



21 November 2007

PayPoint plc
Interim results
For the 27 weeks ended 30 September 2007

HIGHLIGHTS

	27 weeks ended 30 September 2007 £million	26 weeks ended 24 September 2006 £million	Increase
Revenue	103.9	71.0	46%
Net revenue ^{1,3}	34.2	25.8	32%
Operating profit	13.9	10.4	35%
Profit before tax	14.5	11.0	32%
Basic earnings per share	15.0p	11.3p	33%
Interim dividend	5.3p	4.6p	15%

- Transactions were up 33% at 236 million with strong growth in all sectors.
- Operating margin^{2,3} increased to 41% from 40%.
- PayPoint UK and Irish terminal outlets have increased to over 19,000, up 16% on September 2006 and up 8% on March 2007.
- Acquired Pay Store SRL, a mobile top-up provider in Romania.
- Completion of the integration of Metacharge and SECPay is on track for financial year end.

David Newlands, Chairman of PayPoint, said "Good growth in the first half has been complemented by the BBC TV Licence contract, which became exclusive from 1 August 2006, and an extra week of trading. Our UK terminal estate has expanded ahead of plan and we have strengthened our contractual relationships with multiple retailers. Product innovation and implementation, improved terms from credit and debit acquirers and winning back a major reseller for housing and local authority clients have laid the foundations for continuing growth. We have made good progress in driving the major change programmes in our newly acquired internet and Romanian businesses, which will set them on the path to growth next year. We are confident in the group's continuing progress."

The financial statements cover the 27 week period from the 26 March 2007 to 30 September 2007, the last Sunday in the month (2006: 26 weeks).

A presentation for analysts will be held at 11.30am today at Finsbury, Tenter House, 45 Moorfields, London EC2Y 9AE.

1 Net revenue is revenue less commissions paid to retail agents, acquiring bank charges and the cost of mobile top-ups where PayPoint is the principal.

2 Operating margin is operating profit as a percentage of net revenue.

3 Net revenue and operating margin are measures which the directors believe assist with a better understanding of the underlying performance of the group. The reconciliation of net revenue to statutory amounts can be found in note 2

ABOUT PAYPOINT

PayPoint is the leading cash and internet payments company in the UK and Ireland, handling in excess of £6 billion in over 470 million transactions annually for more than 5,000 clients and merchants. The company operates with several payment networks:

- The PayPoint branded retail network numbers over 19,000 terminal outlets located in local shops (including Co-op, Spar, Costcutter, Sainsburys Local, One Stop, Londis and thousands of independents) in all parts of the UK and Ireland. Terminals handle gas and electricity meter prepayments, cash bill payments, mobile phone top-ups, transport tickets, London Congestion charges, BBC TV licences and a wide variety of other payment types for all of the leading utilities, telecommunications suppliers and many consumer service companies. This network is used by consumers, free of charge, 8 million times a week. The network has 97.3% population cover on a 1 mile urban or 5 miles rural measure;
- Additional multiple retailer connections into the electronic till systems of nearly 4,000 outlets in the UK including BP, Somerfield and Superdrug for mobile top-ups and selected payments from the PayPoint range;
- The PayPoint ATM network has over 1,950 'LINK' branded machines across the UK, also typically in convenience stores;
- PayPoint Internet Payment Services (PPIPS), trading as Metacharge and SECPay, provides secure credit and debit card payments for over 4,500 web merchants linking into all the major UK acquiring banks; and
- PayPoint International has recently acquired a Romanian mobile top-up operator to which a bill payment service will be added, emulating the UK branded retail network. PayPoint International also operates Irish bill payment and top-up services.

PayPoint floated on the London Stock Exchange in September 2004 and the company's market capitalisation at 30 September 2007 was £406 million. PayPoint current holds a Queen's Award for Enterprise and is widely recognised for its leadership in prepayment systems, smart technology and consumer service.

