

PRESS RELEASE



PayPoint plc
Interim Results
for the 6 months ended 30 September 2004

HIGHLIGHTS

	6 months ended 30 September 2004 £m	6 months ended 30 September 2003 £m
Turnover	39.9	29.7
Net revenue ^{1, 4}	16.5	12.5
Operating profit before exceptional items ⁴	4.7	1.2
Operating profit	0.1	1.2
Adjusted earnings per share ^{2, 4}	6.1p	1.7p
Basic (loss)/earnings per share	(0.8p)	1.7p

Comparing the first six months of 2004 and 2003:

- Turnover of £39.9 million up 35%
- Consumer transactions processed up 29% at 112 million with strong growth in all sectors
- Net revenues up 33% with operating margins^{3, 4} increased to 28%
- Operating profit before exceptional items of £4.7 million up 277%
- Adjusted earnings per share were 6.1p up 249%
- PayPoint outlets have increased to over 14,600 up 11% on March 2004
- New terminal roll out to agents started in October — progressing well

David Newlands, Chairman of PayPoint, said: "Our first set of results as a listed company is strong and shows growth in all sectors. We are delighted to see further expansion in the range of payments for which we are able to cater and remain excited about the prospects for continued growth."

1 Net revenue is turnover net of the deduction of commissions paid to retail agents.

2 Adjusted earnings per share are based on profits before exceptional items after taxation.

3 Operating margins are calculated as operating profit before exceptional items as a percentage of net revenue.

4 Net revenue, operating profit before exceptional items, adjusted earnings per share and operating margins are measures which the directors believe assist with a better understanding of the underlying performance of the group. The reconciliation to statutory amounts can be found in notes 2, 3, 6 and on the face of the profit and loss account.

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PayPoint plc

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There will be a presentation today to analysts at 11.00am at Cazenove & Co Limited, 20 Moorgate, London EC2R 6DA.

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

About PayPoint

PayPoint is a leading branded payment collection network used, primarily, for the cash payment of bills and services and prepayments for mobile telephones and energy meters. There are over 12,000 retail outlets using PayPoint's payment terminals.

PayPoint began trading in 1996 and initially collected payments through its network of retail agents for its founder client investors, who included British Gas, BT, BBC TV Licensing, London Electricity (now part of EDF Energy) and four water companies.

It now has more than 400 clients including many of the UK and Ireland's major energy, cable, mobile and fixed line telephony companies. Its blue chip client list also extends to numerous water companies, local authorities and housing associations and a growing transport and travel base.

BUSINESS REVIEW

Our first set of results as a listed company is strong and shows continued growth in all sectors. This growth has been achieved through the success of our strategy to: increase and optimise network coverage; increase throughput per agent and; grow the range of payments through our network. We would like to take this opportunity to thank PayPoint's staff for retaining their focus and continuing to grow the business during the extended period of the bid defence and the listing.

Operational overview

During the first six months of the financial year, PayPoint processed 112 million consumer transactions (2003: 87 million) an increase of 29%, with a value of £1.3 billion (2003: £1.0 billion) up 34%. Agent commission charges of £22.9 million were up 37%, reflecting increased volumes and the heavier mix of e-top up and ATM volumes, which carry higher agent commissions.

There has been strong growth in transaction volumes across all sectors:

	<i>Six months ended 30 September</i>			<i>Year ended 31 March</i>
	<i>2004 millions</i>	<i>2003 millions</i>	<i>Increase %</i>	<i>2004 millions</i>
Bill and general payments	68.4	57.4	19	137.6
Mobile top-ups	42.2	29.8	42	66.2
ATMs	1.8	0		0.7
Total	112.4	87.2	29	204.5

Bill and general payments

Bill and general payments have benefited from winning new energy payment business with PowerGen, in the Eastern and Norweb electricity regions and from organic growth. Within this sector there has been good progress in transport ticketing, with the successful launch of a contactless smart card scheme in Edinburgh for Lothian buses and Arriva's recent announcement that they intend to use the PayPoint network for sales of weekly and monthly bus tickets across the UK. Whilst PayPoint's volumes in transport ticketing are, as yet, relatively low, this sector offers considerable potential for long term growth.

Mobile top-ups

Mobile top-ups have continued to show strong growth, ahead of expectations, as paper top-up vouchers are being displaced by electronic top-ups. This growth has been helped by the introduction, by most of the mobile networks, of "electronic vouchers" (PIN codes issued to the customer for activating credit through the handset) to complement the traditional electronic top-up transaction. This has accelerated the reduction in paper vouchers. However, the future rate of growth in mobile volumes is expected to slow, as the migration from paper to electronic vouchers matures.

