

## PRESS RELEASE



**PayPoint plc**  
**Interim Results**  
**for the 6 months ended 30 September 2005**

**HIGHLIGHTS**

	<b>6 months ended 30 September 2005 £m</b>	<b>6 months ended 30 September 2004 £m</b>	<b>Increase</b>
Revenue	<b>54.1</b>	39.9	35%
Net revenue <sup>1,5</sup>	<b>21.3</b>	16.5	29%
Operating profit before exceptional items <sup>2</sup>	<b>8.2</b>	4.7	75%
Operating profit	<b>8.2</b>	0.1	
Profit before tax	<b>8.4</b>	0.3	
Adjusted earnings per share <sup>3,5</sup>	<b>10.5p</b>	6.1p	72%
Basic earnings/(loss) per share	<b>10.5p</b>	(0.8p)	
Interim dividend	<b>3.0p</b>	-	

**Comparing the first six months of 2005 and 2004:**

- Consumer transactions processed up 23% at 139 million with strong growth in all sectors.
- Operating margins<sup>4,5</sup> increased to 38% from 28%.
- PayPoint terminal outlets have increased to over 14,000 up 17% on September 2004 and up 7% on March 2005.
- The new terminal roll out to agents which started in October 2004, will be substantially complete by year end.

*David Newlands, Chairman of PayPoint, said "These results show strong continuing growth and demonstrate the excellent operational gearing of PayPoint's business. Increased market share from our competitive service proposition, our new branding and the larger terminal estate have driven growth in mobile and bill and general payments. Within this sector, bill payments remain key to delivering substantial additional volumes. Our network expansion is well on the way to our target of 15,000 terminal sites by the end of the current financial year and we plan to continue the expansion next year. Our ATM roll out continues, with the emphasis on good quality sites. We have announced today, an important contract with Western Union, the world's premier brand in money transfer and a number of transport contracts, laying the groundwork for future revenue growth. Finally, I am pleased to report that trading in the second half of the current financial year has started well."*

- 1 Net revenue is revenue less commissions paid to retail agents and the cost of e-vouchers for mobile top-ups where PayPoint is the principal.
- 2 Exceptional items relate to flotation and bid defence costs incurred in the prior period – see note 3 to the accounts.
- 3 Adjusted earnings per share are based on profit before exceptional items after taxation - see note 6 to the accounts.
- 4 Operating margins are calculated as operating profit before exceptional items as a percentage of net revenue.
- 5 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 the income statement and in notes 2,3 and 9 to the accounts.

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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](http://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 14,000 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 500 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

We have continued to grow in all sectors. This growth has been achieved through the success of our strategy to:

- broaden our customer service proposition and increase the range of payments through our network; and
- grow and optimize our network coverage.

### Operational overview

In the first six months of the financial year, PayPoint processed 139 million transactions, with a value of £1.6 billion (2004: 112 million transactions with a value of £1.3 billion) an increase of 23% in transactions and 24% in value. Commissions paid to agents of £29.1 million were up 27%, reflecting increased volumes and the mix of mobile top-up and ATM volumes, which carry higher agent commissions.

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

	<b>6 months ended 30 September 2005 millions</b>	6 months ended 30 September 2004 millions	Increase %	Year ended 31st March 2005 millions
Bill and general payments	<b>83.0</b>	68.4	22	166.0
Mobile top-ups	<b>51.7</b>	42.2	22	87.9
ATMs	<b>4.0</b>	1.8	122	4.6
<b>Total</b>	<b>138.7</b>	112.4	23	258.5

### Bill and general payments

This sector has benefited from continued transaction volume growth helped by a migration away from the Post Office, following its branch closure programme, in particular with respect to TV licence payments, BT and British Gas bill payments. Energy consumer price increases have also continued to have a beneficial effect on PayPoint's transaction volume, as transaction values have remained broadly the same.

The new contract with Western Union will allow PayPoint retail agents to process money transfers to and from Western Union agents all over the world. We are expecting to roll out this service next year to selected agents. We have extended our geographical coverage in transport by signing new contracts with First and Greater Manchester Travelcard, in addition to our existing contracts with Arriva, National Express and Lothian. Whilst current volumes in transport ticketing are relatively modest, there is considerable potential for long term growth. We are also discussing contracts with other operators and transport executives. These developments provide an additional platform for future growth in transaction volumes.