21 November 2007

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This announcement is available on the PayPoint plc website: www.paypoint.co.uk.

BUSINESS REVIEW

The business review has been prepared solely to provide additional information to shareholders as a body to assess PayPoint's strategies and their potential to succeed, and it should not be relied upon for any other purpose. It contains forward looking statements that have been made by the directors in good faith based on the information available at the time of approval of the interim results and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

Bill and general payments have grown strongly across the board, including the benefit of the BBC TV licensing contract, which reached its first anniversary in August and an extra week of trading compared to the first half of last year. Mobile volumes have grown as a result of the enlarged terminal estate, the addition of Somerfield to our EPoS based retailers and the acquisition of Pay Store. PayPoint is the market leader in UK over-the-counter cash payments and is widely recognised for service excellence. Pay Store will introduce bill payments next year.

We aim to create increasing economic value for shareholders by expanding:

- UK cash payments for bills, general payments, mobile top-ups, ticketing, money transfer and ATM cash withdrawals building on the strength of our brand;
- electronic and mobile - commerce payments and services building on our internet payments subsidiaries, Metacharge and SECPay and PayPoint service innovations; and
- international growth for cash payment networks and as an e-commerce payment service provider.

Operational overview

In the first 27 weeks of the financial year, PayPoint processed 236 million transactions, with a value of £3.5 billion (2006: 178 million transactions with a value of £2.3 billion), an increase of 33% in transactions and 51% in value. TV licence payments and the additional week's trading have contributed to the growth. Commissions paid to retail agents were £41.5 million, up 16%. There has been strong growth in transaction volumes across all sectors:

	27 weeks ended 30 September 2007 millions	26 weeks ended 24 September 2006 millions	Increase %	Year Ended 25 March 2007 millions
Bill and general payments ⁽¹⁾	141	109	29	267
Mobile top-ups	77	63	22	130
ATMs	7	6	23	13
Internet payments	11	-	-	4
Total⁽²⁾	236	178	33	414

(1) Includes debit/credit transactions

(2) Included within the total is 9 million of international bill and general payments and mobile top-ups.

Bill and general payments

PayPoint has performed well in this sector with growth stimulated by increased agent numbers, client payment options and brand awareness. Migration of market share away from the Post Office, as a result of its branch closure programme, the launch of the BBC TV licence contract which became exclusive to PayPoint from 1 August 2006 and the additional week of trading, have contributed to growth in transactions.

In prepaid energy, volumes have increased over the prior period despite recent reductions in domestic prices. The increase is as a result of our network growth and increasing our market share, particularly in the Midlands, where a competitor lost exclusivity.

In transport, we have extended our geographical coverage by signing new contracts with transport authorities, in addition to our existing contracts with Arriva, National Express, Lothian, First and Greater Manchester Travelcards. Whilst current volumes in transport ticketing are relatively modest, there is potential for long-term growth if transport authorities take steps to move ticket purchasing off buses. We are also discussing contracts with other operators and transport executives.

PayPoint has also achieved strong growth in the rest of the sector (energy bill payments, communications, water, local authorities, and others) in particular from the growth in BBC TV Licensing.

Mobile top-ups

Mobile top-up volumes have increased by 22% over the same period last year (15% excluding Pay Store, which was acquired on 15 May 2007). In the UK our overall market share of cash mobile top-ups is still currently c.30% (March 2007: c.30%). The two most popular methods for topping up are e-voucher and electronic top-up which account for c.75% of all top-ups in the UK. The increase in other payment methods which include ATMs, debit and credit cards and SMS has adversely affected the growth through our channels.

Network growth

Terminal sites have increased to 22,624 (25 March 2007: 17,537). The retail network in the UK and Ireland has grown to 19,017 terminal sites against our target of 19,500 by the end of the year on the strong continuing demand from retailers for the PayPoint terminal. The acquisition of Pay Store brings a further 3,607 terminal sites.