ATMs

The ATM business continues in line with expectations, with new machines rolling out at an average of 50 new sites per month. Transaction volumes and revenue are in line with expectations. Our current intention is to continue to roll out ATMs until 2,000 machines have been placed at a total cost of £6 million which will be recovered from agents, either by the sale or rental of the ATMs.

Network growth

PayPoint's outlets (including EPOS only sites) have grown to 14,600 terminal sites at 30 September 2004 (31 March 2004: 13,200) an increase of 11%. ATMs have grown to 651 (31 March 2004: 358).

New terminal

The Company has completed retail trials of its second generation terminal which has proved to be popular with retailers. The new terminal offers much faster processing, better reliability and new functionality through a touch screen and a contactless smartcard reader. These help new products to be introduced rapidly and efficiently, including the new transport ticketing schemes. The new terminal design is also chip and PIN compliant. The replacement of the old terminals commenced in October, with 1,733 new terminals in operation by 6 December this year. It is anticipated that the old terminal estate will have been substantially replaced by the end of next financial year at a total cost of approximately £6 million as stated in the listing particulars.

Financial overview

Turnover for the first half of the financial year was £39.9 million (2003: £29.7 million) up 35% driven by a 29% increase in transaction volumes. Costs of sales were £27.9 million (2003: £21.8 million) an increase of 28%. Cost of sales comprises commission paid to agents, depreciation and other items including telecommunications. Agents' commission increased to £22.9 million (2003: £16.8 million) up 37%, slightly ahead of volume growth as a result of the heavier mix of mobile top-ups with proportionately higher agent commissions. The roll out of ATM machines and the depreciation on the old terminal estate (now fully written off) caused an increase in depreciation to £1.2 million (2003: £0.9 million). Other costs of sales decreased overall as a result of reductions in telecommunication costs. Gross profit improved to £12.1 million (2003: £7.9 million), 53% ahead, with a gross margin of 30% (2003: 27%).

Net revenue of £16.5 million (2003: £12.5 million) was up 33%, driven primarily by volume growth. Operating margins³ in the first half were 28% (2003: 10%), benefiting from operational gearing and also from a delay in the migration of mobile electronic top-ups from our terminals in some multiple retailers, to the retailers' own electronic EPOS systems which deliver lower margin for PayPoint.

Operating costs (administrative expenses) before exceptional items have risen to £7.4 million (2003: £6.7 million), an increase of 12%, driven largely by increased investment in providing retailers with the ability to top-up mobile telephones using their own EPOS systems on PayPoint's network. Operating profit before exceptional charges was £4.7 million (2003: £1.2 million) with a corresponding increase in operating profit margins³ on net revenue of 28% (2003: 10%) demonstrating our ability to grow transaction volumes without a proportionate increase in operating costs.

We incurred exceptional costs of £4.6 million in the period of which £4.3 million relates to the successful listing of the Company's shares on The London Stock Exchange and £0.3 million relates to bid defence costs.

Profit before tax after exceptional items was £0.3 million after the exceptional items of £4.6 million (2003: profit before tax £1.1 million). The tax charge of £0.9 million represents amortisation of the deferred tax asset from £3.6 million to £2.7 million. The use of group relief and tax losses will result in no current Corporation Tax payable for the year as a whole. Tax losses of approximately £14 million will remain for future use.

Operating cash flow was £4.2 million (2003: £2.2 million), reflecting strong conversion of profit to cash. Net capital expenditure of £1.2 million (2003: £1.2 million) reflected spend on new terminals, ATMs and infrastructure assets. Net interest received of £0.2 million compared to a net interest paid of £0.1 million in the first half of 2003, as a result of the repayment of finance leases and increased net cash in 2004. Equity dividends paid were £0.8 million (2003: nil). The net financing outflow of £0.6 million was the repayment of leases and compares to a net outflow of £0.1 million in the comparative period last year, being £1.0 million of lease repayments, offset by £0.9 million of new lease finance.

Net cash was £15.2 million (including cash to which PayPoint has legal title, but for which an equal amount is included in creditors "client cash" of £2.4 million), up £2.6 million from £12.6 million (including client cash of £4.7 million) at 31 March 2004.