## Mobile top-ups

Overall market share is c.25% (last year c.23%) as a result of extending the retail network and the agent re-branding programme through all our independent outlets and over 1,000 of our multiple sites.

Two of our major multiple retailers were expected to transfer mobile top ups from our terminals to their own till systems during the year, producing lower revenues for PayPoint. One of those retailers has started the transfer in the first half of the year and is expected to complete by the end of this financial year. The other retailer is now not expected to start the transfer until the new financial year. The adverse impact on revenues is estimated at £0.5 million this year, rising to a full year impact of £1.5 million when the transfer is completed.

## ATMs

Installations have continued in excess of 50 per month, at a broadly similar rate to the whole of last year. Decommissions have, however, increased as a result of three factors. First, we have taken a more rigorous approach to the removal of poor performers. Second, there were a number of site owners who refused to comply with Link's policy of 'transparency of charges' and who were all decommissioned as a result and third, the estate is larger. As a result, the quality of the installed estate has been improved and it has performed better than expected, with sites averaging 600 transactions per month, split evenly between cash withdrawals and balance enquiries.

Installed ATMs have grown to 1,201 (2004: 651).

## Network growth

Strong demand for new PayPoint terminal outlets continues and the retail network has grown to over 14,000 sites at 30 September 2005 (2004: 12,017, an increase of 17%) and an increase of 7% since 31 March 2005.

We have added over 900 sites in six months, well on the way to our target of 15,000 sites by the end of this financial year, despite the continued proactive removal of low performing sites.

2,000 sites (2004: 600) with our terminals also have EPoS connections, to allow mobile top-up transactions over the retailers' own till systems and there are a further 2,880 EPoS only sites (2004: 2,590).

## New terminal

The second generation terminal is proving 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 functions help new products, including the new transport ticketing schemes, to be introduced rapidly and efficiently. The new terminal design is also chip and PIN compliant. The replacement of the old terminals commenced in October last year, with some 8,900 new terminals in operation at 30 September 2005 and 10,150 today. It is anticipated that the old terminal estate will have been substantially replaced by the end of the current financial year at a total capital cost of approximately £6 million, of which c.£4 million was incurred by 30 September 2005.

## Financial overview

Revenue for the first six months was £54.1 million (2004: £39.9 million) up 35% driven by a 23% increase in transaction volumes, and the increase in the mix of Irish mobile volumes<sup>1</sup>. Cost of sales was £37.4 million (2004: £27.9 million), an increase of 34%. Cost of sales comprises commission paid to agents, depreciation and other items including telecommunications. Agents' commission increased to £29.1 million (2004: £22.9 million) up 27%, slightly ahead of volume growth as a result of the mix of higher agent commission schemes, in particular mobile top-ups and ATM volumes. Depreciation has reduced to £1.0 million (2004: £1.2 million) because the first generation terminal estate had already been completely written down by September last year and the new terminal is not yet completely deployed.

Other cost of sales increased, mainly as a consequence of the growth in the Irish mobile top-up business<sup>1</sup>. Gross profit improved to £16.7 million (2004: £12.1 million), 38% ahead of the same period last year, with a gross margin of 31% (2004: 30%), despite the adverse impact on the gross margin of the increase in Irish mobile top-ups.

Net revenue<sup>2</sup> of £21.3 million (2004: £16.5 million) was up 29%, driven primarily by volume growth. Operating margins<sup>3</sup> were 38% (2004: 28%), benefiting from operational gearing and also from a delay in the migration of mobile top-ups, in two of our multiple retailers, from our terminals to the retailers' own till systems.

Operating costs (administrative expenses) before exceptional items<sup>4</sup> have risen to £8.5 million (2004: £7.4 million), an increase of 15%, driven largely by increased staff costs including the senior management appointments that have been announced during the year and additional running costs following our listing.

Operating profit was £8.2 million (2004: £4.7 million before exceptional charges<sup>4</sup>) with a corresponding increase in operating margins<sup>3</sup>.

Profit before tax was £8.4 million (2004: £0.3 million after exceptional items<sup>4</sup> of £4.6 million). The tax charge of £1.3 million represents an effective rate of 16 per cent, which is lower than the UK corporate tax rate because tax losses which were not included in the deferred tax asset have been used. It is expected that all the available losses will be utilised this financial year and therefore the tax charge is expected to rise next year. The remaining deferred tax asset of £1.3 million relates to capital allowances in excess of depreciation and other timing differences. This is likely to reverse as capital expenditure declines following the roll out of the new terminal by the end of the current financial year.

