PayPoint plc
Half yearly financial report
for the six months ended 26 September 2010

HIGHLIGHTS

	6 months ended 26 September 2010	6 months ended 27 September 2009	Increase / (decrease)
Transaction value	**£4,831m**	£4,446m	8.7%
Revenue	**£92.9m**	£96.4m	(3.6)%
Net revenue[1]	**£38.7m**	£36.0m	7.6%
Gross margin	**35.3%**	29.9%	5.4ppts
Operating profit	**£15.3m**	£14.7m	4.4%
Profit before tax	**£14.6m**	£13.8m	5.4%
Diluted earnings per share	**14.8p**	14.3p	3.5%
Interim dividend	**7.8p**	7.4p	5.4%

- Transactions processed have increased by 6%
- In the UK, we have successfully launched our first cash pay-out schemes which allow clients to refund money to consumers through our retail network
- In Romania, we have processed over 5 million bill payment transactions in the period (2009: 1.8 million)
- Internet payment transactions have grown by 33%
- Collect+ transactions have reached an annualised run rate of over 1 million per annum[2]
- 7 million PayByPhone transactions processed in the period
- Consumer satisfaction[3] of 98% (2009: 97%)

David Newlands, Chairman of PayPoint, said: “PayPoint has delivered another strong set of results with growth in net revenue, operating profit and profit before tax. This has allowed us to increase our interim dividend payment by 5% to 7.8p per share. These results demonstrate our ability to execute strategy, delivering improved yield in our established business streams and growth in our developing businesses. In our established business streams, we have focused our attention on growing retail services and contracting with new internet merchants. In Romania, cost reduction and growth in bill payment has put us on track to profitability. In Collect+, we have contracted with large retail merchants and in PayByPhone, we have continued to invest as planned.

Taken together, our businesses provide a solid foundation from which we aim to deliver long term value for shareholders. Trading since the period end is in line with the company’s expectations.”

The condensed financial statements cover the six months from 29 March 2010 to 26 September 2010, the last Sunday in the month (2009: 6 months covering the period 30 March 2009 to 27 September 2009).

1 Net revenue is revenue less the cost of mobile top-ups and SIM cards where PayPoint is principal and costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, merchant service charges levied by card scheme sponsors and costs for the provision of call centres for PayByPhone clients. Net revenue and operating margin are measures which the directors believe assist with a better understanding of the underlying performance of the group.
2 Based on October 2010 transaction volumes.
3 UK terminal sites, source: Ipsos MORI September 2010.

MANAGEMENT REPORT

The management report 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 made by the directors in good faith based on the information available at the time of approval of the half yearly financial report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forecast.

PayPoint is a payment service provider for consumer payment transactions and, as such, has only one operating segment. However, reflection on various facets helps explanation of the execution of our strategy and accordingly, in addition to the analysis of the number and value of consumer transactions, revenue and net revenue, we have shown an analysis which separates our developing business streams (our retail network in Romania, Collect+ and PayByPhone), from our established business streams (the UK and Irish retail networks and internet channel).

The channel analysis is as follows:

Retail networks:
Bill and general (prepaid energy, bills and tickets)
Top-ups (mobile, prepaid cards and phone cards)
Retail services (ATM, debit/credit, parcels, money transfer, SIMs and receipt advertising)

Internet (transactions between consumers and merchants, pre-authorisations and Fraudguard where separately charged)

PayByPhone (parking and bicycle rental transactions)

Other for revenue and net revenue only (software development, configuration and settlement of claims)

Growth opportunities include retail services in the UK retail network; new merchants for internet payments; the expansion of the retail network and new retail services in Romania; new parking contracts and driving consumer adoption for PayByPhone and building and developing Collect+.

Operational review

During the period, transactions have increased to 267 million (2009: 252 million) and are up 3% in the established business streams and 180% in the developing business streams (47% growth in Romania and the first full six months of PayByPhone).

Transaction value increased to £4.8 billion (2009: £4.4 billion), and is up 7% in the established business streams and more than doubled in the developing business streams, despite fewer mobile top-ups in Romania.

Revenue has fallen as a result of fewer mobile top-up transactions, especially in Romania and Ireland. However, net revenue in the established business streams has increased 4% as a result of growth in retail services and internet payments. Net revenue growth in the developing business streams is over 100%.

Operating profit in the established business streams was £16.1 million, up 2% on last year. The operating loss, including our share of the losses of Collect+, in the developing business streams was £1.5 million (2009: £2.1 million). This improvement results largely from better performance in Romania, which has more than offset the inclusion in the period of our recently acquired PayByPhone business, which is loss making this year, as expected.