Dividend

As stated in the listing particulars, no interim dividend is being declared in respect of the six months ended 30 September 2004. We expect to pay a final dividend, representing two thirds of a full year dividend, for the current financial year in July 2005 covered approximately two times by pre-exceptional after tax earnings.

Outlook

We are confident of a good second half, in which we expect a seasonal increase in transaction volumes, through increased winter residential gas consumption, although the impact of this may not be as marked as in last year. Furthermore, depreciation on terminals will be lower in the second half as the old terminal estate is fully depreciated and the new terminal estate will not be fully rolled out until the end of next financial year. The impact of these benefits will however be tempered by increased marketing costs to refresh our point of sale at a cost of £0.6 million and the expected migration of electronic top-ups from PayPoint terminals to retailers' own EPOS systems which will dilute margins by about £0.5 million during the second half of this financial year and a further £1 million next year.

We continue to grow the business organically in the UK and Ireland with good prospects in all markets. In bill and general payments, in particular, there are opportunities to broaden the range of payments across the PayPoint retail network, as well as benefits from the Post Office urban branch closure programme. We expect longer term growth in this sector to be helped by gains in congestion charging and transport ticketing. Retail network growth and optimisation will continue to be priorities and we will review the potential for international expansion.

David Newlands
Chairman

Dominic Taylor
Chief Executive

7 December 2004

3 Operating margins are calculated as operating profit before exceptional items as a percentage of net revenue.

CONSOLIDATED PROFIT & LOSS ACCOUNT

	Note	Unaudited 6 months ended 30 September 2004 £000	<i>Unaudited 6 months ended 30 September 2003 £000</i>	<i>Audited year ended 31 March 2004 £000</i>
Turnover	2	39,949	29,681	67,132
Cost of sales	2	(27,862)	(21,790)	(47,331)
Gross profit	2	12,087	7,891	19,801
Administrative expenses		(11,994)	(6,654)	(13,629)
Add back exceptional item	3	4,572	-	-
Administrative expenses excluding exceptional item		(7,422)	(6,654)	(13,629)
Operating profit before exceptional item		4,665	1,237	6,172
Exceptional item	3	(4,572)	-	-
Operating profit		93	1,237	6,172
Interest receivable and similar income		293	42	240
Interest payable and similar charges		(74)	(139)	(388)
Profit on ordinary activities before taxation		312	1,140	6,024
Tax charge on profit on ordinary activities	4	(855)	-	(4)
(Loss)/profit on ordinary activities after taxation		(543)	1,140	6,020
Dividend	5	-	-	(1,055)
Retained (loss)/profit for the period		(543)	1,140	4,965
(Loss)/earnings per share	6			
Basic		(0.8p)	1.7p	9.1p
Diluted		(0.8p)	2.1p	9.0p
Adjusted — basic		6.1p	1.7p	9.1p

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited 30 September 2004 £000	<i>Unaudited 30 September 2003 £000</i>	<i>Audited 31 March 2004 £000</i>
Fixed assets				
Tangible assets		2,202	2,658	2,217
Current assets				
Debtors: amounts falling due within one year	7	10,118	11,158	10,278
Debtors: amounts falling due after more than one year	7	-	375	375
Cash at bank and in hand	8	15,718	5,107	13,832
		25,836	16,640	24,485
Creditors: amounts falling due within one year	9	(17,598)	(11,871)	(15,645)
Net current assets		8,238	4,769	8,840
Total assets less current liabilities				
Creditors: amounts falling due after more than one year	9	(123)	(810)	(304)
		10,317	6,617	10,753
Capital and reserves				
Called up share capital	10	225	14,415	14,418
Share premium account	10	23,976	23,586	23,894
Capital redemption reserve	10	14,193	-	-
Investment in own shares	10	-	(25)	(25)
Profit & loss account	10	(28,077)	(31,359)	(27,534)
Total shareholders' funds		10,317	6,617	10,753
Shareholders' funds are analysed as:				
Equity interests		10,317	(7,576)	(3,440)
Non-equity interests		-	14,193	14,193
		10,317	6,617	10,753

CONSOLIDATED CASHFLOW STATEMENT

		6 months ended 30 September 2004 £000	<i>6 months ended 30 September 2003 £000</i>	<i>Year ended 31 March 2004 £000</i>
	<i>Note</i>			
Net cash inflow from operating activities	a	4,220	2,185	12,451
Returns on investments and servicing of finance	b	219	(97)	(148)
Capital expenditure net of disposals		(1,179)	(1,246)	(1,887)
		3,260	842	10,416
Equity dividends paid	b	(778)	-	(277)
Net cash inflow before financing		2,482	842	10,139
Financing	b	(596)	(135)	(707)
Increase in cash in year		1,886	707	9,432

