mobile payments business transaction volumes up 27.5% to 30.0 million
- Total retail network sites increased to 39,635 and Collect+ sites to 5,960

Dominic Taylor, Chief Executive, said: "Overall results are in line with our expectations. As set out in our last full year results announcement, this year is proving to be pivotal as we change the focus of the organisation towards our retailers. In the first half, the commercial trial of our new PayPoint One terminal and Core EPoS were successfully concluded with the official launch in September. The platform has been well received and will enable us to drive further growth in retail services which is central to our strategy. Whilst we will continue to improve the client offering, our main development focus will continue on enhanced versions of our new EPoS product and implementing organisational improvements and process efficiencies to improve our retailer offering.

Looking ahead to the second half, we expect to rollout PayPoint One to achieve around 4,000 sites by the end of the financial year, to develop Advanced EPoS and to step up our installations of ATMs and card payment, requiring increased costs as expected, to deliver our full year results. Trading since 30 September has been in line with our expectations."

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

<sup>2</sup> Adjusted operating profit before impairment includes our share of joint venture results.

<sup>3</sup> Adjusted earnings per share is stated before the £18.2 million online payments impairment recognised in the prior period.

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

## MANAGEMENT REPORT

This management report has been prepared solely to provide additional information to shareholders as a body to assess PayPoint's half year results and it should not be relied upon for any other purpose. It contains forward-looking statements made by the directors in good faith based on the information available at the time of approval of the half yearly financial report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking statements.

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

Growth opportunities include: continuing rollout of PayPoint One and Core EPoS, which will enable further growth in retail services, enhanced versions of our new EPoS product; provision of single solution, multi-channel payments and services to new and existing clients; the extension of services in each payment channel across our existing and prospective clients, new and existing client development and retail services in the UK and Romanian retail networks; the expansion of these retail networks. There are also opportunities to extend our services into other countries.

The channel and product analysis is as follows:

### **Retail Payments and Services:**

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

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

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

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

### **Mobile:**

Parking, permits, tolling, ticketing and bicycle rental transactions.

## DIRECTORATE CHANGE

Neil Carson has notified the board of his intention to step down as a non-executive director of the company prior to the annual general meeting in 2017 due to his other commitments. A search process to identify a new non-executive director will be initiated in due course and a further announcement will be made when appropriate.

## OPERATIONAL REVIEW

Net revenue for the period was £58.4 million (2015: £59.3 million), on revenues of £101.7 million (2015: £102.8 million), with transaction volume of 337.2 million (2015: 399.0 million) and transaction value of £4.9 billion (2015: £7.2 billion). The results of the online payments business, which was sold on 8 January 2016, are included in the 2015 comparatives. Excluding the online payments business, net revenue grew year on year by 5.1%, revenue by 2.7%, transactions by 0.1% and transaction values by 0.4%.

Our retail networks produced net revenue growth of 2.8% (2015: 3.5%) with strong growth from Romania of 23.9% and 1.3% from UK and Ireland.

In the UK, PayPoint One has been well received by retailers, however the revenue achieved in the period has been lower than anticipated, as we stopped rolling out the older terminals at the start of the initial rollout of PayPoint One and demand for upgrades, which produce lower incremental revenues than new agents, was stronger than expected. Nevertheless, retail services net revenue grew by 14.0%. Now that the rollout of PayPoint One has gathered pace, focus has returned to the ATM and card payment products to drive further growth in the second half. Bill and general payments net revenue grew year on year by 1.2% despite a year on year reduction in Big 6 energy transactions. Mobile top-up transaction volumes continued to decline, resulting in net revenue decreasing to £5.7million (2015: £6.5 million), which was 11.4% of UK and Ireland net revenues (2015: 13.1%).

In Romania, net revenue increased in bill and general payments by 19.8%, retail services by 66.1% and top-ups by 24.6%. Net revenue growth was achieved from a 12.1% increase in transactions driven by the increase in market share of existing clients and the addition of new clients.

Administrative expenses of £25.8 million are broadly in line with the same period last year, excluding £3.7 million from the comparative figure in respect of the online payments business. Administrative expenses in the prior period contained business restructuring costs and professional fees incurred for the sale of the mobile and online payments businesses (in total £0.7 million). Included in the first half of this year are costs of £0.5 million related to the launch and rollout of PayPoint One and Core EPoS and the organisational changes for the support of these new retailer services. We expect costs to increase in the second half as the rollout of PayPoint One and Core EPoS accelerates and attention returns to increasing ATM and card payment site numbers.

Adjusted earnings per share<sup>1</sup> of 28.7 pence per share increased by 15.7% as a consequence of growth from retail services, the Romanian business and reduced losses from the mobile payments business.

We were delighted to launch our new generation terminal, PayPoint One, in the period. At the end of September, there were over 1,100 terminals operational. PayPoint One combines EPoS, card payments and PayPoint services on a single platform. Features include quick payments with integrated contactless, Apple Pay and Android Pay to improve customer experience and reduce queue times. Its Android operating system gives future flexibility and extendibility and the cloud-based back office allows retailers to manage their stores anywhere from any device. A modern content management system ensures software applications are kept up to date and it has an integrated messaging system.

We continue to grow transactions using our multi-channel product, MultiPay which contributed more than three million transactions, despite slower than expected growth in smart meter numbers, caused by the delay to the readiness of the Data Communications Company. There are now 14 clients contracted, including a Big 6 energy company and our pilot client Utilita.

In Collect+, our joint venture with Yodel, the number of parcels increased by 5.7% to 10.5 million (2015: 9.9 million). Collect+ ranks first both in customer satisfaction and customer recommendation to friends and colleagues (source: YouGov BrandIndex). At period end, the number of Collect+ sites was 5,960. We continue to discuss with Yodel the future arrangements for the parcels service following Yodel's proposal to increase costs to the joint venture.