	Established business streams	Developing business streams [1]	Total	Adjust Collect+[2]	As reported
Transactions (000)					
6 months 2010	**253,451**	**13,973**	**267,424**	**-**	**267,424**
6 months 2009	246,958	5,030	251,988	-	251,988
Year ended 2010	539,772	12,115	551,887	-	551,887
Transaction value £000					
6 months 2010	**4,723,019**	**108,381**	**4,831,400**	**-**	**4,831,400**
6 months 2009	4,398,697	47,679	4,446,376	-	4,446,376
Year ended 2010	9,560,776	127,647	9,688,423	-	9,688,423
Revenue £000					
6 months 2010	**80,337**	**12,835**	**93,172**	**(274)**	**92,898**
6 months 2009	83,403	13,073	96,476	(66)	96,410
Year ended 2010	171,933	24,875	196,808	(205)	196,603
Net revenue £000					
6 months 2010	**35,977**	**2,973**	**38,950**	**(222)**	**38,728**
6 months 2009	34,831	1,211	36,042	(52)	35,990
Year ended 2010	74,589	2,981	77,570	(164)	77,406

1 Developing business streams include bill payment and mobile top-ups in Romania, Collect+ and PayByPhone.

2 Collect+ revenue and net revenue is included in developing business streams' revenue and net revenue, but as Collect+ is reported in the Consolidated Income Statement on a profit before tax only basis, revenue and net revenue needs to be eliminated to reconcile to reported revenue and net revenue.

Analysis of transactions

There has been growth in transaction volumes across most sectors except mobile top-up volumes, which have decreased in declining markets in all territories.

	6 months ended 26 September 2010 thousands	6 months ended 27 September 2009 thousands	Increase / (decrease) %	Year ended 28 March 2010 thousands
Retail networks				
Bill and general payments	**152,286**	148,674	2.4	339,801
Top-ups	**60,597**	65,782	(7.9)	128,887
Retail services	**22,658**	18,527	22.3	38,901
Internet payments	**25,326**	19,005	33.3	43,536
PayByPhone	**6,557**			762
Total	**267,424**	251,988	6.1	551,887

Bill and general payment transactions are ahead of last year as a result of a 3% increase in prepaid energy volumes and from strong growth in Romania, where we processed over 5 million transactions (2009: 1.8 million). In addition, we have introduced a new service, which allows clients to refund money to consumers via our retail agents. Whilst the number of transactions in the period under review is relatively immaterial, we have processed over 400,000 transactions, with a value of over £6 million by the end of October 2010.

Mobile top-ups in the UK, Ireland and Romania are down nearly 8% overall, against an 11% decline this time last year. E-currency volumes continue to grow and were up 45% on the same period last year, with nearly two million transactions processed.

Retail services volumes have increased as a result of growth in credit and debit card transactions on PayPoint terminals, a full six months of mobile SIM transactions and an increase in parcel transactions.

Internet transactions of 25 million were up 33% on the first half of last year, as we continue to add large merchants and through organic growth in our existing merchants. Included in the internet are transactions for large energy clients, where consumers can top up their pre-payment gas or electric meters at home via the internet. During the period, we processed 0.3 million of these transactions with a value of £4.4 million and the current October run rate is already more than double this.

PayByPhone transactions were 7 million for the first full six months since acquisition.

Transaction value

There has been growth in the transaction value paid by consumers, primarily in bill and general, internet payments and as a result of the acquisition of PayByPhone.

	6 months ended 26 September 2010 £000	6 months ended 27 September 2009 £000	Increase / (decrease) %	Year ended 28 March 2010 £000
Retail networks				
Bill and general	**2,759,418**	2,657,269	3.8	5,925,249
Top-ups	**573,689**	582,600	(1.5)	1,166,507
Retail services	**194,174**	190,122	2.1	377,271
Internet payments	**1,277,867**	1,016,385	25.7	2,216,319
PayByPhone	**26,252**	-	-	3,077
Transaction value	**4,831,400**	4,446,376	8.7	9,688,423

The bill and general transaction value increase results from higher transaction volumes and a small increase in the average transaction value.

The reduction in top-ups is primarily as a result of prepay mobile market decline but is offset by increases in the average transaction values in the UK and Ireland and an increase in e-currency transactions.

Retail services include ATMs, where transaction value is flat. There is no transaction value for credit and debit card transactions as the merchant acquirer settles direct with the retail agent, nor for parcels as merchants charge consumers directly. The increase in value is due to money transfer transactions, up 24% on last year.

Internet consumer spend has increased by nearly 26%, but at a lower rate than the transaction growth as the average transaction value has decreased to £50.46 (2009: £53.48).

PayByPhone reflects the value of consumers' parking transactions and bicycle rentals.

Revenue analysis

	6 months ended 26 September 2010 £000	6 months ended 27 September 2009 £000	(Decrease) / Increase %	Year ended 28 March 2010 £000
Retail networks				
Bill and general	**25,429**	26,056	(2.4)	58,564
Top-ups	**50,177**	56,327	(10.9)	108,508
Retail services	**9,437**	7,813	20.8	16,168
Internet payments	**4,190**	4,634	(9.6)	9,968
PayByPhone	**2,183**	-	-	283
Other	**1,482**	1,580	(6.2)	3,112
Revenue	**92,898**	96,410	(3.6)	196,603

Bill and general payment revenue is lower than last year, as the amount billed to clients in respect of retail agent commission has reduced, mainly as a result of a recent contract with British Gas, which is designed to drive more footfall to our retail agents.

In Romania and Ireland, PayPoint acts as principal for mobile top-ups and, as a result, the sales value of the top-up is recorded as revenue, with the cost of the top-up recorded in cost of sales. In the UK, PayPoint is not the principal and the commission income only is recorded as revenue. The decline in mobile volumes, as a result of mobile operators offering more airtime, has a greater effect on revenue from Romania and Ireland than the UK.

