PayPoint plc
Half yearly financial report
for the 26 weeks ended 28 September 2008

HIGHLIGHTS

	26 weeks ended 28 September 2008 £million	27 weeks ended 30 September 2007 £million	Increase %	Like-for-like[3] increase %
Revenue	109.3	103.9	5	9
Net revenue[1,2]	35.6	34.2	4	8
Operating profit	14.2	13.9	2	11
Profit before tax	15.3	14.5	6	15
Diluted earnings per share	16.0p	14.7p	9	18
Interim dividend	6.0p	5.3p	13	

- PayPoint's UK terminal and ATM business had like-for-like[3] net revenues up 6% and operating costs down 3%
- UK terminal network expanded by nearly 900 sites to 20,772 - on track to meet target of 1,500 additional terminals for the year
- ATM network has increased by 7% and internet merchants have grown by 6% since March 2008
- New website and restructured marketing is generating increased leads for our internet business.
- Romanian bill payment service launched in August with 1,200 branded PayPoint sites

Operating profit growth in the UK terminal and ATM business was up 22% on a like-for-like[3] basis, including a slight decline in mobile transactions and in ATM transactions per terminal, suffered in common with other providers. The terminal network in the UK has been expanded to service transaction growth and mitigate the decline in mobile volumes and the ATM estate compared to last year.

Our internet companies have been integrated to operate successfully as a single business, PayPoint.net, and its new website and marketing programmes have driven more leads, which will increase the number of merchants using our service. This, combined with the introduction of PayCash, which permits the payment in cash at PayPoint convenience stores for consumer purchases on line, positions our internet business for growth.

In Romania, we have launched bill payment alongside the existing mobile top-up business and transaction volumes are growing as expected with the four launch clients and with a further four to follow before the year end. We also have strong interest from other substantial bill issuers with whom we expect to sign contracts. We continue to invest in the roll-out of terminals in Romania at a rate faster than we anticipated last year and this, together with the delayed transfer of the transaction processing to the UK and the launch of bill payment, has held back the results. We expect the business to be profitable next year.

David Newlands, Chairman, said "PayPoint has delivered first half results ahead of market expectations. There are new products and prospects in the UK and elsewhere, which provide ample opportunity for management to continue to deliver growth."

The condensed financial statements cover the 26 week period from 31 March 2008 to 28 September 2008, the last Sunday in the month, compared to a 27 week period ended 30 September 2007.

1 Net revenue is revenue less commissions paid to retail agents, acquiring bank charges and the cost of mobile top-ups where PayPoint is the principal.
2 Net revenue and operating margin are measures which the directors believe assist with a better understanding of the underlying performance of the group. The reconciliation of net revenue to statutory amounts can be found in note 2
3 The like-for-like basis adjusts the comparative period to 26 weeks

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

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

- UK cash payments for bills, general payments, mobile top-ups, ticketing, money transfer and ATM cash withdrawals building on the strength of our brand;
- e-commerce payments and services through PayPoint.net and new PayPoint products across the retail and internet businesses; and
- international growth in selected developing countries for cash payment networks and as an e-commerce payment service provider.

Our terminal estate has grown by over 1,600 terminals (UK and International) since the end of the last financial year. Transaction volumes were up 5% and profit before tax up 6% although the period contains one week less of trading compared to last year. Profit before tax increased 15% excluding the extra week from the prior period's results. Bill and general payments have grown strongly, particularly in the UK, where prepaid gas and electric domestic price rises have helped to increase transaction volumes. The mobile sector overall in the UK and Ireland has seen a decrease in transaction volumes, as consumers economise and networks offer customers more airtime for their money. This decline has been mitigated in the UK by the expansion of the network. In Romania, Pay Store's mobile top-ups continued to grow and our bill payment service was launched in September with four clients. PayPoint.net has traded as planned with transaction volumes up 46% on last year.

Operational review

In the first 26 weeks of the financial year, PayPoint processed 249 million transactions, with a value of £4.0 billion (2007: 236 million transactions with a value of £3.5 billion in 27 weeks), an increase of 5% in transactions and 15% in value. On a like-for-like[1] basis transaction volumes were up 10%. Commissions paid to retail agents were reduced to £41.2 million (2007: £41.5 million), a result of lower mobile top-ups.