The mobile payments business net revenue increased to £4.6 million, up 41.7% as a result of new clients, existing clients generating more transactions and the benefit of a weaker pound. We continue to progress the sale of this business.

<sup>1</sup> Adjusted earnings per share is stated before the £18.2 million online payments impairment recognised in the prior period.

## Bill and general

		6 months ended 30 September 2016	6 months ended 30 September 2015	(Decrease)/ increase %	Year ended 31 March 2016
Transactions	'000	195,010	203,215	(4.0)	449,170
Transaction value	£000	3,860,261	3,909,134	(1.3)	8,557,707
Revenue	£000	37,818	38,533	(1.9)	85,770
Net revenue <sup>1</sup>	£000	26,923	26,180	2.8	59,480

Bill and general transactions decreased 4.0% compared to the same period last year. UK and Irish bill and general transactions reduced by 6.7% on last year due to the continuing decline in energy transactions. A decrease in consumption, lower energy prices and higher average transaction values exceeded the impact from meter growth. MultiPay continued to grow, with total transactions for the period exceeding three million, despite the delay in the readiness of the Data Communications Company, which is constricting the installation of smart meters. Strong growth in Romania continued as a result of increased market share<sup>2</sup> of 23.1% in September (September 2015: 21.3%) and the addition of new clients. Romanian transactions increased 11.7% (2015:15.6%) to 32.6 million transactions (2015: 29.1 million).

Growth in net revenue of 2.8% was achieved, despite the decline in transactions and revenue, as a result of the transaction mix and changes to individual transaction commission caps.

## Top-ups

		6 months ended 30 September 2016	6 months ended 30 September 2015	Decrease %	Year ended 31 March 2016
Transactions	'000	35,782	41,636	(14.1)	79,041
Transaction value	£000	370,033	390,739	(5.3)	767,376
Revenue	£000	31,867	32,541	(2.1)	63,325
Net revenue <sup>1</sup>	£000	9,583	11,083	(13.5)	20,885

Top-up transactions reduced as expected compared to the same period last year, as a result of the continued decline in the mobile top-up volumes in the UK and Ireland of 14.1% (2015: 13.8%) and a decline in other top-ups. These declines were partly offset by an increase in Romanian mobile top-ups.

Overall revenue declined less than net revenue as result of the growth in mobile top-ups in Romania, where PayPoint is principal in top-up transactions and therefore includes as revenue the whole sale value of the top-up, whereas in the UK, where PayPoint acts as agent, only the commission is included in revenue.

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

<sup>2</sup> Market share in Romanian bill payments is our share of the bill payments expressed as a percentage of the total bills issued by our clients.

## Retail services

		6 months ended 30 September 2016	6 months ended 30 September 2015	Increase %	Year ended 31 March 2016
Transactions	'000	<b>76,338</b>	68,305	11.8	139,965
Transaction value	£000	<b>588,652</b>	524,591	12.2	1,065,739
Revenue	£000	<b>25,682</b>	23,397	9.8	47,301
Net revenue <sup>1</sup>	£000	<b>17,281</b>	15,062	14.7	30,299

Retail services transaction volume increased 11.8% (2015: 21.2%) over the same period last year. Card payment transactions increased by 14.7%, ATM transactions by 9.3% and parcels by 5.7%.

Net revenue growth of 14.7% (2015: 16.2%) was greater than transaction growth and was driven by bonuses earned on SIM activations and increased retailer service fees for PayPoint One, card payment service fees and broadband enabled terminals.

## Collect+

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

		6 months ended 30 September 2016	6 months ended 30 September 2015	Increase/ (decrease) %	Year ended 31 March 2016
Collect+ at 100%					
Transactions	'000	<b>10,471</b>	9,911	5.7	20,690
Revenue	£000	<b>24,609</b>	23,693	3.9	49,588
Profit/(loss)	£000	<b>887</b>	(797)	211.3	(448)

Collect+ is the market-leading proposition for third party Click and Collect services and its parcel returns activity also continues to grow. Within the consumer send market, there continues to be substantial price competition and consequently the Collect+ management team has focussed on developing Click & Collect and returns. During the six months ended 30 September 2015, PayPoint agreed a temporary increase in Yodel's charges which ended in February 2016.

We continue to discuss with Yodel, new arrangements for the continuation of the service, following Yodel's proposed change in basis of charging for its logistics, which would substantially increase the costs in the joint venture.

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

## Mobile and Online

		6 months ended 30 September 2016	6 months ended 30 September 2015	Decrease %	Year ended 31 March 2016
Transactions	'000	<b>30,062</b>	85,891	(65.0)	150,525
Transaction value	£000	<b>100,552</b>	2,388,029	(95.8)	3,650,915
Revenue	£000	<b>6,346</b>	8,344	(23.9)	16,160
Net revenue <sup>1</sup>	£000	<b>4,609</b>	6,983	(34.0)	12,968

The six months ended 30 September 2016 includes only the mobile payments business as the online payments business was sold on 8 January 2016. The previous periods includes both businesses.

The mobile payments business performance, excluding the online payments business is shown below.

		6 months ended 30 September 2016	6 months ended 30 September 2015	Increase %	Year ended 31 March 2016
Transactions	'000	<b>30,062</b>	23,585	27.5	51,315
Transaction value	£000	<b>100,552</b>	73,130	37.5	158,858
Revenue	£000	<b>6,346</b>	4,614	37.5	10,519
Net revenue	£000	<b>4,609</b>	3,253	41.7	7,327

We have continued to add parking contracts with councils and parking authorities, as we provide them with a more convenient and cost effective method for collecting parking charges. Revenue in the mobile payments business increased by 37.5% and net revenue by 41.7%, reflecting the increase in transaction volumes as the business continues to win both new clients and increase its penetration of existing clients. Consumers are able to pay with Apple Pay and Android Pay at a growing number of PayByPhone locations, streamlining payment registration and increasing consumer satisfaction.