2,525 sites (2006: 2,461) with our terminals also have EPoS connections to allow mobile top-up transactions over the retailers' own till systems. There are a further 3,672 EPoS only sites (2006: 3,740).

Analysis of sites	At 30 September 2007	At 24 September 2006	Increase %	At 25 March 2007
PP terminal only	16,492	13,864	19	15,049
PP terminal and EPoS	2,525	2,461	3	2,488
PP terminal sites	19,017	16,325	16	17,537
Pay Store terminal sites	3,607	-	-	-
Total terminal sites	22,624	16,325	39	17,537
ATM sites	1,957	1,655	18	1,860
Internet merchants	4,545	-	-	4,249

These figures exclude EPoS only sites in the UK and sites in Romania that sell only scratch cards.

ATMs

New machines continued to be rolled out at an average of over 40 per month. The removal for redeployment of ATMs from poorly performing sites, including 40 non-transactors in September, reduced this to a net increase of 17 per month. Average transactions at 600 per month were affected by the higher level of non-transactors.

PayPoint Internet Payment Services

Metacharge and SECPay, which were acquired in the last financial year and form PayPoint Internet Payment Services (PPIPs), are trading profitably. The first phase of the integration of these two businesses, which is nearing completion, is the co-location of their hardware platforms at a hosted data centre, the provision of full disaster recovery and a single billing platform. The second phase which will allow each brand's products to be delivered by the other will be completed early in the new financial year.

PayPoint in Romania

Pay Store SRL was acquired on 15 May 2007 for €16 million (£10.9 million) from the RTC group with potential for a further €1 million payable or recoverable, on the performance of the business in the first year after acquisition. The company is trading at a small loss, as expected. Pay Store is one of the largest independent mobile top-up providers in Romania, selling both electronic top-ups and paper scratch cards. Nearly all Romanians pay bills in cash and are poorly served by existing payment channels. Since acquisition, we now have the ability to process mobile top-ups at our transaction processing centre in Welwyn Garden City. We plan to launch a PayPoint branded bill payment service next year.

Pay Store is well placed to benefit from the migration from scratch cards to electronic top-ups, and following the introduction of bill payments in the New Year, to capture a significant share of the bill payment market as privatised utilities look to rationalise current inefficient and costly cash collection channels.

New services

PayPoint continues to introduce a wide range of new services to stimulate further transaction growth in both cash and new economy payments. For example, we are well-placed to benefit from the expected increases in transaction volumes in the electronic money sector from services such as gift cards, prepay debit cards, saving schemes, internet currencies, stored value cards and money transfers. We have continued to attract through our clients the following brands, The Sun, Daily Mirror, Virgin Money and Argos. We are established as the premier convenience loading channel for cash on to both prepay and stored value cards, which have developed into strong sectors in the USA and are now being marketed with increasing success in the UK.

Financial overview

Revenue for the first 27 weeks was £103.9 million (2006: £71.0 million), up 46% driven by a 33% increase in transaction volumes and further growth in mobile volumes¹ where PayPoint acts as principal. Cost of sales was £76.6 million (2006: £50.7 million), an increase of 51%, which is greater than the rate of increase in revenue because of the increase in mobile top-ups where PayPoint is principal. Agents' commission increased by 16% to £41.5 million (2006: £35.9 million), which is at a lower rate than the increase in revenue mainly because the growth in mobile was lower than the growth in other areas. Depreciation and amortisation have increased to £2.6 million (2006: £1.7 million) up 56% as a result of the terminal roll out, refurbishment of our operations base in Welwyn Garden City and our acquisitions.

Net revenue² of £34.2 million (2006: £25.8 million) was up 32%, driven primarily by volume growth.