Analysis of transactions

	26 weeks ended 28 September 2008 millions	27 weeks ended 30 September 2007 millions	Increase/ (decrease) %	Like for like [1] increase %	53 weeks ended 30 March 2008 millions
Bill and general payments[2]	**152**	141	8	13	311
Mobile top-ups	**74**	77	(4)	(1)	151
ATMs	**7**	7	-	1	15
Internet payments	**16**	11	46	51	26
Total[3]	**249**	236	5	10	503

1 The like-for-like basis adjusts the comparative period to 26 weeks
2 Includes debit/credit transactions
3 Included within the total is 9 million of international bill and general payments and mobile top-ups (2007: 9 million).
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Bill & general payments
PayPoint has continued to perform well in this sector with an 8% increase in transaction volumes.

On a like-for-like[1] basis volumes were up 13%, driven by an increase of 16% in prepaid energy volumes and growth with local authority and water bill payments.

This increase resulted from network growth, new customer payment options and increases in domestic energy prices during the year, partially offset by an increase in average transaction values.

Mobile top-ups
The mobile sector overall in the UK and Ireland has seen a decrease in transaction volumes as consumers reduce their spending and networks offer customers more airtime for their money.

Our UK transaction volumes were down 1% on a like-for-like basis[1]. This decrease is lower than the market as we have installed nearly 900 new UK sites since the last half year. Our share of retail cash top-up transactions has increased to c.32% whilst our share of the overall top-up sector has remained constant as the use of ATMs for mobile top-ups has increased.

Pay Store mobile volumes were up 8%. In Ireland, volumes have fallen slightly as mobile operators are offering better rates to consumers and have been promoting internet top-ups.

ATMs
We have increased our net installations to 25 per month (2007: 17 per month) by reducing churn.

The focus on sales continues with the strengthening of the sales team from October to increase the number of new ATM sign-ups.

The number of transactions processed by self-fill Independent ATM Deployers (IAD's) was down by 2% on the same period last year. We have not seen a decrease in the number of transactions processed due to our continual expansion in site numbers, however the average transactions per site in the first half of the year have decreased to 568 per month (2007: 600), a reduction broadly in line with the IAD self-fill market, which may reflect more difficult economic times for consumers suppressing the demand for cash.

PayPoint.net – internet payments
PayPoint.net traded profitably and has added a net 303 merchants in the first half of the year. Transaction volumes were up 46% and net revenues have increased by 12% on last year.

Our PayCash product, which allows internet merchants' customers to pay for goods with cash at a PayPoint retailer, has been launched. Initially this is being offered to PayPoint.net merchants, but will be offered more widely next year.

PayPoint Romania
We have continued to make good progress in Romania. We have now completed the transfer of transaction processing to our operations centre in the UK, at the same time allowing us to process mobile top-ups for Cosmote, the third largest mobile operator in Romania. We have appointed a new Managing Director and restructured the sales team, increasing the sales force by 30% compared to the same time last year.

We have launched bill payment with four clients, including the national telecoms provider Romtelecom and Distrigaz, one of the two leading gas suppliers on our newly developed international platform. Bill payment transaction volumes are growing. We have rolled out 1,200 bill payment enabled terminals and plan to install at least a further 800 terminals this financial year. A delay in transferring processing to the UK adversely impacted results as bill payment and Cosmote top-ups were delayed. Both these issues have been resolved. We expect the business to be profitable next year.

1. The like-for-like basis adjusts the comparative period to 26 weeks

Network growth
Terminal sites have increased to 25,515 (30 March 2008: 23,895) an increase of 1,620.

The retail network in the UK and Ireland has grown to 20,772 (30 March 2008: 19,878) an increase of 4% on last year end.

A total of 3,136 sites (30 March 2008: 2,833) already equipped with our terminals also have electronic point of sale (EPoS) connections, to allow mobile top-ups transactions over the retailers' own till systems.