The assets and liabilities of the mobile payments business are shown as held for sale in the statement of financial position for the period ended 30 September 2016 and together with those of the online payments business for period ended 30 September 2015. Further detail can be found in note 10 in the condensed financial information.

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

## Network growth

Terminal sites overall have increased by 407 to 39,635 since March 2016.

In the UK and Ireland, retail sites decreased by 114, a decrease of 0.4% since March 2016 as a consequence of the decision to stop the rollout of the old terminal before the new terminal rollout process was in full flow. At 30 September 2016 there were over 1,100 sites with PayPoint One terminals. The PayPoint One terminal is being introduced to both new and existing retailers. Card payment services, which include the contactless functionality were in 10,076 sites, a decrease of 35 sites since March 2016. The PPOS integrated solution, which combines a virtual terminal (our software on the retailer's till system) with a plug-in reader, providing our service at lower cost was in 8,178 sites (2015: 7,717).

Some of the terminals replaced by PayPoint One and PPOS in the UK will be redeployed in Romania. Romanian sites increased by 521 (5.1%) since March 2016 to 10,662 sites at 30 September 2016.

There were 5,960 Collect+ sites, an increase of 24 since 31 March 2016.

<b>Analysis of sites/internet merchants</b>	<b>At 30 September 2016</b>	<b>At 30 September 2015</b>	<b>Increase/ (decrease) %</b>	<b>At 31 March 2016</b>
UK and Ireland terminal sites	<b>28,973</b>	28,931	0.1	29,087
Romania terminal sites	<b>10,662</b>	9,458	12.7	10,141
<b>Total terminal sites</b>	<b>39,635</b>	38,389	3.2	39,228
Internet merchants	-	4,017	(100.0)	-
Collect+ sites	<b>5,960</b>	5,895	1.1	5,936

## Financial review

Movements in revenue and net revenue have been addressed in the operational review above.

Gross profit was £50.0 million (2015: £51.0 million, excluding the online payments business £47.7 million), up 4.8% excluding the online payments business (2015: up 2.0%). The gross profit margin was 49.1% (2015: 49.6%, excluding online payments business 48.1%).

Administrative expenses were £25.8 million, broadly in line with last year of £29.3 million after excluding £3.7 million from the comparative figure in respect of the online payments business. The same period last year included business restructuring costs and professional fees incurred for the sale of the mobile and online payments businesses (in total £0.7 million). Included in this year's six month period are costs related to the launch and rollout of PayPoint One and the organisational changes for the support of retailer services of £0.5 million. We expect costs to increase in the second half largely as a result of the increased pace of the rollout of PayPoint One and EPoS and related support costs.

The share of profits from Collect+ was £0.4 million (2015: loss of £0.4 million). During the six months ended 30 September 2015, PayPoint agreed a temporary increase in Yodel's charges which ended in February 2016.

The consequences of the changes in revenue and costs described above have led to an increase in our operating margin<sup>1</sup> to 42.2% (2015: 36.0%).

Profit before tax was £24.7 million (2015: £3.2 million). The tax charge was £5.0 million (2015: £4.4 million) resulting in an effective tax rate<sup>2</sup> of 20.2% (year ended 31 March 2016: 20.4%). The slight reduction in the effective tax rate reflects the decrease in losses incurred by the mobile payments business in North America for which there is no tax relief. No deferred tax asset has been recognised for losses carried forward in this territory.

<sup>1</sup> Operating profit margin is operating profit before impairments and disposal including our share of joint venture results as a percentage of net revenue.

<sup>2</sup> Effective tax rate is the tax cost as a percentage of net profit before tax excluding impairments (year ended March 2016: £49.0 million) and profit on disposal of the online payment business (year ended March 2016: £7.0 million).

Operating cash flow was £9.1 million (2015: £24.5 million), after corporation tax payments of £3.1 million (2015: £4.9 million) and as expected, a net decrease in the client settlement liability of £15.6 million, the high comparative resulting from the timing of Easter in 2015 (2015: increase £7.8 million). Capital expenditure of £9.1 million (2015: £5.5 million) comprised of the purchase of the freehold of the adjacent building at Welwyn Garden City, which we already part occupy, PayPoint One terminals, EPoS and MultiPay development, data centre migrations and ATMs. Share incentive schemes settled in cash absorbed £0.4 million (2015: £0.6 million). Equity dividends paid were £33.5 million (2015: £17.8 million). Net cash and cash equivalents at the period end were £49.6 million (excluding net cash within assets held for sale of £1.7 million), lower than £80.8 million (excluding net cash within assets held for sale of £2.4 million) at 31 March 2016. Capital expenditure for the year is expected to be in the range of £15 million to £18 million, above our previous expectations because of the purchase of the freehold in Welwyn, further feature enhancements to PayPoint One and EPoS and ongoing development of an alternate payment service provider for MultiPay to reduce risk of downtime.

## **Related party transactions**

Related party transactions are disclosed in note 5.

## **Risks**

Risks to PayPoint's business, financial condition and operations are disclosed on pages 20 to 21.

## **Dividend**

An interim dividend of 15.0p per share (2015: 14.2p) and an additional dividend of 12.2p per share have been declared. The additional dividend is one third of the first £25 million per annum of additional dividends announced last year end. Both dividends will be paid on 15 December 2016 to shareholders on the register at 2 December 2016. The final dividend for the year ended 31 March 2016 totalling £19.3 million (28.2p per share) and the gross sale proceeds of the online business of £14.2 million (21.0p per share) were paid during the period.