Retail services revenue has increased as a result of an increase in the number of sites processing credit and debit transactions, a full six months of SIM card sales, increased parcel volumes and receipt advertising. Also included in retail services is ATM revenue, which has benefited from an increase in the cash withdrawal fee.

Internet payment revenue is down as merchant service charges, which were formerly included in revenue and cost of sales, this period £nil (2009: £1.3 million), are now charged direct to our bureau merchants by their card scheme sponsor. This change was effective from the start of the period when we changed credit card scheme sponsor.

PayByPhone revenues of £2.2 million are up 5% against the same period last year, prior to acquisition. Our investment in more resources should accelerate business development, benefiting next year.

Net revenue analysis

Net revenue is revenue less commissions paid to retail agents, the cost of mobile top-ups and SIM cards where PayPoint is principal and costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, merchant service charges levied by card scheme sponsors and costs for the provision of call centres for PayByPhone clients. Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group and is shown in the table below.

	6 months ended 26 September 2010 £000	6 months ended 27 September 2009 £000	Increase / (decrease) %	Year ended 28 March 2010 £000
Retail networks				
Bill and general	**14,892**	14,734	1.1	33,586
Top-ups	**11,539**	12,153	(5.0)	24,272
Retail services	**5,137**	4,161	23.5	8,684
Internet payments	**4,190**	3,362	24.6	7,469
PayByPhone	**1,488**	-	-	283
Other	**1,482**	1,580	(6.2)	3,112
Net revenue	**38,728**	35,990	7.6	77,406

Net revenue on bill and general payments has increased from volume growth in energy prepayment, local authority housing in the UK and bill payment in Romania, mitigated by the loss of congestion charging. Net revenue is lower than the transaction growth as a result of energy clients in the UK which have taken advantage of developments in energy prepayment infrastructure enabling them to negotiate agreements with better transaction pricing.

Top-up net revenue has decreased less than revenue because the reduction in top-ups in Romania and Ireland only reduces net revenue marginally. In addition, there was a richer mix of e-money transactions with a higher than average net revenue per transaction.

Retail services net revenue has a larger increase than revenue, as credit and debit card transactions and receipt advertising do not attract any retail agent commission.

Net revenue from internet transactions is up on last year, primarily as a result of the increase in transaction numbers and value and better margins from our new card scheme sponsor. Net revenue is the same as revenue in the period as a result of merchant service charges now being charged directly to our bureau merchants by the card scheme sponsor.

Network growth

Terminal sites have increased to 28,033 (March 2010: 27,459), an increase of 574 sites. In the UK and Ireland, net terminal sites increased by 352, as we focus our attention on retail agent yield. In Romania, we have installed over 1,800 new full service terminals and removed over 1,600 of the old mobile top-up only terminals, leaving c.300 old mobile top-up terminals for removal in the second half of the year.

In our internet channel, we have added over 750 new merchants during the period but additional churn of small merchants, in particular churn resulting from the change of credit card scheme sponsor, led to a net reduction of 96 merchants. Despite this decrease in merchant numbers, transaction volume, value and net revenue have all increased.

Analysis of sites	**At 26 September 2010**	At 27 September 2009	Increase / (decrease) %	At 28 March 2010
UK and Ireland terminal sites	**23,021**	22,669	1.6	22,643
Romania terminal sites	**5,012**	5,744	(12.7)	4,816
Total terminal sites	**28,033**	28,413	(1.3)	27,459
Internet merchants	**5,522**	5,243	5.3	5,618

Collect+

Our 50:50 UK joint venture with Yodel (formerly Home Delivery Network and DHL Express UK Limited), offers consumers a more convenient solution for parcel delivery and returns through selected PayPoint retail agents. Collect+ offers services to internet and mail order catalogue merchants for the delivery of parcels to consumers and for returns, a key issue for online retailers. Collect+ has recently introduced a service for consumers to send parcels from PayPoint retail agents to recipient homes or for collection at local PayPoint retail agents. During the period, Collect+ has signed a number of large retailers and online e-commerce merchants, either for the full service or for a trial period. These merchants include ASOS, Very, New Look, Dorothy Perkins and House of Fraser. With the introduction of these new clients, transaction volumes for the parcel returns service and the new parcel collection service have grown strongly. Current transaction volumes have reached a run rate of over 1 million transactions per annum with 0.3 million processed in the period.

PayByPhone

On 9 March 2010, PayPoint acquired 100% of the share capital of Verrus Mobile Technologies Inc. and Verrus UK limited (together PayByPhone) for £29 million (including deferred consideration of £4 million) with a further potential £4 million payable, dependent on results to March 2013.

PayByPhone is a leading international provider of services to parking authorities, allowing consumers to use their mobile phones to pay for car parking by credit or debit card. It has contracts in the UK, Canada, the USA and France. During the period, PayByPhone processed nearly 7 million transactions. We have added resources in sales, development and finance and have invested in infrastructure to bring the operations to PayPoint group standards and to provide the foundations for future growth. In particular, investment has been made to replicate the main transaction processing system for disaster recovery.

Financial review

Revenue for the first six months was £92.9 million (2009: £96.4 million), down 3.6%, driven mainly by the decline in transaction volumes in mobile top-ups where PayPoint acts as principal[1].