Analysis of sites	**At 28 September 2008**	At 30 September 2007	Increase %	At 30 March 2008
PP terminal only	**17,636**	16,492	7	17,045
PP terminal and EPoS	**3,136**	2,525	24	2,833
PP terminal sites	**20,772**	19,017	9	19,878
Pay Store terminal sites	**4,743**	3,607	31	4,017
Total terminal sites	**25,515**	22,624	13	23,895
ATM sites	**2,165**	1,957	11	2,016
Internet merchants	**5,111**	4,545	12	4,808

EPoS only sites in the UK and sites in Romania that sell only scratch cards are not included in the table above.

New services
PayPoint continues to introduce new services to stimulate further transaction growth in both retail and e-commerce payments and services. For example, we are benefiting from the increases in transaction volumes in electronic money from services such as prepay debit cards, saving schemes, internet currencies, stored value cards and money transfers. We have continued to attract new clients directly and through partners including the new PayPal prepay debit card. We are established as the premier convenience loading channel for cash on to both prepay and stored value cards.

Financial review
Revenue for the first 26 weeks was £109.3 million (2007:27 weeks £103.9 million), up 5% driven by the increase in transaction volumes in particular from mobile top-ups where PayPoint acts as principal[1]. On a like-for-like basis revenue was up 9%. Cost of sales was £80.9 million (2007: £76.6 million), an increase of 6%, which is slightly greater than the rate of increase in revenue because of the increase in mobile top-ups where PayPoint is principal. Agents' commission of £41.2 million (2007: £41.5 million) is lower than last year due to the extra week in the comparative period and a reduction in commission of 1% by Vodafone. Depreciation and amortisation have increased to £3.2 million (2007: £2.6 million) up 20% as a result of our continued terminal roll out in the UK and Romania.

Net revenue[2] of £35.6 million (2007: £34.2 million) was up 4%, driven primarily by volume growth.

Gross profit improved to £28.4 million (2007: £27.3 million), 4% ahead of the same period last year, with a gross margin of 26% (2007: 26%). Gross margin, excluding the cost of Irish and Romanian mobile-top-ups[1] improved to 36% (2007: 35%).

1 In Ireland and Romania, PayPoint is principal in the sale of mobile top-ups and accordingly the face value of the top-up is included in sales and the corresponding cost in cost of sales
2 Net revenue is revenue less commissions paid to retail agents, acquiring bank charges and less the cost of mobile top-ups where PayPoint is the principal

Operating costs (administrative expenses) have risen to £14.2 million (2007: £13.4 million), an increase of 7%. Operating costs in the UK terminal and ATM business were down 3% on last year, whilst costs in PayPoint.net and Pay Store have increased.

Operating profit was £14.2 million (2007: £13.9 million), up 2%, although the operating margin[1] decreased slightly to 40% (2007: 41%), mainly as a result of the loss in Romania and the extra week in the comparative period last year. On a like-for-like basis[2] operating profit was up 11%.

Profit before tax was £15.3 million (2007: £14.5 million), up 6% on last year. On a like-for-like basis[2], profit before tax was up 15%. The tax charge was £4.5 million (2007: £4.4 million) and the effective tax rate was 29% (2007: 30%) reflecting the reduction in the UK corporation tax rate and unrelieved losses in Romania.

Operating cash flow was £13.3 million with no change in client cash[3] (2007: £10.9 million including an inflow of £0.5 million in respect of client cash), reflecting strong conversion of profit to cash. Capital expenditure of £2.1 million (2007: £1.9 million) reflected spend on new terminals in the UK and Romania, ATMs, and the international processing platform.

Net interest received was £1.1 million (2007: £0.6 million) and equity dividends paid were £7.0 million (2007: £6.2 million).

Related party transactions
Related party transactions are disclosed in note 6.

Risks
Risks to PayPoint's business, financial condition or operations are disclosed on page 16.

Dividend
The board have declared an interim dividend payable on 22 December of 6.0p per share (2007: 5.3p) to shareholders on the register at 5 December 2008.

Economic climate
The company's bill and general payments sector is robust in a recession, where the consumers' discretion in expenditure is limited for essential services. The internet payment market continues to grow substantially, although now forecast at lower rates. Modest adverse impact on mobile top-ups in developed economies and in ATM cash withdrawal rates is evident.