## **Liquidity and going concern**

The group had cash of £49.6 million (2015: 46.1 million) at the period end and an undrawn £45.0 million revolving term credit facility expiring in May 2019. Cash includes amounts held to settle short-term client settlement obligations, which at the period end, amounted to £15.4 million (September 2015: £19.0 million, March 2016: £30.2 million). Cash and borrowing capacity is adequate to meet the foreseeable needs of the group, taking account of risks identified on pages 20 and 21. The financial statements have therefore been prepared on a going concern basis. Excluded from cash and cash equivalents on the condensed consolidated statement of financial position and included in assets held for sale are cash balances related to the mobile payments business of £1.7 million (September 2015: £2.0 million, March 2016: £2.4 million).

## **Economic climate**

The company's bill and general payments service accounted for 46.1% (2015: 44.1%) of our net revenue and has continued to grow. Our MultiPay development ensures PayPoint can offer clients the convenience of bill payments across multiple channels. Utility providers continue to install new prepay gas and electricity meters from which, together with MultiPay, we anticipate a beneficial impact on transaction volumes. Retail services has shown robust growth and with the launch of PayPoint One and Core EPoS, will continue to benefit from growth opportunities. Mobile top-ups in the UK and Ireland continue to decline as mobile operators continue to offer more airtime at lower cost and promote prepay less than contract, although top-up growth has been maintained in Romania. The mobile payments business is able to offer parking authorities a more cost effective collection system for parking compared to pay and display machines.

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

## **Post balance sheet events and outlook**

Looking ahead to the second half, we expect to rollout PayPoint One to achieve around 4,000 sites by the end of the financial year, to develop Advanced EPoS and to step up our installations of ATMs and card payment, requiring increased costs as expected, to deliver our full year results. Trading since 30 September has been in line with our expectations.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited 6 months ended 30 September 2016 £000	Unaudited 6 months ended 30 September 2015 £000	Audited year ended 31 March 2016 £000
<b>Continuing operations</b>	<b>Note</b>			
Revenue	2	101,713	102,815	212,556
Cost of sales	2	(51,730)	(51,779)	(106,539)
Gross profit		49,983	51,036	106,017
Administrative expenses		(25,769)	(29,316)	(55,689)
<b>Operating profit before impairments and disposal</b>		<b>24,214</b>	<b>21,720</b>	<b>50,328</b>
Impairments	10	-	(18,207)	(48,986)
Profit on disposal of online payments business		-	-	7,014
<b>Operating profit after impairments and disposal</b>		<b>24,214</b>	<b>3,513</b>	<b>8,356</b>
Share of profit/(loss) of joint venture		443	(398)	(224)
Investment income		93	65	123
Finance costs		(19)	(25)	(103)
Profit before tax		24,731	3,155	8,152
Tax	3	(4,987)	(4,441)	(10,247)
<b>Profit/(loss) for the period</b>		<b>19,744</b>	<b>(1,286)</b>	<b>(2,095)</b>
<b>Attributable to:</b>				
Equity holders of the parent		19,743	(1,288)	(2,111)
Non-controlling interest		1	2	16
		19,744	(1,286)	(2,095)
<b>Earnings/(loss) per share</b>				
Basic	4	29.0p	(1.9)p	(3.1)p
Diluted	4	28.7p	(1.9)p	(3.1)p
Adjusted	4	28.7p	24.8p	58.4p