Cost of sales was £60.1 million (2009: £67.6 million), a decrease of 11.1%, which is greater than the rate of decrease in revenue, mainly due to the reduction in mobile top-ups where PayPoint is principal[1] and the reduction in commission payable to retail agents. The recent contract with British Gas drives additional footfall to our retail agents but in with lower commission earnings and reduced mobile top-up volumes have caused commission payable to retail agents to fall. Depreciation and amortisation were £1.9 million (2009: £2.6 million), down 27.3%, mainly due to some ATMs and intangible assets which have become fully written down. PayPoint no longer incurs merchant service charges as these are now charged direct to our bureau merchants following our change of credit card scheme sponsor.

Net revenue[2] of £38.7 million (2009: £36.0 million) was up 7.6%, driven primarily by PayByPhone volume growth. Excluding PayByPhone, net revenue is up 3.5%. Gross profit improved to £32.8 million (2009: £28.9 million), 14% ahead of the same period last year, with a gross margin of 35.3% (2009: 29.9%).

Operating costs (administrative expenses) were £17.5 million (2009: £14.2 million, six months to 28 March 2010: £15.2 million). Operating costs were up 5% excluding PayByPhone on the six months to 28 March 2010, mainly as a result of legal costs relating to the National Lottery Commission and other one-off items.

Operating profit was £15.3 million (2009: £14.7 million), up 4%, excluding PayPoint's share of losses in Collect+. The operating margin[3] decreased to 39.5% (2009: 40.7%) mainly as result of the losses in PayByPhone.

Our share, in the period, from the loss in our parcels joint venture, Collect+, decreased to £0.7 million (2009: £1.0 million).

Profit before tax was £14.6 million (2009: £13.8 million), up 5% on the same period last year notwithstanding the losses in PayByPhone. The tax charge was £4.5 million (2009: £4.1 million) and the effective tax rate was 30.9% (28 March 2010: 32.2%).

Operating cash flow was £9.4 million (2009: £6.6 million), after corporation tax payments of £5.9 million (2009: £9.5 million). Capital expenditure of £1.1 million (2009: £1.6 million) comprised expenditure on new terminals in the UK and Romania and on ATMs. Collect+ funding was £0.4m (2009: £0.9 million), and a further £4.0 million (2009: £nil) was drawn down on the loan facility. Equity dividends paid were £9.8 million (2009: £7.8 million). Net cash[4] and cash equivalents at the period end were £12.9 million (2009: £32.2 million) including client cash of £6.7 million (2009: £7.2 million), down from £14.8 million at 26 March 2010 as expected.

Related party transactions

Related party transactions are disclosed in note 5.

Risks

Risks to PayPoint's business, financial condition or operations are disclosed on page 23.

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 the cost of mobile top-ups and SIM cards where PayPoint is principal and costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, merchant service charges levied by card scheme sponsors and costs for the provision of call centres for PayByPhone clients.
3 Operating margin is operating profit (which excludes Collect+) as a percentage of net revenue.
4 Net cash is cash net of short-term borrowings

Dividend

We propose to pay an interim dividend of 7.8p per share (2009: 7.4p) on 21 December 2010 to shareholders on the register at 3 December 2010.

Liquidity and going concern

The group has cash of £22.9 million and a loan of £10 million drawn down on its unsecured loan facility of £35 million, which expires in August 2011. We are discussing the replacement of the facility with our bankers. On 12 October 2010, the group repaid £4 million of the loan, leaving a balance of £6 million outstanding which is expected to be repaid well before the loan facility expires. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group, taking account of the risks set out on page 23. The condensed financial statements have therefore been prepared on a going concern basis.

Economic climate

Bill and general payments sector, which accounts for 38% (2009: 40%) of our net revenue, has continued to be resilient, as consumers' discretion in expenditure is limited for essential services. Utility providers continue to install new prepay gas and electricity meters, which will have a beneficial impact on our transaction volumes. The internet payment market continues to grow substantially. There has been an adverse impact on mobile top-ups.

PayPoint's exposure to retail agent debt is limited as credit granted to retail agents is restricted by daily direct debiting for all UK and Irish transactions other than EPoS mobile top-ups (which are collected weekly), although there is some concentration of risk in multiple retail agents. Most of the group's clients in the UK, other than mobile operators, bear the cost of retail agent bad debt. In PayPoint Romania, the risk of bad debt lies with the company. In PayPoint.net, exposure is limited to receivables from merchants for fees, except in the case of bureau internet merchants, where PayPoint.net retains credit risk on merchant default for credit card charge backs by cash retention.

National Lottery Commission

The National Lottery Commission (NLC) announced on 16 July 2010 that it was minded not to permit Camelot's proposal to provide ancillary services (energy prepayments, utility bill payment, mobile top-ups and credit and debit card payments). The NLC asked for further comments, initially by 17 September 2010, but subsequently extended to 20 October 2010. We have provided the NLC with a robust response to Camelot's original application and subsequent amendments. Whatever the decision, we are well prepared and our retail services, internet and new developing business streams, are all unaffected by this threat, and together they provide opportunity for strong profitable growth.

Outlook

Trading since the period end has been in line with the company's expectations.