PayPoint's exposure to agent debt is limited as credit granted to retailers 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 retailers. Most of the group's clients in the UK other than mobile operators bear the cost of agent bad debt. In Pay Store, 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 charge backs but this is mitigated by cash retention.

The company has strong operating cash flow, net cash and a revolving credit agreement for £35 million with a three year term`.

1 Operating margin is operating profit as a percentage of net revenue
2 The like-for-like basis adjusts the comparative period to 26 weeks
3 Client cash is held on behalf of clients where PayPoint has title to the funds. An equivalent balance is included within trade payables.

Outlook
We expect further growth in transaction volumes and revenue in the UK from increases in our market share, and the growth in our network. In Romania, we have already installed 1,200 bill enabled terminals and we anticipate exceeding our plan of 1,500 by at least 500 additional terminals. We expect Pay Store to trade profitably next financial year. In PayPoint.net, which increased its revenue and profits, revenue growth should accelerate in the second half of the year, following the introduction of the new website, unified new branding and the launch of PayCash.

Trading since 28 September has been in line with the company's expectations and the directors are confident that the company will continue to deliver growth.

David Newlands
Chairman

Dominic Taylor
Chief Executive

20 November 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

Continuing operations	**Note**	**Unaudited 26 weeks ended 28 September 2008 £000**	Unaudited 27 weeks ended 30 September 2007 £000	Audited 53 weeks ended 30 March 2008 £000
Revenue	2	**109,341**	103,950	212,145
Cost of sales	2	**(80,931)**	(76,645)	(155,591)
Gross profit		**28,410**	27,305	56,554
Administrative expenses		**(14,244)**	(13,359)	(27,354)
Operating profit		**14,166**	13,946	29,200
Investment income		**1,142**	586	1,262
Finance costs		**(4)**	(43)	(58)
Profit before tax		**15,304**	14,489	30,404
Tax	3	**(4,475)**	(4,353)	(9,424)
Profit for the period		**10,829**	10,136	20,980
Earnings per share				
Basic	5	**16.1p**	15.0p	31.1p
Diluted	5	**16.0p**	14.7p	30.8p

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME & EXPENSE

	Note	**Unaudited 26 weeks ended 28 September 2008 £000**	Unaudited 27 weeks ended 30 September 2007 £000	Audited 53 weeks ended 30 March 2008 £000
Exchange differences on translation of foreign operations	9	**(19)**	34	318
Net (loss) / income recognised directly in equity		**(19)**	34	318
Profit for the period		**10,829**	10,136	20,980
Total recognised income and expenses for the period		**10,810**	10,170	21,298

PayPoint plc
CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 28 September 2008 £000**	Unaudited 30 September 2007 £000	Audited 30 March 2008 £000
Non-current assets				
Goodwill		**27,428**	26,256	27,428
Other intangible assets		**2,264**	3,222	2,742
Property, plant and equipment		**12,235**	13,428	13,114
Deferred tax asset		**1,530**	1,552	1,571
Investment		**375**	-	375
		43,832	44,458	45,230
Current assets				
Inventories		**1,865**	1,088	1,250
Trade and other receivables		**24,257**	25,431	28,285
Cash and cash equivalents	7	**28,224**	15,981	27,727
		54,346	42,500	57,262
Total assets		**98,178**	86,958	102,492
Current liabilities				
Trade and other payables		**39,999**	40,125	45,275
Current tax liabilities		**6,536**	4,858	7,226
Obligations under finance leases		**28**	156	70
		46,563	45,139	52,571
Non-current liabilities				
Other liabilities		**317**	274	334
		317	274	334
Total liabilities		**46,880**	45,413	52,905
Net assets		**51,298**	41,545	49,587
Equity				
Share capital	8	**226**	226	226
Investment in own shares	8	**(926)**	(935)	(935)
Share based payment reserve	8	**1,996**	1,789	2,281
Translation reserve	8	**299**	34	318
Retained earnings	8	**49,703**	40,431	47,697
Total equity	9	**51,298**	41,545	49,587