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited 6 months ended 30 September 2016 £000	Unaudited 6 months ended 30 September 2015 £000	Audited year ended 31 March 2016 £000
<b>Items that may subsequently be reclassified to the consolidated income statement:</b>				
Exchange differences on translation of foreign operations		1,324	(865)	968
Tax effect thereof		-	-	-
Other comprehensive profit/(loss) for the period		1,324	(865)	968
Profit/(loss) for the period		19,744	(1,286)	(2,095)
Total comprehensive income/(expense) for the period		21,068	(2,151)	(1,127)
<b>Attributable to:</b>				
Equity holders of the parent		21,067	(2,153)	(1,143)
Non-controlling interest		1	2	16
		21,068	(2,151)	(1,127)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note	Unaudited 30 September 2016 £000	Unaudited 30 September 2015 £000	Audited 31 March 2016 £000
<b>Non-current assets</b>			
	8,507	7,761	8,068
Goodwill			
	9,778	7,501	8,038
Other intangible assets			
Property, plant and equipment	25,048	21,479	21,452
Investment in joint venture	2,072	1,455	1,629
Deferred tax assets	-	383	-
	<b>45,405</b>	<b>38,579</b>	<b>39,187</b>
<b>Current assets</b>			
	669	553	523
Inventories			
Trade and other receivables	100,393	106,680	109,247
Cash and cash equivalents	49,647	46,056	80,831
Assets held for sale	5,166	39,236	4,794
	<b>155,875</b>	<b>192,525</b>	<b>195,395</b>
<b>Total assets</b>	<b>201,280</b>	<b>231,104</b>	<b>234,582</b>
<b>Current liabilities</b>			
	117,211	128,300	140,095
Trade and other payables			
Current tax liabilities	5,391	3,564	3,487
Liabilities directly associated with assets classified as held for sale	2,925	3,580	3,070
	<b>125,527</b>	<b>135,444</b>	<b>146,652</b>
<b>Non-current liabilities</b>			
	64	-	67
Deferred tax liability			
	<b>64</b>	<b>-</b>	<b>67</b>
<b>Total liabilities</b>	<b>125,591</b>	<b>135,444</b>	<b>146,719</b>
<b>Net assets</b>			
	75,689	95,660	87,863
<b>Equity</b>			
	227	227	227
Share capital			
Share premium	2,633	2,365	2,365
Share-based payment reserve	3,174	3,107	3,956
Translation reserve	(1,714)	(4,871)	(3,038)
Retained earnings	71,482	94,960	84,467
<b>Total equity attributable to equity holders of the parent company</b>	<b>75,802</b>	<b>95,788</b>	<b>87,977</b>
Non-controlling interest	(113)	(128)	(114)
<b>Total equity</b>	<b>75,689</b>	<b>95,660</b>	<b>87,863</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Share premium £000	Share-based payment reserve £000	Translation reserve £000	Retained earnings £000	Total equity attributable to equity holders of the parent company £000	Non- controlling interest £000	Total equity £000
<b>Audited opening equity 31 March 2015</b>		<b>227</b>	<b>1,977</b>	<b>3,926</b>	<b>(4,006)</b>	<b>113,348</b>	<b>115,472</b>	<b>(130)</b>	<b>115,342</b>
(Loss)/profit for the period		-	-	-	-	(1,288)	(1,288)	2	(1,286)
Dividends paid	6	-	-	-	-	(17,768)	(17,768)	-	(17,768)
Exchange differences on translation of foreign operations		-	-	-	(865)	-	(865)	-	(865)
Equity-settled share-based payment expense		-	-	814	-	-	814	-	814
Vesting of share scheme		-	388	(1,633)	-	668	(577)	-	(577)
<b>Unaudited closing equity 30 September 2015</b>		<b>227</b>	<b>2,365</b>	<b>3,107</b>	<b>(4,871)</b>	<b>94,960</b>	<b>95,788</b>	<b>(128)</b>	<b>95,660</b>
(Loss)/profit for the period		-	-	-	-	(823)	(823)	14	(809)
Dividends paid	6	-	-	-	-	(9,668)	(9,668)	-	(9,668)
Exchange differences on translation of foreign operations		-	-	-	1,833	-	1,833	-	1,833
Equity-settled share-based payment expense		-	-	846	-	-	846	-	846
Vesting of share scheme		-	-	3	-	(2)	1	-	1
<b>Audited closing equity 31 March 2016</b>		<b>227</b>	<b>2,365</b>	<b>3,956</b>	<b>(3,038)</b>	<b>84,467</b>	<b>87,977</b>	<b>(114)</b>	<b>87,863</b>
Profit for the period		-	-	-	-	19,743	19,743	1	19,744
Dividends paid	6	-	-	-	-	(33,515)	(33,515)	-	(33,515)
Exchange differences on translation of foreign operations		-	-	-	1,324	-	1,324	-	1,324
Equity-settled share-based payment expense		-	-	547	-	-	547	-	547
Vesting of share scheme		-	268	(1,329)	-	653	(408)	-	(408)
Deferred tax on share- based payments		-	-	-	-	134	134	-	134
<b>Unaudited closing equity 30 September 2016</b>		<b>227</b>	<b>2,633</b>	<b>3,174</b>	<b>(1,714)</b>	<b>71,482</b>	<b>75,802</b>	<b>(113)</b>	<b>75,689</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Unaudited 6 months ended 30 September 2016 £000	Unaudited 6 months ended 30 September 2015 £000	Audited year ended 31 March 2016 £000
<b>Net cash flow from operating activities</b>	13	9,142	24,488	59,014
<b>Investing activities</b>				
Investment income		93	65	123
Purchase of property, plant and equipment		(6,383)	(3,424)	(4,633)
Intangible asset development		(2,741)	(2,050)	(3,586)
Proceeds from disposal of property, plant and equipment		(11)	-	-
Net proceeds on disposal of subsidiary		-	-	11,966
<b>Net cash (used)/ generated in investing activities</b>		<b>(9,042)</b>	<b>(5,409)</b>	<b>3,870</b>
<b>Financing activities</b>				
Cash settled share-based remuneration		(408)	(576)	(576)
Dividends paid		(33,515)	(17,768)	(27,436)
<b>Net cash used in financing activities</b>		<b>(33,923)</b>	<b>(18,344)</b>	<b>(28,012)</b>
Net (decrease)/increase in cash and cash equivalents		(33,823)	735	34,872
Cash and cash equivalents at beginning of period		83,221	47,198	47,198
Effect of foreign exchange rate changes		1,963	100	1,151
<b>Cash and cash equivalents at end of period</b>		<b>51,361</b>	<b>48,033</b>	<b>83,221</b>

	Note	Unaudited 6 months ended 30 September 2016 £000	Unaudited 6 months ended 30 September 2015 £000	Audited year ended 31 March 2016 £000
<b>Reconciliation of items disclosed on the consolidated statement of financial position:</b>				
Cash and cash equivalents		49,647	46,056	80,831
Cash and cash equivalents included in assets held for sale	10	1,714	1,977	2,390
<b>Cash and cash equivalents at end of period</b>		<b>51,361</b>	<b>48,033</b>	<b>83,221</b>

## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. Accounting policies

These condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union on an historical cost basis and the same accounting policies, presentation methods and methods of computation are followed in this condensed set of financial statements as applied in the group's latest annual audited financial statements. The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The group has adopted relevant standards and amendments with no material impact on its results, assets and liabilities.

#### Basis of preparation

The condensed financial statements contained in this report are unaudited, but have been formally reviewed by the auditor and their report to the company is set out on page 22. The information shown for the year ended 31 March 2016, which is prepared under International Financial Reporting Standards (IFRS), does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The report of the auditor on the statutory accounts for the year ended 31 March 2016, prepared under IFRS, was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006 and has been filed with the Registrar of Companies.

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. The group's liquidity and going concern review can be found in the Management Report on page 8.

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

#### (i) Segmental information

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

The application of technology is directed on a group basis by the group's Executive Board to develop products across the business, prioritised on an economic value basis (generally by product), rather than on a subsidiary by subsidiary basis.