Gross profit improved to £27.3 million (2006: £20.3 million), 34% ahead of the same period last year, with a gross margin of 26% (2006: 29%). The rate of increase in mobile top-ups in Ireland and Romania¹ is greater than the rate of increase from other sources, which depressed gross margin, mitigated by lower rates of increase in other costs. Gross margin, excluding the cost of Irish and Romanian mobile-top-ups¹ improved to 35% (2006: 33%).

¹ In Ireland and Romania, PayPoint is principal in the sale of mobile top-ups and accordingly the face value of the top-up is included in sales and the corresponding cost in cost of sales

² Net revenue is revenue less commissions paid to retail agents and the cost of mobile top-ups where PayPoint is the principal

Operating costs (administrative expenses) have risen to £13.4 million (2006: £10.0 million), an increase of 34%, the inclusion of Metacharge, SECPay and Pay Store have accounted for 28% of the 34% increase.

Operating profit was £13.9 million (2006: £10.4 million), up 35% with an associated increase in operating margin¹ to 41% (2006: 40%).

Profit before tax was £14.5 million (2006: £11.0 million), up 32%. The tax charge was £4.4 million (2006: £3.3 million) and the effective tax rate was 30%.

Operating cash flow was £10.9 million including an inflow of £0.5 million of client cash² (2006: £12.1 million after an inflow of £0.8 million in respect of client cash), reflecting strong conversion of profit to cash. Capital expenditure of £1.9 million (2006: £5.6 million including the £3.4 million refurbishment of our operations base £3.4 million) reflected spend on new terminals, ATMs, and the international processing platform. Net interest received was £0.6 million (2006: £0.7 million) and equity dividends paid were £6.2 million (2006: £5.1 million).

Related party transactions

Related party transactions are disclosed in note 6.

Risks

Risks to PayPoint's business, financial condition or operations are disclosed on page 17.

Dividend

The board have declared an interim dividend payable on 21 December of 5.3p per share (2006: 4.6p) to shareholders on the register at 30 November 2007.

Outlook

There is opportunity to grow revenue in the UK by increasing market share in bill and general payments, mobile top-ups and ATMs and from Post Office closures within the next year. We will continue to roll out terminals in the UK next year. PayPoint will also continue its focus in developing new markets including transport to drive transaction volumes in the longer term as well as launching bill payments in Romania and offering PPIPs to existing PayPoint clients. Trading in the second half of the current year has started well with October's results in line with management's expectations.

The directors are confident of continuing growth although the benefit of the exclusivity of the TV licence contract from 1 August 2006 and the extra week of trading will not be repeated in the second half and the impact of the reductions, in the latter half of last year, in domestic gas prices on prepay transaction volumes will be greater than in the first half.

David Newlands
Chairman

Dominic Taylor
Chief Executive

21 November 2007

¹ Operating margin is operating profit as a percentage of net revenue

² Client cash is held on behalf of clients where PayPoint has title to the funds. An equivalent balance is included within trade payables.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited 27 weeks ended 30 September 2007 £000	Unaudited 26 weeks ended 24 September 2006 £000	Audited year ended 25 March 2007 £000
Continuing operations	Note			
Revenue	2	103,950	70,974	157,068
Cost of sales	2	(76,645)	(50,661)	(111,068)
Gross profit	2	27,305	20,313	46,000
Administrative expenses		(13,359)	(9,950)	(20,798)
Operating profit		13,946	10,363	25,202
Investment income		586	691	1,470
Finance costs		(43)	(38)	(75)
Profit before tax		14,489	11,016	26,597
Tax	3	(4,353)	(3,341)	(7,859)
Profit for the period		10,136	7,675	18,738
Earnings per share				
Basic	5	15.0p	11.3p	27.7p
Diluted	5	14.7p	11.2p	27.3p

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME & EXPENSE

		Unaudited 27 weeks ended 30 September 2007 £000	Unaudited 26 weeks ended 24 September 2006 £000	Audited year ended 25 March 2007 £000
Exchange differences on translation of foreign operations	9	34	-	-
Net income recognised directly in equity		34	-	-
Profit for the period		10,136	7,675	18,738
Total recognised income and expenses for the period		10,170	7,675	18,738