Operating cash flow (excluding movements in client cash<sup>5</sup>) was £9.0 million (2004: £6.5 million), reflecting strong conversion of profit to cash. Net capital expenditure of £3.1 million (2004: £1.1 million) reflected spend on the new terminal roll out, ATMs and infrastructure assets. Net interest received was £0.3 million (2004: £0.3 million) and equity dividends paid were £3.5 million (2004: £0.8 million).

Cash and cash equivalents were £22.8 million including client cash of £4.1 million, down as predicted at the preliminary announcement from £25.9 million at the end of last year, which included client cash of £11.1 million, an unsustainably high level at 31 March 2005.

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

2 Net revenue is revenue less agent commission and the cost of mobile top-ups where PayPoint is principal – see note 2 to the accounts.

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

4 Exceptional items relate to flotation and bid defence costs incurred in the prior period – see note 3 to the accounts.

5 Client cash is money to which PayPoint has legal title but an equal balance is included in creditors – see note 9 to the accounts.

## **Dividend**

The directors have declared an interim dividend of 3.0p per share (2004: nil) payable on 3 January 2006 to shareholders on the register on 2 December 2005.

## **IFRS**

We have adopted IFRS without alteration to past results except for the reversal of dividends accrued at 31 March 2004 which were not approved by the shareholders until the AGM in July 2004 and the reclassification of an accrual for share based payments from liabilities to equity.

## **Outlook**

Trading in the second half of the current financial year has started well. There continues to be ample opportunity to grow revenue organically in the UK and Ireland in the short to medium term, by increasing our market share and continuing to extend our product range to source new transactions. The extension into money transfer and the continuing sales success in transport will offer further growth opportunities in the medium to long term. We are well on the way to expanding the network to our target of 15,000 terminal sites by the end of the current financial year and are set to continue the expansion next year, as ever optimised against volume. We will also continue to review the potential to broaden our product set further and extend our footprint internationally.

David Newlands  
Chairman

Dominic Taylor  
Chief Executive

23 November 2005

## CONSOLIDATED INCOME STATEMENT

		Unaudited 6 months ended 30 September 2005 £000	Unaudited 6 months ended 30 September 2004 £000	Audited year ended 31 March 2005 £000
<b>Continuing operations</b>				
<b>Revenue</b>	2	<b>54,113</b>	39,949	89,054
Cost of sales	2	<b>(37,374)</b>	(27,862)	(61,332)
Gross profit	2	<b>16,739</b>	12,087	27,722
Administrative expenses		<b>(8,552)</b>	(11,994)	(20,257)
Add back exceptional items	3	-	4,572	4,572
Administrative expenses excluding exceptional items		<b>(8,552)</b>	(7,422)	(15,685)
Operating profit before exceptional items		<b>8,187</b>	4,665	12,037
Exceptional items	3	-	(4,572)	(4,572)
<b>Operating profit</b>		<b>8,187</b>	93	7,465
Investment income		<b>288</b>	293	937
Finance costs		<b>(34)</b>	(74)	(339)
Profit before tax		<b>8,441</b>	312	8,063
Tax	4	<b>(1,315)</b>	(855)	(2,215)
<b>Profit/(loss) for the period</b>		<b>7,126</b>	(543)	5,848
Earnings/(loss) per share				
Basic	5	<b>10.5p</b>	(0.8p)	8.7p
Diluted	5	<b>10.4p</b>	(0.8p)	8.7p
Dividend	6	<b>3.0p</b>	-	5.2p

The results are presented under IFRS and comparatives have been restated accordingly (see note 1).

There have been no gains or losses for the current or comparative periods other than those reported in the income statement.