NOTES TO CASHFLOW STATEMENT**a. Reconciliation of operating profit to net cash inflow from operating activities**

	6 months ended 30 September 2004 £000	6 months ended 30 September 2003 £000	Year ended 31 March 2004 £000
Operating profit	93	1,238	6,172
Depreciation charge	1,196	921	2,011
(Increase)/decrease in debtors	(362)	(112)	754
Increase in creditors	3,293	138	3,514
Net cash inflow from operating activities	4,220	2,185	12,451

b. Analysis of cash flows

Returns on investments and servicing of finance

Interest paid	-	(19)	(123)
Interest received	293	42	240
Interest element of finance lease	(74)	(120)	(265)

	219	(97)	(148)
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Financing

Issue of ordinary share capital	61	-	-
Increase in asset finance	-	927	1,161
Repayment of capital element of finance lease	(657)	(1,062)	(1,868)

	(596)	(135)	(707)
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Equity dividends paid

The dividend of £778,000 paid in the period together with the £277,000 paid in the year ended 31 March 2004 comprise the £1,055,000 dividend declared for the year ended 31 March 2004 as set out in note 5 to the accounts.

c. Reconciliation of net cash flow to movement in net funds

	6 months ended 30 September 2004 £000	<i>6 month ended 30 September 2003 £000</i>	<i>Year ended 31 March 2004 £000</i>
Increase in cash in year	1,886	707	9,432
Cash inflow from change in debt and lease financing	596	135	707
Debt converted	82	-	310
Change in net debt	2,564	842	10,449
Net funds at start of period	12,625	2,176	2,176
Net funds at end of period	15,189	3,018	12,625

d. Analysis of changes in net funds

	<i>At beginning of period £000</i>	<i>Cash flows £000</i>	<i>Non-cash movements £000</i>	<i>At end of period £000</i>
Six months ended 30 September 2004				
Cash at bank and in hand	13,832	1,886	-	15,718
Other loans	(82)	-	82	-
Finance leases	(1,125)	596	-	(529)
	12,625	2,482	82	15,189
Six months ended 30 September 2003				
Cash at bank and in hand	4,400	707	-	5,107
Other loans	(392)	-	-	(392)
Finance leases	(1,832)	135	-	(1,697)
	2,176	842	-	3,018

NOTES TO ACCOUNTS

1 Basis of preparation

- (i) 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 19. The information shown for the year ended 31 March 2004 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 31 March 2004 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.
- (ii) The interim financial statements have been prepared on the basis of accounting policies set out in the Group's 2004 statutory accounts, except that the group has implemented UITF 38 from 1 April 2004. UITF 38 requires own shares held under trust to be deducted in arriving at shareholders' funds. Previously own shares held under trust were presented as fixed asset investments. Accordingly own shares held under trust at a book value of £25,000 have been reclassified from fixed asset investments to shareholders' funds. The implementation of UITF 38 had no material impact on the Group's previously reported profits and losses. Comparative figures have been restated in the balance sheet and related notes.

2. Segmental reporting, net revenue analysis and gross throughput

(i) Segmental Information

(a) Geographical segments

The Group operates in both the UK and Republic of Ireland but the group has only one reportable geographical segment as defined in SSAP 25 "Segmental Reporting" due to the fact that principally all operations and sales occur in the UK.

(b) Classes of business

The Group has one class of business, being cash payment collection and distribution services.

(ii) Analysis of revenues by market

Group turnover 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. Cost of sales includes the cost to the Group of the sale, including commission to retail agents and the cost of top ups where PayPoint is the principal in the supply chain.