Our established business is strong, with opportunities to enhance the retail yield and increase the number of online merchants we serve. In our developing businesses, there is growth potential as we continue to roll out services to a wider base. Taken together, our businesses provide a solid foundation from which we aim to deliver long term value for shareholders.

David Newlands
Chairman

Dominic Taylor
Chief Executive

25 November 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

Continuing operations	Note	**Unaudited 6 months ended 26 September 2010 £000**	Unaudited 6 months ended 27 September 2009 £000	Audited Year ended 28 March 2010 £000
Revenue	2	**92,898**	96,410	196,603
Cost of sales	2	**(60,079)**	(67,555)	(133,110)
Gross profit		**32,819**	28,855	63,493
Administrative expenses		**(17,510)**	(14,195)	(29,421)
Operating profit		**15,309**	14,660	34,072
Share of loss of joint venture		**(726)**	(964)	(1,601)
Investment income		**38**	118	224
Finance costs		**(64)**	(3)	(50)
Profit before tax		**14,557**	13,811	32,645
Tax	3	**(4,496)**	(4,102)	(10,513)
Profit for the period		**10,061**	9,709	22,132
Earnings per share				
Basic	4	**14.9p**	14.4p	32.9p
Diluted	4	**14.8p**	14.3p	32.7p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Unaudited 6 months ended 26 September 2010 £000**	Unaudited 6 months ended 27 September 2009 £000	Audited Year ended 28 March 2010 £000
Exchange differences on translation of foreign operations	8	**(837)**	140	35
Other comprehensive (loss) / income for the period		**(837)**	140	35
Profit for the period		**10,061**	9,709	22,132
Total comprehensive income for the period		**9,224**	9,849	22,167

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 26 September 2010 £000**	Unaudited 27 September 2009 £000	Audited 28 March 2010 £000
Non-current assets				
Goodwill		**56,058**	27,767	56,872
Other intangible assets		**1,277**	1,658	1,400
Property, plant and equipment		**13,851**	15,639	14,767
Investment in joint venture		**-**	64	326
Deferred tax asset		**904**	1,300	1,167
Investment		**405**	405	405
		72,495	46,833	74,937
Current assets				
Inventories		**1,582**	1,253	1,567
Trade and other receivables		**18,470**	23,013	23,482
Cash and cash equivalents	7	**22,928**	32,180	20,769
		42,980	56,446	45,818
Total assets		**115,475**	103,279	120,755
Current liabilities				
Trade and other payables		**30,563**	35,886	37,926
Current tax liabilities		**3,930**	4,110	5,684
Short-term borrowings		**10,000**	-	6,000
Obligations under finance leases		**11**	1	22
		44,504	39,997	49,632
Non-current liabilities				
Other liabilities		**175**	293	379
		175	293	379
Total liabilities		**44,679**	40,290	50,011
Net assets		**70,796**	62,989	70,744
Equity				
Share capital	8	**226**	226	226
Investment in own shares	8	**(216)**	(370)	(370)
Share premium	8	**25**	25	25
Share based payment reserve	8	**2,476**	2,239	2,684
Translation reserve	8	**(294)**	648	543
Retained earnings	8	**68,579**	60,221	67,636
Total equity		**70,796**	62,989	70,744

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	**Unaudited 6 months ended 26 September 2010 £000**	Unaudited 6 months ended 27 September 2009 £000	Audited Year ended 28 March 2010 £000
Opening equity		**70,744**	60,967	60,967
Profit for the period		**10,061**	9,709	22,132
Dividends paid		**(9,765)**	(7,848)	(12,856)
Movement in own shares	5	**154**	556	556
Exchange differences on translation of foreign operations		**(837)**	140	35
Movement in share based payment reserve		**(208)**	(250)	195
Adjustments on share schemes vesting		**647**	(285)	(285)
Closing equity		**70,796**	62,989	70,744

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	**Unaudited 6 months ended 26 September 2010 £000**	Unaudited 6 months ended 27 September 2009 £000	Audited Year ended 28 March 2010 £000
Net cash flow from operating activities	9	**9,444**	6,591	24,986
Investing activities				
Investment income		**30**	85	224
Purchase of property, plant and equipment		**(1,051)**	(1,634)	(2,700)
Proceeds from disposal of property, plant and equipment		**-**	39	93
Acquisition of subsidiary		**-**	-	(28,942)
Investment	5	**-**	(30)	(30)
Loan to joint venture	5	**(400)**	(850)	(1,750)
Purchase of own shares		**-**	(490)	(490)
Net cash used in investing activities		**(1,421)**	(2,880)	(33,595)
Financing activities				
Repayments of obligations under finance leases		**(3)**	-	(8)
Receipt of short-term borrowings		**4,000**	-	6,000
Dividends paid		**(9,765)**	(7,848)	(12,856)
Net cash used in financing activities		**(5,768)**	(7,848)	(6,864)
Net increase / (decrease) in cash and cash equivalents		**2,255**	(4,137)	(15,473)
Cash and cash equivalents at beginning of period		**20,769**	36,345	36,345
Effect of foreign exchange rate changes		**(96)**	(28)	(103)
Cash and cash equivalents at end of period		**22,928**	32,180	20,769

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Accounting policies

These condensed financial statements have been prepared in accordance with IAS 34 as adopted by the European Union on an historical cost basis and the same accounting policies, presentation methods and methods of computation are followed in this condensed set of financial statements as applied in the group's latest annual audited financial statements.