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 September 2007 £000	Unaudited 24 September 2006 £000	Audited 25 March 2007 £000
Non-current assets				
Goodwill		26,256	-	18,207
Other intangible assets		3,222	-	2,839
Property, plant and equipment		13,428	13,383	11,844
Deferred tax asset		1,552	1,174	1,572
		44,458	14,557	34,462
Current assets				
Inventories		1,088	908	1,651
Trade and other receivables		25,431	12,238	20,671
Cash and cash equivalents	7	15,981	31,456	24,324
		42,500	44,602	46,646
Total assets		86,958	59,159	81,108
Current liabilities				
Trade and other payables		40,125	23,581	36,228
Current tax liabilities		4,858	3,361	4,115
Obligations under finance leases		156	-	-
		45,139	26,942	40,343
Non-current liabilities				
Other liabilities		274	396	392
		274	396	392
Total liabilities		45,413	27,338	40,735
Net assets				
		41,545	31,821	40,373
Equity				
Share capital	8	226	226	226
Share premium account		-	23,976	-
Capital redemption reserve		-	14,193	-
Investment in own shares	8	(935)	(1)	(1)
Share option and SIP reserve	8	1,789	1,110	1,712
Reserve for exchange differences on translation of foreign operations	8	34	-	-
Retained earnings	8	40,431	(7,683)	38,436
Total equity	9	41,545	31,821	40,373

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	Unaudited 27 weeks ended 30 September 2007 £000	Unaudited 26 weeks ended 24 September 2006 £000	Audited year ended 25 March 2007 £000
Net cash from operating activities	11	10,920	12,109	28,181
Investing activities				
Interest received		549	739	1,310
Purchase of property, plant and equipment		(1,854)	(5,645)	(6,646)
Proceeds from disposal of property, plant and equipment		53	101	194
Acquisition of subsidiary	10	(8,219)	-	(19,754)
Purchase of own shares	6	(3,489)	-	-
Net cash used in investing activities		(12,960)	(4,805)	(24,896)
Financing activities				
Repayments of obligations under finance leases		(144)	(67)	(67)
Dividends paid		(6,159)	(5,076)	(8,189)
Net cash used in financing activities		(6,303)	(5,143)	(8,256)
Net (decrease)/increase in cash and cash equivalents		(8,343)	2,161	(4,971)
Cash and cash equivalents at beginning of period		24,324	29,295	29,295
Cash and cash equivalents at end of period		15,981	31,456	24,324

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Accounting policies

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

Basis of preparation

The financial information contained in this report is unaudited, but has been formally reviewed by the auditors and their report to the Company is set out on page 18. The information shown for the 52 weeks ended 25 March 2007, which is prepared under IFRS, does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The report of the auditors on the statutory accounts for the year ended 25 March 2007, prepared under International Financial Reporting Standards (IFRS), was unqualified and did not contain a statement under section 237 of the Companies Act 1985 and has been filed with the Registrar of Companies.

At the date of authorisation of these condensed financial statements, the following standards and interpretations which have not been applied in these condensed financial statements were in issue but not yet effective:

IFRS 7:	Financial Instruments: Disclosures
IFRS 8:	Operating Segments
IFRIC 12:	Service Concession Arrangements.
IFRIC 13:	Customer Loyalty Programs
IFRIC 14:	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding requirements and their Interaction

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the condensed financial statements of the group. The condensed financial statements are presented in pounds sterling because it is the currency of the primary economic environment in which the group operates. The directors consider that there are no critical accounting judgements and key sources of estimation uncertainty in applying the group's accounting policies.