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

#### Geographical information

	6 months ended 30 September 2016 £000	6 months ended 30 September 2015 £000	Year ended 31 March 2016 £000
<b>Revenue</b>			
UK	75,974	81,057	168,172
Ireland	2,697	3,379	6,371
Romania	19,155	15,564	31,956
North America	3,277	2,542	5,303
France	610	273	754
<b>Total</b>	<b>101,713</b>	<b>102,815</b>	<b>212,556</b>
<b>Non-current assets (excluding deferred tax)</b>			
UK	36,107	29,629	30,358
Romania	9,298	8,567	8,829
<b>Total</b>	<b>45,405</b>	<b>38,196</b>	<b>39,187</b>

Non-IFRS measures are included to provide additional useful information on performance and trends to shareholders. These measures are used internally for performance analysis but are not defined terms under IFRS and may therefore 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.

## (ii) Net revenue and cost of sales

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

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

Net revenue reflects the benefit attributable to PayPoint's performance eliminating pass-through costs and further assists with comparability of performance where PayPoint acts as a principal for some clients and as an agent for others. Net revenue is a reliable indication of contribution on a product by product basis and is shown in the operating and financial review.

### Net revenue

	6 months ended 30 September 2016 £000	6 months ended 30 September 2015 £000	Year ended 31 March 2016 £000
Revenue - transaction processing	101,189	102,225	211,401
- service charge income from ATMs	524	590	1,155
<b>Revenue</b>	<b>101,713</b>	<b>102,815</b>	<b>212,556</b>
less:			
Commission payable to retail agents	(25,801)	(28,261)	(57,650)
Cost of mobile top-ups and SIM cards as principal	(15,779)	(13,885)	(28,082)
Card scheme sponsors' charges and call centre charges	(1,737)	(1,361)	(3,191)
<b>Net revenue</b>	<b>58,396</b>	<b>59,308</b>	<b>123,633</b>

### Cost of sales

	6 months ended 30 September 2016 £000	6 months ended 30 September 2015 £000	Year ended 31 March 2016 £000
<b>Cost of sales</b>			
Commission payable to retail agents	25,801	28,261	57,650
Cost of mobile top-ups and SIM cards as principal	15,779	13,885	28,082
Card scheme sponsors' charges and call centre charges	1,737	1,361	3,191
Depreciation and amortisation	3,265	2,900	5,784
Other	5,148	5,372	11,832
<b>Total cost of sales</b>	<b>51,730</b>	<b>51,779</b>	<b>106,539</b>

Commission payable to retail agents has fallen as the group has adjusted the share of commission with its retailers in response to competitor rates.

### (iii) Significant items

The reporting of significant items, which are presented separately within the consolidated income statement, helps provide an indication of PayPoint's ongoing business performance. The items which are separately presented include the profit on disposal of the online payments business and goodwill impairments of the mobile and online payments businesses. As a result, subtotals of 'operating profit before impairments and disposal' and 'operating profit after impairments and disposal' are presented on the consolidated income statement.

### (iv) Adjusted earnings per share

The term 'adjusted' refers to the relevant measure being reported for ongoing operations excluding significant items. As a consequence, adjusted earnings per share is the net profit after tax attributable to equity holders of the parent excluding significant items. A reconciliation of earnings for the purposes of calculating basic, diluted and adjusted earnings per share is presented in note 4.

### (v) Effective tax rate

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

## 3. Tax on profit of ordinary activities

	<b>6 months ended 30 September 2016 £000</b>	6 months ended 30 September 2015 £000	Year ended 31 March 2016 £000
Current tax	<b>4,855</b>	3,685	9,049
Deferred tax	<b>132</b>	756	1,198
<b>Total</b>	<b>4,987</b>	4,441	10,247

Tax for the six month period was charged on profits at an effective tax rate<sup>1</sup> of 20.2% (September 2015: 20.8%, year ended March 2016: 20.4%).

<sup>1</sup> Effective tax rate is the tax cost as a percentage of the net profit before tax excluding impairments (September 2015: £18.2 million, year ended March 2016: £49.0 million) and profit on disposal of the online payment business (year ended March 2016: £7.0 million).

#### 4. Earnings per share

The basic and diluted earnings per share are calculated on the following profit and number of shares. Earnings for the calculating of earnings per shares is the net profit attributable to equity holders of the parent.

	<b>6 months ended 30 September 2016 £000</b>	6 months ended 30 September 2015 £000	Year ended 31 March 2016 £000
Earnings for the purposes of basic and diluted earnings per share	<b>19,743</b>	(1,288)	(2,111)
Impairments	-	18,207	48,986
Profit on disposal of business	-	-	(7,014)
Earnings for the purposes of adjusted earnings per share	<b>19,743</b>	<b>16,919</b>	<b>39,861</b>
	<b>Number of Shares</b>	Number of shares	Number of shares
Weighted average number of ordinary shares in issue (for basic earnings per share)	<b>68,110,140</b>	68,072,877	68,080,179
<b>Potential dilutive ordinary shares:</b>			
Long-term incentive plan	<b>517,496</b>	-	-
Deferred share bonus	<b>82,643</b>	147,156	147,156
<b>Diluted basis</b>	<b>68,710,279</b>	68,220,033	68,227,335

#### 5. Related party transactions

During the period, the company subscribed for £400,000 in PayByPhone Mobile Technologies, Inc. and £150,000 in PayPoint Payment Services Limited. The company increased its loan to Adaptis Solutions Limited by £150,000.

During the period, the 2013 deferred share bonus scheme vested which was settled in cash and by the issue of shares. The 2013 long term incentive scheme did not vest and lapsed.

#### 6. Dividend

The interim dividend of 15.0p (2015: 14.2p) and additional dividend of 12.2p per share declared on 24 November 2016 have not been recorded as a liability at 30 September 2016. The total dividend in respect of the year ended 31 March 2016 was 42.4p per share. The final dividend of £19.2 million (28.2p per share) for the year ended 31 March 2016 and the gross proceeds from the sale of the online payments business of £14.3 million were paid during the period.