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	**Unaudited 26 weeks ended 28 September 2008 £000**	Unaudited 27 weeks ended 30 September 2007 £000	Audited 53 weeks ended 30 March 2008 £000
Net cash from operating activities	11	**13,322**	10,920	29,618
Investing activities				
Interest received		**1,016**	549	1,252
Purchase of property, plant and equipment		**(2,128)**	(1,854)	(5,519)
Proceeds from disposal of property, plant and equipment		**31**	53	110
Acquisition of subsidiary	10	**(2,108)**	(8,219)	(8,227)
Investment		**-**	-	(375)
Purchase of own shares	6	**(2,489)**	(3,489)	(3,467)
Net cash used in investing activities		**(5,678)**	(12,960)	(16,226)
Financing activities				
Repayments of obligations under finance leases		**(41)**	(144)	(246)
Dividends paid		**(7,023)**	(6,159)	(9,738)
Net cash used in financing activities		**(7,064)**	(6,303)	(9,984)
Net increase/(decrease) in cash and cash equivalents		**580**	(8,343)	3,408
Cash and cash equivalents at beginning of period		**27,727**	24,324	24,324
Effect of foreign exchange rate changes		**(83)**	-	(5)
Cash and cash equivalents at end of period		**28,224**	15,981	27,727

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Accounting policies
These condensed financial statements have been prepared in accordance with IAS 34 on a 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 17. The information shown for the 53 weeks ended 30 March 2008, 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 53 weeks ended 30 March 2008, prepared under International Financial Reporting Standards (IFRS), was unqualified and did not contain a statement under section 237 of the Companies Act 1985 and has been filed with the Registrar of Companies.

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

IAS1 (Revised) Presentation of financial statements
IAS23 (Revised) Borrowing costs
IAS27 (Revised) Consolidated and separate financial statements
IFRS3 (Revised) Business combinations
IFRS8 Operating segments
IFRIC13 Customer loyalty programme

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

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

(i) Segmental information

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

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

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

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

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

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

	26 weeks ended 28 September 2008 £000	**27 weeks ended 30 September 2007 £000**	53 weeks ended 30 March 2008 £000
Revenue - transaction processing	**108,494**	103,030	210,528
- lease rental of ATMs	**847**	920	1,617
Revenue	**109,341**	103,950	212,145
less:			
Commission payable to retail agents	**(41,234)**	(41,463)	(83,439)
Cost of mobile top-ups as principal	**(30,749)**	(26,688)	(55,468)
Acquiring bank charges	**(1,797)**	(1,618)	(3,378)
Net revenue	**35,561**	34,181	69,860
Net revenue by sector			
Bill payments	**13,828**	13,644	30,652
Mobile top-ups	**13,025**	12,834	25,153
ATMs	**3,331**	3,275	6,561
Internet payments	**3,498**	3,124	4,927
Other	**1,879**	1,304	2,567
Net revenue	**35,561**	34,181	69,860
UK	**33,870**	32,709	66,507
International[1]	**1,691**	1,472	3,353
Net revenue	**35,561**	**34,181**	**69,860**

Commission payable is included within cost of sales as shown below

Cost of sales			
Commission payable to retail agents	**(41,234)**	(41,463)	(83,439)
Cost of mobile top-ups as principal	**(30,749)**	(26,688)	(55,468)
Acquiring bank charges	**(1,797)**	(1,618)	(3,378)
Depreciation and amortisation	**(3,177)**	(2,643)	(5,719)
Other	**(3,974)**	(4,233)	(7,587)
Total cost of sales	**(80,931)**	(76,645)	(155,591)

Gross throughput

Transactions via PayPoint terminals, retailer EPoS systems and sale of scratch cards	**3,028,095**	2,774,365	5,931,224
Withdrawals via ATMs	**171,005**	167,961	328,237
Internet transactions	**822,810**	545,619	1,286,887
Gross throughput	**4,021,910**	3,487,945	7,546,348

1 International comprises of Ireland and Romania

3. Tax on profit of ordinary activities

	26 weeks ended 28 September 2008 £000	**27 weeks ended 30 September 2007 £000**	53 weeks ended 30 March 2008 £000
Current tax	**4,433**	4,373	9,423
Deferred tax	**42**	(20)	1
Total	**4,475**	4,353	9,424

4. Dividend
The interim dividend of 6.0p (2007: 5.3p) was declared on 20 November 2008 and accordingly has not been recorded as a liability as at 28 September 2008. The total dividend in respect of the 53 weeks ended 30 March 2008 was 15.7p per share.