2. Segmental reporting, net revenue analysis and gross throughput

(i) Segmental information

- (a) **Geographical segments.** The group operates in the UK, Republic of Ireland and Romania but the group has only one reportable geographical segment as defined in International Accounting Standard 14 Segment Reporting due to the fact that principally all operations occur in the UK.
- (b) **Classes of business.** The group has one class of business, being payment collection and distribution services.

(ii) Analysis of net revenues by sector, cost of sales and gross throughput

Group revenue comprises the value of sales (excluding VAT) of services in the normal course of business and includes amounts billed to customers to be passed on to retail agents as commission payable, the face value of mobile top-ups where PayPoint acts as principal and for Metacharge, it includes external processing charges which are amounts billed to merchants that are passed onto the acquiring bank. Cost of sales includes the cost to the group of the sale, including commission to retail agents and the cost of mobile top-ups where PayPoint is the principal in the supply chain and acquiring bank charges.

Revenue performance of the business is measured by net revenue which is calculated as the total revenue from clients less commission payable to retail agents, acquiring bank charges and the cost of mobile top-ups where PayPoint is the principal in the supply chain.

Although there is only one class of business, since the risks and returns are similar across markets in which the group operates, the group monitors net revenue (see below) with reference to each sector.

Gross throughput represents payments made by consumers using the PayPoint service, for bill and general payments, mobile top-ups (including scratch cards), cash withdrawals from ATMs and the value of transactions via the internet.

	27 weeks ended 30 September 2007 £000	26 weeks ended 24 September 2006 £000	Year ended 25 March 2007 £000
Revenue - transaction processing	103,030	70,304	155,659
- lease rental of ATMs	920	670	1,409
Revenue	103,950	70,974	157,068
less:			
Commission payable to retail agents	(41,463)	(35,886)	(76,986)
Cost of mobile top-ups as principal	(26,688)	(9,255)	(21,050)
Acquiring bank charges	(1,618)	-	(1,333)
Net revenue	34,181	25,833	57,699
Net revenue by sector			
Bill payments	13,644	11,399	25,737
Mobile top-ups	12,834	10,741	22,633
ATMs	3,275	2,730	5,751
Internet payments	3,124	-	1,623
Other	1,304	963	1,955
Net revenue	34,181	25,833	57,699
UK	32,709	25,455	56,757
International ⁽¹⁾	1,472	378	942
Net revenue	34,181	25,833	57,699
Profit and loss			
Revenue	103,950	70,974	157,068
Cost of sales			
Commission payable to retail agents	(41,463)	(35,886)	(76,986)
Cost of mobile top-ups as principal	(26,688)	(9,255)	(21,050)
Acquiring bank charges	(1,618)	-	(1,333)
Other	(6,876)	(5,520)	(11,699)
Total cost of sales	(76,645)	(50,661)	(111,068)
Gross profit	27,305	20,313	46,000
Gross throughput			
Transactions via PayPoint terminals, retailer EPOS systems and sale of scratch cards	2,774,365	2,159,212	4,826,632
Withdrawals via ATMs	167,961	144,398	293,287
Internet transactions	545,619	-	117,180
Gross throughput	3,487,945	2,303,610	5,237,099

(1) International consists of Ireland and Romania

3. Tax on profit of ordinary activities

	27 weeks ended 30 September 2007 £000	26 weeks ended 24 September 2006 £000	Year ended 25 March 2007 £000
Current tax	4,373	3,331	7,935
Deferred tax	(20)	10	(76)
Total	4,353	3,341	7,859

4. Dividend

The declared interim dividend is 5.3p (2006: 4.6p). The total dividends in respect of the year ended 25 March 2007 were £9.3 million (13.7p per share).

The interim dividend was declared on 21 November 2007 and accordingly has not been recorded as a liability as at 30 September 2007.

5. Earnings per share**(a) Basic and diluted earnings per share**

The basic and diluted earnings per share are calculated on the following profit and number of shares.