## CONSOLIDATED BALANCE SHEET

		Unaudited 30 September 2005 £000	Unaudited 30 September 2004 £000	Audited 31 March 2005 £000
	Note			
<b>Non-current assets</b>				
Property, plant and equipment		6,685	2,202	4,617
Deferred tax asset		1,331	2,745	1,385
		<b>8,016</b>	4,947	6,002
<b>Current assets</b>				
Trade and other receivables		7,427	7,373	7,752
Inventories		673	-	472
Cash at bank and in hand	9	22,760	15,718	25,950
		<b>30,860</b>	23,091	34,174
<b>Total assets</b>		<b>38,876</b>	28,038	40,176
<b>Current liabilities</b>				
Trade and other payables		16,659	17,254	22,790
Tax		1,261	-	-
Obligations under finance leases		138	344	158
		<b>18,058</b>	17,598	22,948
<b>Non-current liabilities</b>				
Obligations under finance leases		-	123	67
Other liabilities		-	-	234
		-	123	301
<b>Total liabilities</b>		<b>18,058</b>	17,721	23,249
<b>Net assets</b>		<b>20,818</b>	<b>10,317</b>	<b>16,927</b>
<b>Equity</b>				
Share capital	7	226	225	226
Share premium account	7	23,976	23,976	23,976
Capital redemption reserve	7	14,193	14,193	14,193
Investment in own shares	7	(1)	-	(1)
Share option and SIP reserve	7	457	-	219
Retained earnings	7	(18,033)	(28,077)	(21,686)
<b>Total equity attributable to equity holders of the parent</b>	<b>8</b>	<b>20,818</b>	<b>10,317</b>	<b>16,927</b>

## CONSOLIDATED CASH FLOW STATEMENT

		<b>Unaudited 6 months ended 30 September 2005 £000</b>	Unaudited 6 months ended 30 September 2004 £000	Audited Year ended 31 March 2005 £000
	Note			
<b>Net cash from operating activities</b>	9	<b>3,195</b>	4,220	17,164
<b>Investing activities</b>				
Interest received		288	293	937
Purchase of property, plant and equipment		(3,224)	(1,241)	(4,576)
Proceeds from disposal of property, plant and equipment		111	128	408
<b>Net cash used in investing activities</b>		<b>(2,825)</b>	(820)	(3,231)
<b>Financing activities</b>				
Repayments of obligations under finance leases		(87)	(731)	(1,032)
Dividends paid		(3,473)	(783)	(783)
<b>Net cash used in financing activities</b>		<b>(3,560)</b>	(1,514)	(1,815)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,190)</b>	1,886	12,118
<b>Cash and cash equivalents at beginning of period</b>		<b>25,950</b>	13,832	13,832
<b>Cash and cash equivalents at end of period</b>		<b>22,760</b>	15,718	25,950

## NOTES TO ACCOUNTS

### 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 21. The information shown for the year ended 31 March 2005, 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 31 March 2005, prepared under UK GAAP, 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.

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) endorsed by the European Commission.

IFRS 1 First-time Adoption of International Financial Reporting Standards sets out the procedures that the group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements.

The group is required to establish its IFRS accounting policies as at 31 March 2006 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition, 1 April 2004. The impact of the adoption of IFRS on the consolidated balance sheets and profit and loss accounts of the group is shown in appendices 1 and 2 on pages 19 to 20.

#### Basis of consolidation

PayPoint plc (the Company) acts as a holding company. The group accounts consolidate the accounts of the Company and entities controlled by the Company (its subsidiaries) drawn up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity in which it invests, so as to obtain benefits from its activities.

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### Revenue

Group revenue is measured at the fair value of the consideration received or receivable and comprises the value of sales (excluding VAT) of services in the normal course of business. Revenue is wholly attributable to the operation of the group's electronic payment collection system and ATM business and has arisen solely in the United Kingdom and Republic of Ireland.

Revenue and cost of sales are recorded according to the actual transactions that occur in a given period. In Ireland, PayPoint is principal in the supply chain for prepaid mobile telephone top-ups (mobile top-ups). Accordingly, revenue includes the sale price of the mobile top-ups and the cost of sales includes the cost of the mobile top-ups to PayPoint.

## 1. Accounting policies (continued)

### Cost of sales

Cost of sales includes agents' commission, the cost of mobile top-ups where PayPoint acts as principal in their purchase and sale, consumables, communications, maintenance, depreciation and field service costs. All other costs are allocated to administrative costs.

### Pension costs

The group makes payments to a number of defined contribution pension schemes. The amounts charged to the profit and loss account in respect of pension costs represent contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### Share based payments

The group operates equity settled share based compensation plans. Grants under the long term incentive scheme are generally made annually and will vest over a three year holding period if the group's comparative TSR performance is equal to or greater than the median level of performance over the holding period at which point 30% will vest, with full vesting occurring for upper quartile performance.

The group has applied the requirements of IFRS 2 Share-based Payments.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based upon the group's estimate of shares that will eventually vest.