Basis of preparation

The condensed financial statements contained in this report are unaudited, but have been formally reviewed by the auditors and their report to the company is set out on page 24. The information shown for the year ended 28 March 2010, which is prepared under International Financial Reporting Standards (IFRS), does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The report of the auditors on the statutory accounts for the year ended 28 March 2010, prepared under IFRS, was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006 and has been filed with the Registrar of Companies.

The directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. The group's liquidity and going concern review can be found in the Management Report on page 10.

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

(i) Segmental information

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

The application of technology is directed on a group basis from the group's executive team (consisting of the Chief Executive Officer, Finance Director, Business Development Director and Chief Information Officer) to develop products across the business, prioritised on an economic value basis (generally by product), rather than on a subsidiary by subsidiary basis. As the business has high fixed operating costs, the company regards the analysis of net revenue as the most reliable indication of contribution on a product by product basis and net revenue analysis is shown in the Management Report.

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

(ii) Reconciliation of revenue to net revenue, analysis of cost of sales

Revenue comprises the value of sales (excluding VAT and sales taxes) of services in the normal course of business and includes: amounts billed to clients that are passed on to retail agents as commission payable, the sales value to retail agents of mobile top-ups and SIMs where PayPoint acts as principal, merchant service charges levied by card scheme sponsors and the revenue charged for the provision of call centres to PayByPhone clients.

Net revenue is revenue less the cost of mobile top-ups and SIM cards where PayPoint is principal and costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, merchant service charges levied by sponsors and cost for the provision of call centres to PayByPhone clients.

Net revenue

	6 months ended 26 September 2010	6 months ended 27 September 2009	Year ended 28 March 2010
Revenue - transaction processing	**92,135**	95,607	195,008
- rental income of ATMs	**763**	803	1,595
Revenue	**92,898**	96,410	196,603
less:			
Commission payable to retail agents	**(34,579)**	(36,172)	(73,178)
Cost of mobile top-ups and SIM cards as principal	**(18,896)**	(22,976)	(43,520)
Other[1]	**(695)**	(1,272)	(2,499)
Net revenue	**38,728**	35,990	77,406

Cost of Sales

	6 months ended 26 September 2010 £000	6 months ended 27 September 2009 £000	Year ended 28 March 2010 £000
Cost of sales			
Commission payable to retail agents	**34,579**	36,172	73,178
Cost of mobile top-ups and SIM cards as principal	**18,896**	22,976	43,520
Depreciation and amortisation	**1,912**	2,631	4,820
Other[1]	**4,692**	5,776	11,592
Total cost of sales	**60,079**	67,555	133,110

1 Other revenue consists of costs incurred for merchant service charges and costs for the provision call centre charges that are recharged to clients and merchants. The cost of these items is included in other cost of sales.

Geographical information:

	6 months ended 26 September 2010 £000	6 months ended 27 September 2009 £000	Year ended 28 March 2010 £000
Revenue			
UK	**71,675**	70,699	147,658
Ireland[1]	**11,204**	12,577	24,476
Romania[1]	**9,559**	13,134	24,386
North America	**460**	-	83
Total	**92,898**	96,410	196,603
Non-current assets			
UK	**70,486**	45,194	73,290
Ireland	**44**	37	14
Romania	**1,711**	1,602	1,422
North America	**254**	-	211
Total	**72,495**	46,833	74,937

1 The decline in the prepay mobile market in Ireland and Romania adversely affects revenue. The impact on net revenue was less severe, as margins on these top-ups are low.

3. Tax on profit of ordinary activities

	6 months ended 26 September 2010 £000	6 months ended 27 September 2009 £000	Year ended 28 March 2010 £000
Current tax	**4,233**	4,274	10,572
Deferred tax	**263**	(172)	(59)
Total	**4,496**	4,102	10,513

The rate of corporation tax will change from 28 per cent to 27 per cent from 1 April 2011. As deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods of reversal, we have restated all deferred tax closing balances using a rate of 27 per cent. The change of rate in the year decreased the net deferred tax asset by £34,000 (2009: £nil).

The Government has also indicated that it intends to enact future reductions in the main rate of corporation tax of 1 per cent each year down to 24 per cent by 1 April 2014. The future 1 per cent main rate of corporation tax reductions are expected to have a similar impact on our financial statements as outlined above. However, the actual impact will be dependent on our deferred tax position at that time.

4. Earnings per share

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

	6 months ended 26 September 2010 £000	6 months ended 27 September 2009 £000	Year ended 28 March 2010 £000
Profit for the purposes of basic earnings per share being net profit attributable to equity holders of the parent and for diluted earnings per share.	**10,061**	9,709	22,132
	Number of Shares	Number of shares	Number of shares
Weighted average number of shares (for basic earnings per share)	**67,675,017**	67,384,136	67,170,830
Potential dilutive ordinary shares: Deferred share bonus	**117,565**	112,486	133,313
Long term incentive plan	**-**	490,573	427,415
Diluted basis	**67,792,582**	67,987,195	67,731,558

5. Related party transactions

Collect+

PayPoint has entered into a loan agreement with its 50:50 joint venture Drop and Collect Limited (trading as Collect+) and during the period it has lent Drop and Collect Limited £400,000 bringing the total amount of the loan outstanding to £2,150,000 (28 March 2010: £1,750,000). This has been treated as part of the investment in the joint venture. In the period, there were £49,000 of unrecognised losses in Collect+ (28 March 2010: £nil).