	27 weeks ended 30 September 2007 £000	26 weeks ended 24 September 2006 £000	Year ended 25 March 2007 £000
Profit for the purposes of basic earnings per share being net profit attributable to equity holders of the parent and for diluted earnings	10,136	7,675	18,738
	Number of shares	Number of shares	Number of shares
Weighted average number of shares (for basic earnings per share)	67,688,522	67,678,074	67,678,187
Potential dilutive ordinary shares: Deferred share bonus	100,878	65,397	80,336
Long term incentive plan	1,036,849	887,737	974,116
Diluted basis	68,826,249	68,631,208	68,732,639

6. Related party transactions

On 24 September the company released the first tranche of its Long Term Incentive Plan awards to the three executive directors and six senior managers. In order to satisfy the company's obligations, Paypoint Network Limited Employee Investment Trust (The Trust) acquired 424,052 ordinary shares at the mid market closing price of 597.5 pence per share, in aggregate £2,533,000, from RIT Capital Partners and the Weinstock Estate (both of which are connected to David Morrison, a non-executive director of the company). 156,348 shares were sold at 597.5 pence per share, in aggregate £934,000, by participating directors and managers to the Trust. Accordingly, the company has funded £3,467,000 (excluding £22,000 deal costs) for the purchase of its own shares. The excess of the market value of the shares acquired over their fair value at the date of grant of £1,982,000 has been charged to reserves.

7. Cash and cash equivalents

Included within cash and cash equivalents is £7.8 million (September 2006: £6.4 million, March 2007: £7.3 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.

8. Share capital, share option and SIP reserve and retained earnings

	27 weeks ended 30 September 2007 £000	26 weeks ended 24 September 2006 £000	Year ended 25 March 2007 £000
Authorised share capital			
4,365,352,200 ordinary shares of 1/3 p each	14,551	14,551	14,551
Called up, allotted and fully paid share			
67,693,368 ordinary shares of 1/3 p each	226	226	226
Share option and SIP reserve			
At start of period	1,712	738	738
Additions in period	628	372	974
Options exercised in period	(551)	-	-
At end of period	1,789	1,110	1,712
Investment in own shares			
At start of period	(1)	(1)	(1)
Acquired in period (see note 6)	(2,533)	-	-
Used on share scheme vesting	1,599	-	-
At end of period	(935)	(1)	(1)
Retained earnings			
At start of period	38,436	(10,282)	(10,282)
Profit for the period	10,136	7,675	18,738
Capital reduction	-	-	38,046
Undistributable reserves	-	-	123
Dividends paid	(6,159)	(5,076)	(8,189)
Adjustment on share scheme vesting (see	(1,982)	-	-
At end of period	40,431	(7,683)	38,436

9. Statement of changes in equity

	27 weeks ended 30 September 2007 £000	26 weeks ended 24 September 2006 £000	Year ended 25 March 2007 £000
Opening equity	40,373	28,850	28,850
Profit for the period	10,136	7,675	18,738
Dividends paid	(6,159)	(5,076)	(8,189)
Investment in own shares (see note 6)	(934)	-	-
Adjustment on share scheme vesting (see note 6)	(2,533)	-	-
Exchange differences on translation of foreign operations	34	-	-
Additions to share option and SIP reserve	628	372	974
Closing equity	41,545	31,821	40,373

10. Acquisition of subsidiary (Pay Store)

	Book Value £000	Fair value £000
Net assets acquired		
Property, plant and equipment	2,046	2,046
Trade and other receivables	2,309	2,309
Cash and cash equivalents	1,584	1,584
Trade and other payables	(3,846)	(3,846)
Intangible assets	-	781
	2,093	2,874
Goodwill		8,049
Total consideration		10,923
Satisfied by:		
Cash		9,803
Deferred consideration		1,120
		10,923
Net cash outflow arising on acquisition		
Cash consideration		9,803
Cash and cash equivalents acquired		(1,584)
		8,219

On 15 May 2007, the company acquired 100% of the issued share capital of Pay Store for cash consideration of £10.9 million (of which £1.1 million is payable 12 months after acquisition). A further €1 million is either payable or recoverable 12 months after acquisition dependent on the performance of the business.