Fair value is measured by use of either a 'Monte Carlo' simulation or 'Black Scholes' model depending upon the scheme. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

### Interest income

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

### Taxation

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

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

## 1. Accounting policies (continued)

### Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction.

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

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

### Software development expenditure

The group develops computer software for internal use. Software development expenditure on large projects is recognised as an intangible asset if it is probable that the asset will generate future economic benefits. The costs that are capitalised are the directly attributable costs necessary to create and prepare the asset for operations. Other software costs are recognised in administrative expenses when incurred.

Software development costs recognised as an intangible asset are amortised on a straight line basis over the useful life, generally not more than three years.

### Property, plant and equipment

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

- leasehold improvements - over the life of the lease
- terminals - 5 years
- automatic teller machines - 4 years
- other classes of assets - 3 years

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

### Inventories

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

## **1. Accounting policies (continued)**

### **Leases**

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as property, plant and equipment and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the remaining balance of liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Rentals received from ATMs rented to retail agents under operating leases are credited to income on a straight line basis over the lease term.

### **Dividends**

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

### **Treasury shares**

PayPoint purchases own shares for the purpose of employee share option schemes. Such shares are deducted from equity and no profit or loss recognised on the transactions.

### **Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short-term deposits maturing within 3 months.

## 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 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 cash payment collection and distribution services.

### (ii) Analysis of revenues by sector

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 onto 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 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 all markets in which the group operates, the group monitors net revenue (see below) with reference to each sector.

	<b>6 months ended 30 September 2005 £000</b>	6 months ended 30 September 2004 £000	Year ended 31 March 2005 £000
Revenue	<b>54,113</b>	39,949	89,054
less:			
Commission payable to retail agents	<b>(29,073)</b>	(22,913)	(50,348)
Cost of mobile top-ups as principal	<b>(3,709)</b>	(506)	(1,810)
<b>Net revenue</b>	<b>21,331</b>	16,530	36,896
<b>Net revenue by sector</b>			
Bill payments	<b>9,248</b>	7,254	18,861
Mobile top-ups	<b>9,413</b>	8,081	15,286
ATMs	<b>1,850</b>	806	1,947
Other	<b>820</b>	389	802
<b>Net revenue</b>	<b>21,331</b>	16,530	36,896

## 2. Segmental reporting, net revenue analysis and gross throughput (continued)

Commission payable is included within cost of sales as shown below

	<b>6 months ended 30 September 2005 £000</b>	6 months ended 30 September 2004 £000	Year ended 31 March 2005 £000
Revenue	<b>54,113</b>	39,949	89,054
<b>Cost of sales</b>			
Commission payable to retail agents	<b>(29,073)</b>	(22,913)	(50,348)
Cost of mobile top-ups as principal	<b>(3,709)</b>	(506)	(1,810)
Other	<b>(4,592)</b>	(4,443)	(9,174)
Total cost of sales	<b>(37,374)</b>	(27,862)	(61,332)
Gross profit	<b>16,739</b>	12,087	27,722

### (iii) Gross throughput

	<b>6 months ended 30 September 2005 £000</b>	6 months ended 30 September 2004 £000	Year ended 31 March 2005 £000
Gross throughput	<b>1,635,102</b>	1,316,739	2,931,423

Gross throughput represents payments made by consumers using the PayPoint service and cash withdrawals from ATMs. Included within gross throughput is £92.5 million in the six months to 30 September 2005 (2004: £41.4 million) relating to the ATM business.

## 3. Exceptional items

There were no exceptional items in the period under review. Exceptional charges in the comparative period last year of £4.6 million related to the listing of the 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

	<b>6 months ended 30 September 2005 £000</b>	6 months ended 30 September 2004 £000	Year ended 31 March 2005 £000
UK corporation tax	<b>1,261</b>	-	-
Deferred tax	<b>54</b>	855	2,215
Total	<b>1,315</b>	855	2,215

The tax charge for the six months to 30 September 2005 has been based on the estimated effective rate for the year ending 31 March 2006.