Investment in OB10

PayPoint owns shares in OB10, a company that specialises in electronic invoicing and our shareholding at 26 September 2010 was 1.04% (28 March 2010: 1.04%).

	6 months ended 26 September 2010 £000	6 months ended 27 September 2009 £000	Year ended 28 March 2010 £000
Investment at cost	**405**	405	405

In the view of the directors, the aggregate cost of £405,000 represents the fair value of the investment in the shares.

David Newlands, who is also Chairman of OB10, Dominic Taylor, George Earle, Eric Anstee and Nick Wiles all hold shareholdings in OB10 as follows:

Directors' shareholding in OB10	**6 months ended 26 September 2010 %**	6 months ended 27 September 2009 %	Year ended 28 March 2010 %
David Newlands	**4.73**	4.73	4.73
Dominic Taylor	**1.42**	1.42	1.42
George Earle	**0.42**	0.42	0.42
Nick Wiles	**1.04**	1.04	1.04
Eric Anstee	**0.08**	0.08	0.08

Share based payments

During the period, a Deferred Share Bonus plan (DSB) vested and, as a result, 28,933 treasury shares were released to the relevant executive directors and senior managers at a value of £154,000.

6. Dividend

The interim dividend of 7.8p (2009: 7.4p) was declared on 25 November 2010 and, accordingly, has not been recorded as a liability as at 26 September 2010. The total dividend in respect of the year ended 28 March 2010 was 21.8p per share.

7. Cash and cash equivalents

Included within cash and cash equivalents is £6.7 million (September 2009: £7.2 million, March 2010: £6.8 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.

The group operates cash pooling amongst its various bank accounts in the UK and, therefore, individual accounts can be overdrawn without penalties being incurred so long as the overall position is in credit. At 26 September 2010, the group's cash was £22.9 million (28 March 2010: £20.8 million).

At 26 September 2010, the group had a loan of £10 million (September 2009: £nil, March 2010: £6 million) drawn on its unsecured loan facility of £35 million. On 13 October 2010, the group repaid £4 million, leaving a remaining balance of £6 million outstanding which is anticipated to be repaid by the end of the financial year. We are discussing replacement of the facility with our bankers which expires in August 2011.

8. Share capital and reserves

	6 months ended 26 September 2010 £000	6 months ended 27 September 2009 £000	Year ended 28 March 2010 £000
Authorised share capital			
4,365,352,200 ordinary shares of 1/3p each	**14,551**	14,551	14,551
Called up, allotted and fully paid share capital			
67,775,979 ordinary shares of 1/3p each	**226**	226	226
Investment in own shares			
At start of period	**(370)**	(926)	(926)
Acquired in period	**-**	(490)	(490)
Used on share scheme vesting	**154**	1,046	1,046
At end of period	**(216)**	(370)	(370)
Share premium			
At start of period	**25**	25	25
At end of period	**25**	25	25
Share based payment reserve			
At start of period	**2,684**	2,489	2,489
Additions in period	**558**	460	942
Released in period	**(801)**	(761)	(761)
Current tax on awards	**-**	51	34
Other adjustments	**35**	-	(20)
At end of period	**2,476**	2,239	2,684
Translation reserve			
At start of period	**543**	508	508
Movement in the period	**(837)**	140	35
At end of period	**(294)**	648	543
Retained earnings			
At start of period	**67,636**	58,645	58,645
Profit for the period	**10,061**	9,709	22,132
Dividends paid	**(9,765)**	(7,848)	(12,856)
Adjustment on share scheme vesting	**647**	(285)	(285)
At end of period	**68,579**	60,221	67,636

9. Notes to the cash flow statement

	6 months ended 26 September 2010 £000	6 months ended 27 September 2009 £000	Year ended 28 March 2010 £000
Profit before tax	**14,557**	13,811	32,645
Adjustments for:			
Depreciation on property, plant and equipment	**1,753**	2,316	4,286
Amortisation of intangible assets	**159**	315	534
Share of losses in joint venture	**726**	964	1,601
Net interest expense / (income)	**26**	(115)	(174)
Share based payment expense	**593**	460	942
Operating cash flows before movements in working capital	**17,814**	17,751	39,834
Increase in inventories	**(15)**	(39)	(373)
Decrease in receivables	**4,732**	610	2,385
Increase / (decrease) in payables			
- client cash	**224**	(335)	(729)
- other payables	**(7,389)**	(1,895)	(2,386)
Cash generated by operations	**15,366**	16,092	38,731
Corporation tax paid	**(5,886)**	(9,501)	(13,702)
Interest and bank charges paid	**(36)**	-	(43)
Net cash from operating activities	**9,444**	6,591	24,986

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements which has been prepared in accordance with IAS 34 Interim Financial Reporting gives a true and fair view of the assets, liabilities, financial position and profit of the Group as required by DTR 4.2.4R;
(b) the half yearly financial report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 24 weeks and description of principal risks and uncertainties for the remaining 28 weeks of the year); and
(c) the half yearly financial report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the board.