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

(ii) Analysis of revenues by market continued

Although there is only one class of business, the Group monitors net revenue with reference to each market in which the Group operates as follows:

	6 months ended 30 September 2004 £000	<i>6 months ended 30 September 2003 £000</i>	<i>Year ended 31 March 2004 £000</i>
Turnover	39,949	29,681	67,132
less:			
Commission payable to retail agents	(22,913)	(16,767)	(37,743)
Client costs and commissions payable to retail agents on mobile top-up sales as principal	(506)	(456)	(793)
Net revenue	16,530	12,458	28,596
Net revenue by market			
Bill payments	7,254	6,327	15,005
Mobile top-ups	8,081	5,881	12,853
ATMs	806	12	307
Other	389	238	390
Net revenue before deferred revenue release	16,530	12,458	28,555
Deferred revenue release	-	-	41
Net revenue including deferred revenue release	16,530	12,458	28,596

(ii) Analysis of revenues by market continued

Commission payable is included within cost of sales as shown below

	6 months ended 30 September 2004 £000	<i>6 months ended 30 September 2003 £000</i>	<i>Year ended 31 March 2004 £000</i>
Turnover	39,949	29,681	67,132
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Cost of sales			
Commission payable to retail agents	(22,913)	(16,767)	(37,743)
Other	(4,443)	(4,567)	(8,795)
Client costs and commissions payable to retail agents on mobile top-up sales as principal	(506)	(456)	(793)
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Total cost of sales	(27,862)	(21,790)	(47,331)
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Gross profit	12,087	7,891	19,801
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(iii) Gross throughput

	6 month ended 30 September 2004 £000	<i>6 months ended 30 September 2003 £000</i>	<i>Year ended 31 March 2004 £000</i>
Gross throughput	1,316,739	979,645	2,269,178
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Gross throughput represents payments made by consumers using the PayPoint service and cash withdrawals from ATMs.

Included within gross throughput is £41.4 million in the six months to 30 September relating to ATM cash withdrawals by customers (£0.5 million in the six months to 30 September 2003 and £14.1 million for the year ended 31 March 2004).

3. Exceptional item

Exceptional charges of £4.6 million relate to the listing of Company's shares on The London Stock Exchange (£4.3 million) and bid defence costs (£0.3 million).

4. Tax on profit of ordinary activities

	6 months ended 30 September 2004 £000	6 months ended 30 September 2003 £000	Year ended 31 March 2004 £000
Analysis of tax credit on ordinary activities			
Deferred tax			
Timing differences origination and reversal	-	-	(4)
Amortisation of deferred tax asset	(855)	-	-
	(855)	-	(4)

5. Dividend

No interim dividend is proposed (2003: £nil). The total dividends in the year ended 31 March 2004 were £1,055,000 (1.57p per share).

6. Earnings per share**(a) Basic earnings per share**

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

	6 months ended 30 September 2004 £000	<i>6 months ended 30 September 2003 £000</i>	<i>Year ended 31 March 2004 £000</i>
(i)Basic (Loss)/profit on ordinary activities after taxation	(543)	1,140	6,020
(ii)Diluted (Loss)/profit on ordinary activities after taxation	(543)	1,140	6,020
Interest saved on the conversion of debt	4	242	35
	(539)	1,382	6,055

	<i>Number of Shares</i>	<i>Number of Shares</i>	<i>Number of Shares</i>
Weighted average number of shares			
Basic earnings per share	66,479,120	65,629,938	65,850,855
Conversion of convertible debt	61,099	873,896	652,979
Exercise of share options	-	496,336	496,336
Diluted earnings per share	66,540,219	67,000,170	67,000,170

(a) Basic earnings per share continued

On 13 September 2004, the authorised share capital of 1,455,117,400 ordinary shares of 1p each were sub-divided into 4,365,352,200 ordinary shares of $\frac{1}{3}$ p each. In accordance with Financial Reporting Standard 14 Earnings per share, the comparative figures for the numbers of shares used in the earnings have been adjusted retrospectively as if the shares had been denominated at $\frac{1}{3}$ p each.

(b) Adjusted earnings per share

The adjusted earnings per share is calculated on the profit after tax but before the exceptional item (see note 3).

This adjusted measure has been presented in order to demonstrate the growth in earnings in the underlying business, excluding the exceptional item cost.

	6 months ended 30 September 2004 £000	<i>6 months ended 30 September 2003 £000</i>	<i>Year ended 31 March 2004 £000</i>
(Loss)/earnings used for unadjusted basic earnings per share	(543)	1,140	6,020
add: exceptional item*	4,572	-	-
	4,029	1,140	6,020
(Loss)/earnings per share			
Basic	(0.8p)	1.7p	9.1p
Diluted	(0.8p)	2.1p	9.0p
Adjusted — basic	6.1p	1.7p	9.1p

* No allowance has been taken for tax relief on the exceptional costs.