5. Earnings per share
Basic and diluted earnings per share

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

	26 weeks ended 28 September 2008 £000	**27 weeks ended 30 September 2007 £000**	53 weeks ended 30 March 2008 £000
Profit for the purposes of basic earnings per share being net profit attributable to equity holders of the parent and for diluted earnings	**10,829**	10,136	20,980
	Number of shares	Number of shares	Number of shares
Weighted average number of shares (for basic earnings per share)	**67,236,551**	67,688,522	67,369,600
Potential dilutive ordinary shares: Deferred share bonus	**99,693**	100,878	119,903
Long term incentive plan	**409,654**	1,036,849	669,449
Diluted basis	**67,745,898**	68,826,249	68,158,952

6. Related party transactions
On 13 June 2008 the company released the second tranche of its long term incentive plan awards to the three executive directors and six senior managers. In order to partly satisfy the company's obligations, Paypoint Network Limited Employee Investment Trust (the Trust) acquired 200,299 ordinary shares at the mid market closing price of 600.2 pence per share, in aggregate £1,206,000, from RIT Capital Partners and the Weinstock Estate (both of which are connected to David Morrison, a non-executive director of the company). 163,432 shares were sold at 600.2 pence per share, in aggregate £984,000, by participating directors and managers to the Trust. The Trust also purchased 41,395 shares at an average of 612.5 pence per share, in aggregate £253,000, in the open market.

On 19 September 2008 the company released another tranche of its long term incentive plan awards to one senior manager, using 17,346 shares owned by the Trust. As a result of this tranche a further 7,112 shares were sold at 650 pence per share, in aggregate £46,000 by the senior manager to the Trust.

Accordingly, the company has funded £2,489,000 (excluding £18,000 deal costs) for the purchase of its own shares. The excess of the cost of the shares acquired over their fair value determined at the date of grant in accordance with IFRS2 of £1,800,000 has been charged to reserves.

7. Cash and cash equivalents

Included within cash and cash equivalents is £8.0 million (September 2007: £7.8 million, March 2008: £8.0 million) relating to monies collected on behalf of PayPoint clients where PayPoint has title to the funds (client cash). An equivalent balance is included within trade payables.

8. Share capital and reserves

	26 weeks ended 28 September 2008 £000	**27 weeks ended 30 September 2007 £000**	53 weeks ended 30 March 2008 £000
Authorised share capital			
4,365,352,200 ordinary shares of 1/3 p each	**14,551**	14,551	14,551
Called up, allotted and fully paid share capital			
67,705,116 ordinary shares of 1/3 p each	**226**	226	226
Investment in own shares			
At start of period	**(935)**	(1)	(1)
Acquired in period (see note 6)	**(2,489)**	(2,533)	(2,533)
Used on share scheme vesting	**2,498**	1,599	1,599
At end of period	**(926)**	(935)	(935)
Share based payment reserve			
At start of period	**2,281**	1,712	1,712
Additions in period	**413**	628	1,121
Released in period	**(698)**	(551)	(552)
At end of period	**1,996**	1,789	2,281
Translation reserve			
At start of period	**318**	-	-
Movement in the period	**(19)**	34	318
At end of period	**299**	34	318
Retained earnings			
At start of period	**47,697**	38,436	38,436
Profit for the period	**10,829**	10,136	20,980
Dividends paid	**(7,023)**	(6,159)	(9,738)
Adjustment on share scheme vesting (see note 6)	**(1,800)**	(1,982)	(1,981)
At end of period	**49,703**	40,431	47,697

9. Statement of changes in equity

	26 weeks ended 28 September 2008 £000	**27 weeks ended 30 September 2007 £000**	53 weeks ended 30 March 2008 £000
Opening equity	**49,587**	40,373	40,373
Profit for the period	**10,829**	10,136	20,980
Dividends paid	**(7,023)**	(6,159)	(9,738)
Investment in own shares	**9**	(934)	(934)
Adjustment on share scheme vesting (see note 6)	**(2,498)**	(2,533)	(2,533)
(Decrease) / increase in translation reserve	**(19)**	34	318
Increase in share based payment reserve	**413**	628	1,121
Closing equity	**51,298**	41,545	49,587

10. Acquisition of subsidiary
In May 2008 the company paid £2,108,000, the deferred balance due for the acquisition of Pay Store SRL, which it acquired on 15 May 2007. The total consideration paid was £10,242,000 of which £8,134,000 was paid in the last financial year.