David Newlands
Chairman

Dominic Taylor
Chief Executive

25 November 2010

RISKS

PayPoint's business, financial condition or operations could be materially and adversely affected by the risks summarised below. Although management takes steps to mitigate risks where possible or where the cost of doing so is reasonable in relation to the probability and seriousness of the risk, it may not be possible to avoid the crystallisation of some or all of such risks.

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
Major contract loss or renewal at unattractive margins	renew contracts at expiry on attractive terms
Dependence on key executives	retain and recruit key staff through a mixture of basic salary, plus 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
Insolvency of a major multiple retail agent	mitigate the consequences of insolvency both in terms of the bad debt risk and the impact of such insolvency on our network coverage
Technological changes	keep pace with technological changes and introduce new developments to compete effectively
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 any future capital on sufficiently attractive terms, particularly in view of prevailing economic conditions and the availability of credit
Economic, political, legislative, taxation or regulatory changes	to deal with the impact of any changes without 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 money by the rigorous application of controls
Consumers reduce number or value of payments via the PayPoint network	establish new products and services and keep abreast of technological and market changes

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 26 September 2010 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to 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 IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

Our responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the period ended 26 September 2010 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 LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
25 November 2010

DIRECTORS & KEY CONTACTS

Directors	Dominic Taylor (Chief Executive) George Earle (Finance Director) Tim Watkin-Rees (Business Development Director) Eric Anstee* David Morrison* David Newlands* (Chairman) Andrew Robb* Stephen Rowley* Nick Wiles * * non-executive directors
Registered office	1 The Boulevard Shire Park Welwyn Garden City Hertfordshire AL7 1EL United Kingdom Registered in England and Wales number 3581541
Registrars	Capita Registrars Registration Services Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA Telephone 0870 162 3100
Press and investor relations enquiries	Finsbury Tenter House 45 Moorfields London EC2Y 9AE Telephone No. 020 7251 3801

ABOUT PAYPOINT

PayPoint is a leading international provider of convenient payments and value added services to major consumer service organisations in the utility, telecoms, media, financial services, transport, retail, gaming and public sectors. We handle over £10 billion from almost 570 million transactions annually for more than 6,000 clients and merchants. We deliver payments and services through a uniquely strong combination of local shops, internet and mobile distribution channels.

Retail networks
PayPoint operates branded retail networks in the UK, Ireland and Romania. The network in the UK numbers over 22,000 terminals located in local shops (including Co-op, Spar, McColls, Costcutter, Sainsburys Local, One Stop, Londis and thousands of independents) in all parts of the UK. Our terminals process energy meter prepayments, cash bill payments, mobile phone top-ups, transport tickets, BBC TV licences and a wide variety of other payment types for most leading utilities and many telecoms and consumer service companies.

In Romania, the branded retail network numbers over 5,000 terminals located in local shops across Romania and is expanding. Our terminals process cash bill payments for utilities and mobile phone top-ups. In the Republic of Ireland, we have over 500 outlets in shops and Credit Unions processing mobile top-ups and bill payments.

We also supply added value services to our retail agents to improve the yield from our network. In the UK, we have recently introduced a consumer parcel drop off and collection service using PayPoint's retail network through Collect+, a joint venture with Yodel (formerly Home Delivery Network and DHL Express UK Limited). This service is already available in 3,400 of our convenience retail agents. Clients include ASOS, Littlewoods, Woolworths, New Look, Dorothy Perkins, Very, Mobile Phone Xchange, Virgin Media and Great Universal. In addition, in the UK, we have over 2,400 LINK branded ATMs, mainly in the same sites as our terminals.

Internet channel
PayPoint.net is an internet payment service provider, linking into all major UK acquiring banks to deliver secure online credit and debit card payments for over 5,500 web merchants, including PKR, Betsson, Moneysupermarket.com, Severn Trent Water, Ann Summers and British Gas Home Vend. We offer a comprehensive set of products ranging from a transaction gateway through to a bureau service, in which we take the merchant credit risk and manage settlement for the merchants. We offer real-time reporting for merchant transactions and Fraudguard, an advanced service to mitigate the risk of fraud for card not present transactions.

Mobile channel
We recently acquired PayByPhone (Verrus Mobile Technologies Inc and Verrus UK Limited). PayByPhone is a leading international provider of services to parking authorities allowing consumers to use their mobile phones to pay for their parking by credit or debit card. It has contracts in the UK, Canada, USA and France.

PayPoint is widely recognised for its leadership in payment systems, smart technology and consumer service. Our high quality services are backed by a 24/7 operations centre with dual site processing for business continuity.

PayPoint sustains its competitive differentiation by aiming to meet clients' payment needs, not just through a wide spectrum of payments, but also with products that span payment channels. For example, PayCash enables cash payment for internet transactions at PayPoint retail agents and our new home vending solutions allow consumers to pay across the internet as well as through our retail network. Our combination of distribution channels makes us unique in this regard.

25 November 2010

Enquiries:

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Rollo Head	
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This announcement is available on the PayPoint plc website: www.paypoint.com