## 5. Earnings per share

### (a) Basic and diluted earnings per share

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

	<b>6 months ended 30 September 2005 £000</b>	6 months ended 30 September 2004 £000	Year ended 31 March 2005 £000
Profit/(loss) on ordinary activities after taxation (used for basic earnings per share)	7,126	(543)	5,848
Potential dilutive impact of interest saved on the conversion of debt	-	4	4
<b>Diluted basis</b>	<b>7,126</b>	<b>(539)</b>	<b>5,852</b>
	<b>Number of shares</b>	Number of shares	Number of shares
Weighted average number of shares (for basic earnings per share)	67,665,908	66,479,120	67,054,583
Potential dilutive ordinary shares:			
Conversion of convertible debt	-	61,099	30,550
Long term incentive plan	624,118	-	171,366
<b>Diluted basis</b>	<b>68,290,026</b>	<b>66,540,219</b>	<b>67,256,499</b>

### (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.

	<b>6 months ended 30 September 2005 £000</b>	6 months ended 30 September 2004 £000	Year ended 31 March 2005 £000
Earnings/(loss) used for unadjusted basic earnings per share	7,126	(543)	5,848
Add: exceptional items (see note 3)	-	4,572	4,572
<b>Adjusted basis</b>	<b>7,126</b>	<b>4,029</b>	<b>10,420</b>

## 6. Dividend

The declared interim dividend is 3.0p (2004: nil). The total dividends relating to the year ended 31 March 2005 were £3,473,000 (5.2p per share).

The interim dividend was declared on 23 November 2005 and accordingly has not been recorded as a liability as at 30 September 2005.

## 7. Equity

	<b>30 September</b>	30 September	31 March
	<b>2005</b>	2004	2005
	<b>£000</b>	£000	£000
<b>Authorised share capital</b>			
4,365,352,200 ordinary shares of $\frac{1}{3}$ p each	<b>14,551</b>	14,551	14,551
	<b>14,551</b>	14,551	14,551
<b>Called up, allotted and fully paid share capital</b>			
67,675,378 ordinary shares of $\frac{1}{3}$ p each (30 September 2004: 67,465,794 31 March 2005: 67,653,358)	<b>226</b>	225	226
	<b>226</b>	225	226
<b>Called up share capital</b>			
At start of period	<b>226</b>	14,418	14,418
Shares issued under share incentive plan	-	-	1
Deferred shares purchased and cancelled	-	(14,193)	(14,193)
At end of period	<b>226</b>	225	226
<b>Share premium</b>			
At start of period	<b>23,976</b>	23,894	23,894
Loan stock converted	-	82	82
At end of period	<b>23,976</b>	23,976	23,976
<b>Capital redemption reserve</b>			
At start of period	<b>14,193</b>	-	-
Deferred shares purchased and cancelled	-	14,193	14,193
At end of period	<b>14,193</b>	14,193	14,193
<b>Investment in own shares</b>			
At start of period	<b>(1)</b>	(25)	(25)
Share incentive plan issue	-	25	24
At end of period	<b>(1)</b>	-	(1)
<b>Share option and SIP reserve</b>			
At start of period	<b>219</b>	-	-
Additions	<b>238</b>	-	219
At end of period	<b>457</b>	-	219
<b>Retained earnings</b>			
At start of period	<b>(21,686)</b>	(26,751)	(26,751)
Profit/(loss) for the period	<b>3,653</b>	(1,326)	5,065
At end of period	<b>(18,033)</b>	(28,077)	(21,686)

## 8. Statement of changes in equity

	6 months ended 30 September 2005 £000	6 months ended 30 September 2004 £000	Year ended 31 March 2005 £000
Opening equity	16,927	11,536	11,536
Profit/(loss) for the period	7,126	(543)	5,848
Dividends paid	(3,473)	(783)	(783)
Investment in own shares	-	(1)	(1)
Share option and SIP reserve	238	-	219
Conversion of loan stock/options	-	108	108
Closing equity	<b>20,818</b>	10,317	16,927

## 9. Notes to the cash flow statement

	6 months ended 30 September 2005 £000	6 months ended 30 September 2004 £000	Year ended 31 March 2005 £000
Operating profit before exceptional items	8,187	4,665	12,037
Exceptional items (see note 3)	-	(4,572)	(4,572)
<b>Profit from operations</b>	<b>8,187</b>	93	7,465
Adjustments for:			
Depreciation	1,047	1,196	1,801
<b>Operating cash flows before movements in working capital</b>	<b>9,234</b>	1,289	9,266
Increase in inventories	(201)	-	(440)
Increase in receivables	(1,072)	(362)	(731)
(Decrease)/increase in payables			
- client cash	(5,794)	(2,302)	6,371
- other payables	799	5,595	2,686
Increase in share option and SIP reserve	238	-	219
Cash generated by operations	<b>3,204</b>	4,220	17,371
Interest paid	(9)	-	(207)
Net cash from operating activities	<b>3,195</b>	4,220	17,164

Included within cash at bank and in hand is £4.1 million (September 2004: £2.4 million, March 2005: £11.1 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.