7. Debtors amounts falling due within one year

	30 September 2004 £000	30 September 2003 £000	31 March 2004 £000
Trade debtors	6,360	7,088	5,910
Other debtors	459	89	308
Prepayments and accrued income	554	381	460
Deferred tax asset	2,745	3,600	3,600
	10,118	11,158	10,278
Debtors amounts falling due after one year			
Other debtors	-	375	375
	-	375	375

Other debtors comprised a security deposit paid by the Company (now due within one year).

8. Cash at bank and in hand

Included within cash at bank and in hand is £2.4 million (September 2003: £0.3 million, March 2004: £4.7 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 creditors (note 9). At 31 March 2004 the amount held included three days' collections (one day and a weekend) rather than one day's collections at 30 September 2004.

9. Creditors amounts falling due within one year

	30 September 2004 £000	30 September 2003 £000	31 March 2004 £000
Amounts owed in respect of client cash (see note 8)	2,425	311	4,728
Other trade creditors	3,689	4,395	3,675
Trade creditors	6,114	4,706	8,403
Obligations under finance leases	344	1,280	903
Other taxes and social security	240	829	138
Other creditors	59	414	515
Accruals - listing costs	4,272	-	-
- other	5,980	3,794	4,544
Deferred income	589	848	365
Dividend	-	-	777
	17,598	11,871	15,645
Creditors amounts falling due after one year			
Obligations under finance leases	123	418	222
Convertible or redeemable loan stock	-	392	82
	123	810	304

10. Capital and reserves

	30 September 2004 £000	<i>30 September 2003 £000</i>	<i>31 March 2004 £000</i>
Authorised share capital			
4,365,352,200 ordinary shares of $\frac{1}{3}$ p each (Prior periods: 244,530,200 ordinary shares including deferred ordinary shares of £0.01 each)	14,551	2,445	2,445
1,210,587,200 F shares of £0.01 each	-	12,106	12,106
	14,551	14,551	14,551
Called up, allotted and fully paid share capital			
67,465,794 ordinary shares of $\frac{1}{3}$ p each (30 September 2003: 22,197,323 and 31 March 2004: 22,427,499 ordinary shares of £0.01 each)	225	222	225
Prior periods: 208,735,620 deferred ordinary shares of £0.01 each	-	2,087	2,087
Prior periods: 1,210,587,111 F shares of £0.01 each	-	12,106	12,106
	225	14,415	14,418

Capital Reorganisation

On 23 July 2004 1,210,587,111 F Shares of 1p each were converted into and were redesignated as 1,210,587,111 deferred shares of 1p each. As a result of such conversion there are no remaining F shares in the capital of the Company.

On 13 September 2004 1,419,322,731 deferred shares of 1p each were repurchased (for a total sum of 1p for all such deferred shares) and cancelled by the Company in accordance with its Articles of Association. As a result of such repurchase there were no remaining deferred shares in the capital of the Company. This transaction created a capital redemption reserve of £14.2 million.

On 13 September 2004 1,455,117,400 ordinary shares of 1p each were sub-divided into 4,365,352,200 ordinary shares of $\frac{1}{3}$ p each.

10. Capital and reserves continued

	30 September 2004 £000	30 September 2003 £000	31 March 2004 £000
Called up share capital			
At start of period	14,418	14,415	14,415
Loan stock converted	-	-	3
Deferred shares purchased and cancelled	(14,193)	-	-
At end of period	225	14,415	14,418
Share premium			
At start of period	23,894	23,586	23,586
Loan stock converted	82	-	308
At end of period	23,976	23,586	23,894
Capital redemption reserve			
At start of period	-	-	-
Deferred shares purchased and cancelled	14,193	-	-
At end of period	14,193	-	-
Investment in own shares			
At start of period as originally stated	-	-	-
Reclassified (see note 1 (ii))	(25)	(25)	(25)
Issued on exercise of options	25	-	-
At end of period	-	(25)	(25)
Profit and loss account			
At start of period	(27,534)	(32,499)	(32,499)
(Loss)/profit for the period	(543)	1,140	4,965
At end of period	(28,077)	(31,359)	(27,534)

INDEPENDENT REVIEW REPORT TO PAYPOINT PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 September 2004 which comprises the profit and loss account, the balance sheet, the cash flow statement and related notes a to d and 1 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. The comparative figures have not been reviewed.

This report is made solely to the company in accordance with Bulletin 1999/4 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2004.

Deloitte & Touche LLP

Chartered Accountants
St Albans

7 December 2004

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.