#### 7. Property, plant and equipment

The freehold building adjacent to the Welwyn Garden City building was purchased during the period for £3.7 million. Prior to acquisition, the first floor was occupied by PayPoint under an operating lease.

#### 8. Investment in joint venture

PayPoint has a 50:50 joint venture with Yodel. The joint venture company, Drop and Collect Limited, trades as Collect+. Discussions with Yodel, following Yodel's proposal to change the basis of charging, increasing substantially its logistics costs to the joint venture, continue.

## 9. Cash and cash equivalents

Included within cash and cash equivalents is £15.4 million (September 2015: £19.0 million, March 2016: £30.2 million) relating to monies collected on behalf of PayPoint clients where PayPoint has title to the funds (client cash). An equivalent balance is included within trade payables.

Funds which are held in trust for clients in the UK and Ireland are not included within 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. At 30 September 2016, the group's cash was £49.6 million (31 March 2016: £80.8 million), excluding £1.7 million in assets held for sale (31 March 2016: £2.4 million).

## 10. Assets held for sale

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

	30 September 2016 £000	30 September 2015 £000	31 March 2016 £000
<b>Assets held for sale:</b>			
Goodwill	-	29,704	-
Other intangible assets	-	3,769	-
Property plant and equipment	599	694	549
Deferred tax asset	-	62	-
Trade and other receivables	2,853	3,030	1,855
Cash and cash equivalents	1,714	1,977	2,390
	<b>5,166</b>	<b>39,236</b>	<b>4,794</b>
<b>Liabilities directly associated with assets classified as held for sale:</b>			
Trade and other payables	2,925	3,580	3,070
Current tax liabilities	-	-	-
	<b>2,925</b>	<b>3,580</b>	<b>3,070</b>
			-
<b>Net assets held for sale</b>	<b>2,241</b>	<b>35,656</b>	<b>1,724</b>
<b>Translation deficit relating to assets held for sale</b>	<b>(2,062)</b>	<b>(3,130)</b>	<b>(2,051)</b>

The assets held for sale at 30 September 2016 and 31 March 2016 relate solely to the mobile payments business as the online payments business was sold on 8 January 2016. Assets held for sale at 30 September 2015 include both the mobile and online payments businesses, including the mobile business' goodwill. In the second half of the year ended 31 March 2016 the goodwill of the mobile payments business was fully impaired.

## 11. Share capital and reserves

Share capital as at 30 September 2016 was £227,078. During the period the group issued 36,047 shares for the 2013 DSB and SIP schemes.

## 12. Share-based payments

The total charge of £1.3 million recognised directly to equity for the LTIP 2013, which lapsed and DBS scheme, which vested, was transferred from share-based payments reserve to retained earnings during the period. On 2 June 2016 the 2016 LTIP award was granted with vesting based 100% on TSR over a three-year performance period ending on 2 June 2019. The performance period and the vesting period are the same. The number of shares granted was 271,508.

## 13. Notes to the cash flow statement

	6 months ended 30 September 2016 £000	6 months ended 30 September 2015 £000	Year ended 31 March 2016 £000
Profit before tax	24,731	3,155	8,152
<b>Adjustments for:</b>			
Depreciation on property, plant and equipment	2,547	2,282	4,698
Amortisation of intangible assets	718	618	1,086
Share of (profit)/loss and impairment of joint venture	(443)	398	224
Research and development credit		-	(522)
Impairments	-	18,207	48,986
Profit on sale of investments	-	-	(7,014)
Loss on disposal of fixed assets	409	11	25
Net interest income	(74)	(40)	(20)
Share-based payment charge	547	814	1,442
<b>Operating cash flows before movements in working capital</b>	<b>28,435</b>	<b>25,445</b>	<b>57,057</b>
(Increase)/decrease in inventories	(108)	139	193
Decrease/(increase) in receivables	2,851	(1,408)	(1,500)
(Decrease)/increase in payables			-
- client cash	(15,556)	7,751	17,762
- other payables	(3,343)	(2,494)	(4,516)
<b>Cash generated by operations</b>	<b>12,279</b>	<b>29,433</b>	<b>68,996</b>
Corporation tax paid	(3,118)	(4,921)	(9,877)
Interest and bank charges paid	(19)	(24)	(105)
<b>Net cash from operating activities</b>	<b>9,142</b>	<b>24,488</b>	<b>59,014</b>

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

## RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
- (b) the half yearly financial report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first half and description of principal risks and uncertainties for the remaining half of the year); and
- (c) the half yearly financial report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the board.

Nick Wiles  
**Chairman**

Dominic Taylor  
**Chief Executive**

24 November 2016

## RISKS AND UNCERTAINTIES

PayPoint's business, financial condition or operations could be materially and adversely affected by the risks summarised below. Although management takes steps to mitigate risks where possible or where the cost of doing so is reasonable in relation to the probability and seriousness of the risk, it may not be possible to avoid the crystallisation of some or all of such risks. The directors do not consider that the risks and uncertainties have changed since the publication of the annual report for the year ended 31 March 2016.