## Appendix 1. Reconciliation of equity at 1 April 2004

	UK GAAP IFRS format £000	Effect of transition to IFRS £000	IFRS £000
<b>Non-current assets</b>			
Property, plant and equipment	2,217	-	2,217
Deferred tax asset	3,600	-	3,600
	5,817	-	5,817
<b>Current assets</b>			
Trade and other receivables	7,021	-	7,021
Inventories	32	-	32
Cash at bank and in hand	13,832	-	13,832
	20,885	-	20,885
<b>Total assets</b>	26,702	-	26,702
<b>Current liabilities</b>			
Trade and other payables	14,742	783	13,959
Obligations under finance leases	903	-	903
	15,645	783	14,862
<b>Non-current liabilities</b>			
Obligations under finance leases	222	-	222
Other liabilities	82	-	82
	304	-	304
<b>Total liabilities</b>	15,949	783	15,166
<b>Net assets</b>	10,753	783	11,536
<b>Capital and reserves</b>			
Called up share capital	14,418	-	14,418
Share premium account	23,894	-	23,894
Capital redemption reserve	-	-	-
Investment in own shares	(25)	-	(25)
Profit and loss account	(27,534)	783	(26,751)
Total shareholders' funds	10,753	783	11,536
<b>Shareholders' funds are analysed as:</b>			
Equity interests	10,753	783	11,536
	10,753	783	11,536

The movement between UK GAAP and IFRS relates to the reversal of proposed dividends.

There was no effect on the UK GAAP balance sheet or profit for the year ended 30 September 2004 and therefore no IFRS reconciliations have been presented.

## Appendix 2. Reconciliation of equity at 31 March 2005

	UK GAAP IFRS format £000	Effect of transition to IFRS £000	IFRS £000
<b>Non-current assets</b>			
Property, plant and equipment	4,617	-	4,617
Deferred tax asset	1,385	-	1,385
	6,002	-	6,002
<b>Current assets</b>			
Trade and other receivables	7,752	-	7,752
Inventories	472	-	472
Cash at bank and in hand	25,950	-	25,950
	34,174	-	34,174
<b>Total assets</b>	<b>40,176</b>	<b>-</b>	<b>40,176</b>
<b>Non-current liabilities</b>			
Obligations under finance leases	67	-	67
Other liabilities	234	-	234
	301	-	301
<b>Current liabilities</b>			
Trade and other payables	26,482	3,692	22,790
Obligations under finance leases	158	-	158
	26,640	3,692	22,948
<b>Total liabilities</b>	<b>26,941</b>	<b>3,692</b>	<b>23,249</b>
<b>Net assets</b>	<b>13,235</b>	<b>3,692</b>	<b>16,927</b>
<b>Capital and reserves</b>			
Called up share capital	226	-	226
Share premium account	23,976	-	23,976
Capital redemption reserve	14,193	-	14,193
Investment in own shares	(1)	-	(1)
Share option and SIP reserve	-	219	219
Profit and loss account	(25,159)	3,473	(21,686)
<b>Total shareholders' funds</b>	<b>13,235</b>	<b>3,692</b>	<b>16,927</b>
<b>Shareholders' funds are analysed as:</b>			
Equity interests	13,235	3,692	16,927
	13,235	3,692	16,927

The movement between UK GAAP and IFRS relates to the reversal of proposed dividends, the reversal of the UK GAAP accrual for equity settled share based payments and it's replacement with the share option and SIP reserve in accordance with IFRS.

There was no effect on the UK GAAP profit for the year ended 31 March 2005 and therefore no IFRS reconciliations have been presented.

## 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 2005 which comprises the income statement, the balance sheet, the cash flow statement and related notes 1 to 9 and appendices 1 and 2. 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.

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.

### International Financial Reporting Standards

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with those IFRS adopted for use by the European Union. Accordingly, the interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules.

### 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 International Standards on Auditing (UK and Ireland) 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 2005.

Deloitte & Touche LLP  
Chartered Accountants  
London  
23 November 2005

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.