11. Notes to the cash flow statement

	26 weeks ended 28 September 2008 £000	**27 weeks ended 30 September 2007 £000**	53 weeks ended 30 March 2008 £000
Operating profit	**14,166**	13,946	29,200
Adjustments for:			
Depreciation on property, plant and equipment	**2,700**	2,244	4,812
Amortisation of intangible assets	**477**	399	907
Increase in share based payment reserve	**413**	77	1,121
Operating cash flows before movements in working capital	**17,756**	16,666	36,040
(Increase)/decrease in inventories	**(609)**	872	580
Decrease / (increase) in receivables	**4,454**	(2,300)	(10,528)
(Decrease) / increase in payables			
- client cash	**(18)**	451	711
- other payables	**(3,187)**	(1,037)	9,196
Cash generated by operations	**18,396**	14,652	35,999
Corporation tax paid	**(5,074)**	(3,732)	(6,362)
Interest and bank charges paid	**-**	-	(19)
Net cash from operating activities	**13,322**	10,920	29,618

RESPONSIBILITY STATEMENT

The directors confirm that to the best of their knowledge:

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

By order of the board

David Newlands
Chairman

Dominic Taylor
Chief Executive

20 November 2008

RISKS

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

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

INDEPENDENT REVIEW REPORT TO PAYPOINT PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the period ended 28 September 2008 which comprises the condensed income statement, the condensed balance sheet, the condensed statement of recognised income and expense, the condensed cash flow statement and related notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent 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 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

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

Our responsibility

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

Scope of Review

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

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 28 September 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditor
20 November 2008
London, UK

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

PayPoint plc

DIRECTORS & KEY CONTACTS

Directors

George Earle (Finance Director)
Dominic Taylor (Chief Executive)
Tim Watkin-Rees (Business Development Director)

Eric Anstee* - appointed 16 September 2008
David Morrison*
David Newlands* (Chairman)
Andrew Robb*
Steven Rowley* - appointed 16 September 2008
Roger Wood*

* non-executive directors

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ABOUT PAYPOINT

PayPoint is the leading cash and internet payments company in the UK and Ireland, handling in excess of £8 billion in over 515 million transactions annually for 6 ,000 clients and merchants. The company operates with several payment networks:

- The PayPoint retail network numbers over 20,750 terminal outlets located in local shops (including Co-op, Spar, Costcutter, Sainsburys Local, Somerfield, One Stop, Londis and thousands of independents) in all parts of the UK and Ireland. Terminals handle gas and electricity meter prepayments, cash bill payments, mobile phone top-ups, transport tickets, BBC TV licences and a wide variety of other payment types for all of the leading utilities, telecommunications suppliers and many consumer service companies. This network is used by consumers, free of charge, 9 million times a week. The network has 98.9% population cover on a 1 mile urban or 5 miles rural measure;

- Additional multiple retailer connections via retailers electronic till systems in the UK including BP and Superdrug for mobile top-ups and selected payments from the PayPoint range;

- The PayPoint ATM network has over 2,150 ‘LINK’ branded machines across the UK, also typically in convenience stores;

- PayPoint.net provides secure credit and debit card payments for over 5,100 web merchants linking into all the major UK acquiring banks; and

- PayPoint International which operates bill payment and top-up services in Ireland and Romania. PayStore in Romania now has 4,700 terminal outlets including 1,200 PayPoint branded sites for the new bill payment service.

PayPoint floated on the London Stock Exchange in September 2004 and the company’s market capitalisation at 30 September 2008 was £406 million. PayPoint is widely recognised for its leadership in prepayment systems, smart technology and consumer service.

20 November 2008

Enquiries:

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Rollo Head
Don Hunter

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