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

<b>Risk area</b>	<b>Potential impact</b>	<b>Mitigation strategies</b>
<b>Technology change may render products obsolete</b>	There are rapid changes in technology in the payments industry including the development of new payment methods, particularly on smart phones and tablets, but also as a consequence of technology changes in other areas e.g. smart meters, which will replace the use of the energy keys and gas cards currently used to pay for prepaid energy. Such changes may render current and new products, such as the PayPoint One new terminal currently being rolled out, and services obsolete.	IT development resource is directed at a group level and developments are in hand to ensure the group has relevant products in place to meet the demands brought about by changing technology. For smart meters, a multi-channel product has been developed and launched.
<b>Exposure to country and regional risk (political, financial, economic, social) in North America, United Kingdom, Romania, France and Ireland</b>	The group's geographic footprint subjects its businesses to economic, political and other risks associated with international sales and operations. A variety of factors, including changes in a specific country's or region's political, economic or regulatory requirements, as well as the potential for geopolitical turmoil, including terrorism and war, could result in loss of services, prevent our ability to respond to agreed service levels or fulfil other obligations. These risks are generally outside the control of the group.	The group's portfolio is diversified by geography, by product, by sector and by client in order to protect itself against many of these fluctuations, especially those that are restricted to individual territories and market sectors, although the bulk of its operations and revenues are UK based.
<b>Exposure to consolidation among clients and markets</b>	Consolidation of retailers and clients could result in reductions in the group's revenue and profits through price compression from combined service agreements or through a reduced number of clients.	No single client accounts for more than 6.2% of the group's net revenue, and no single retailer accounts for more than 4.1% of the group's net revenue, which reduces the probability of this potential risk having a significant impact on the group's business. In addition, the group continues to expand its developing businesses, and in CashOut (reversing the flow of money through its retail networks).
<b>Acquisitions may not meet expectations</b>	<p>The group's acquisitions, strategic alliances and joint ventures may result in financial outcomes that are different than expected. The net sale proceeds from the proposed sale of the mobile payments business may not exceed its carrying value.</p> <p>As a consequence of a proposal by Yodel, our joint venture partner in Collect+, to increase its charges to the joint venture we are in discussions over the future of the joint venture.</p>	The group assesses all acquisitions rigorously, using both in-house experts and professional advisers. In addition, the group conducts regular reviews to monitor performance.
<b>Exposure to the unpredictability of financial markets (foreign exchange, interest rate and other financial risks)</b>	As the group operates on an international basis, it is exposed to the risk of currency fluctuations and the unpredictability of financial markets in which it operates.	The group's financial risk management seeks to minimise potentially adverse effects on the group's financial performance.
<b>Exposure to increasing competition</b>	The group operates in a number of geographic, product and service markets that are highly competitive and subject to technological developments for example the introduction of smart meters and new payment solutions. Competitors may develop products and services that are superior to ours or that achieve greater market acceptance than our products and services, which could result in the loss of clients, merchants and retailers or a reduction in revenue.	The group is committed to continued research and investment in new data sources, people, technology and products to support its strategic plan.
<b>Loss or infringement of intellectual property rights</b>	The group's success depends, in part, upon proprietary technology and related intellectual property rights. Some protection can be achieved but in many cases, little protection can be secured. Third parties may claim that the group is infringing their intellectual property rights or our intellectual property rights could be infringed by third parties. If we do not enforce or defend the group's intellectual property rights successfully, our competitive position may suffer, which could harm our operating results.	The group, where appropriate and feasible, relies upon a combination of patent, copyright, trademark and trade secret laws, as well as various contractual restrictions, to protect our proprietary technology and continues to monitor this situation. The group also vigorously defends all third party infringement claims.
<b>Data centre security breaches</b>	The group is highly dependent on information technology networks and systems to process, transmit and store electronic information. Fraudulent or unauthorised access, including security breaches of our data centres, could create system disruptions, shutdowns or unauthorised disclosure of confidential information.	The group's data centres are protected against physical break-ins. The group has strict standards and procedures for security and fraud prevention.

## **INDEPENDENT REVIEW REPORT TO PAYPOINT PLC**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2016 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **Deloitte LLP**

Chartered Accountants and Statutory Auditor  
London, United Kingdom  
24 November 2016

## **DIRECTORS & KEY CONTACTS**

### **Directors**

Dominic Taylor (Chief Executive)  
George Earle (Finance Director)  
Tim Watkin-Rees (Business Development Director)  
Gillian Barr\*  
Neil Carson\*  
Giles Kerr\*  
David Morrison\*  
Nick Wiles\* (Chairman)

\* non-executive directors

### **Registered office**

1 The Boulevard  
Shire Park  
Welwyn Garden City  
Hertfordshire  
AL7 1EL  
United Kingdom  
Registered in England and Wales number 3581541

### **Registrars**

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU  
United Kingdom

### **Press and investor relations enquiries**

Finsbury  
Tenter House  
45 Moorfields  
London  
EC2Y 9AE  
United Kingdom

## ABOUT PAYPOINT

We support market leading national networks across 39,000 convenience stores in the UK and Romania so that our customers are always close to a PayPoint store. In thousands of locations, as well as at home or on the move, people use us better to control their household finances, essential payments and in-store services, like parcels. Our UK network contains more branches than all banks, supermarkets and Post Offices together, putting us at the heart of communities for over 10 million regular weekly customers.

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

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

### Multi-channel payments

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

MultiPay is live with Utilita, a fast growing challenger energy supplier. We have signed 13 other energy companies and significantly Scottish and Southern Energy, our first Big 6 energy client and a framework agreement with Procurement for Housing.

### Retail networks

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

Our Romanian network continues to grow profitably. We have over 10,000 local shops, helping people to make cash bill payments, money transfers, road tax payments and mobile phone top-ups. Our clients include all the major utilities and telcos and many other consumer service companies.

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

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

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

### Enquiries

**PayPoint plc** (telephone: 01707 600 317)  
Dominic Taylor, Chief Executive  
George Earle, Finance Director

**Finsbury** (telephone: 0207 2513 801)  
Rollo Head  
Andy Parnis

*A presentation for analysts is being held at 11.45am today (24 November 2016) at Finsbury Group, Tenter House, 45 Moorfields London EC2Y 9AE*

*This announcement is available on the PayPoint plc website: [www.paypoint.com](http://www.paypoint.com)*