The goodwill arising on the acquisition of Pay Store is attributable to the expected profitability of the company.

Pay Store contributed £13.6 million revenue and a loss of £55,000 to the group's profit before tax for the period between the date of acquisition and the balance sheet date. If the acquisition of Pay Store had been completed on the first day of the financial year, it would have contributed £18.1 million to revenue and £104,000 to profit attributable to equity holders of the parent.

11. Notes to the cash flow statement

	27 weeks ended 30 September 2007 £000	26 weeks ended 24 September 2006 £000	Year ended 25 March 2007 £000
Operating profit	13,946	10,363	25,202
Adjustments for:			
Depreciation on property, plant and equipment	2,244	1,691	3,603
Amortisation of intangibles	399	-	212
Increase in share option and SIP reserve	77	372	974
Loss on disposal of property, plant and equipment	-	67	-
Operating cash flows before movements in working capital	16,666	12,493	29,991
Decrease/(increase) in inventories	872	211	(532)
(Increase)/decrease in receivables	(2,300)	(126)	788
Increase/(decrease) in payables			
- client cash	451	780	1,105
- other payables	(1,037)	611	2,866
Cash generated by operations	14,652	13,969	34,218
Corporation tax paid	(3,732)	(1,822)	(6,007)
Interest and commitment fees paid	-	(38)	(30)
Net cash from operating activities	10,920	12,109	28,181

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;
- b) the business review includes a fair review of the information required by Disclosure and Transparency Rules (DTR) 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year) ; and
- c) the business review includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the board

David Newlands
Chairman

Dominic Taylor
Chief Executive

21 November 2007

RISKS

PayPoint's business, financial condition or operations could be materially and adversely affected over the remaining six months 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 crystallisation of some or all of such risks:

Risk	Future prospects depend on our ability to:
Managing growth of the business	manage growth through the employment of adequate skilled resources, whilst maintaining financial controls
The loss of a major contract	renew contracts at expiry (over the next six years) on attractive terms
Dependence on key executives	retain and recruit key staff through a mixture of basic salary, short and long-term incentive schemes
Failure of systems	maintain financial controls, defend against natural disasters, terrorist attacks, sabotage and hacking
Competition	hold and gain market share, particularly in commodity services such as mobile top-ups
Insolvency of a major multiple retail agent	avoid the consequences of insolvency both in terms of bad debt risk (where we bear it) and the impact of such insolvency on our network coverage
Technological changes	keep pace with technological changes and introduce new developments to maintain competitive advantage
Reliance on intellectual property	stop third parties from using our products and defend the use of our products from any challenge
The need to raise capital in future	access future capital needs on sufficiently attractive terms to grow the business profitably
Economic, political, legislative, taxation or regulatory changes	to deal with the impact of such changes without adversely affecting the growth or profitability of the business
Taxation	ensure the impact of any adverse changes is mitigated by enhanced performance
Fraudulent or criminal activity	avoid loss of client monies by the rigorous application of controls

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 period ended 30 September 2007 which comprises the income statement, the balance sheet, the statement of recognised income and expense, the cash flow statement and related notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent mis-statements 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 2410 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 them 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 Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRS 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.

Review conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information 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 Services Authority.

Deloitte & Touche LLP
Chartered Accountants
21 November 2007
London, UK

Notes: A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

PayPoint plc

DIRECTORS & KEY CONTACTS

Directors

George Earle (Finance Director)
Kenneth Minton*
David Morrison*
David Newlands* (Chairman)
Andrew Robb*
Dominic Taylor (Chief Executive)
Tim Watkin-Rees (Business Development Director)
Roger Wood*
* non-executive directors

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