PayPoint plc
Half yearly financial report
for the 6 months ended 27 September 2009

HIGHLIGHTS

	6 months ended 27 September 2009 £million	6 months ended 28 September 2008 £million	Increase / (decrease) %
Throughput[1]	**4,446**	4,041	10
Revenue	**96.4**	109.3	(12)
Net revenue[2]	**36.0**	35.6	1
Operating profit[3]	**14.7**	14.2	3
Profit before tax	**13.8**	15.3	(10)
Diluted earnings per share	**14.3p**	16.0p	(11)
Interim dividend	**7.4p**	6.0p	23

- In the traditional UK business[4], net revenue was up 2% and operating profit was up 8%
- UK and Ireland terminal network expanded by nearly 700 sites to 22,669.
- Processed over 1.8 million Romanian bill payment transactions with 2,260 branded PayPoint sites.
- Collect+, our joint venture, started trading during the period, and already has over 3,500 sites live.
- Consumer satisfaction[5] 97% (82% very satisfied).
- Profit before tax lower than prior period due to the investment in Collect+ and the much reduced interest on cash balances.

David Newlands, Chairman of PayPoint, said: “PayPoint has delivered first half operating profits ahead of market expectations, despite the economic downturn. New products and services, developments in technology, and new contracts have strengthened the traditional business. We are continuing to invest in parcels, internet payments and Romania and these will contribute to future growth. The outlook for the year is in line with market expectations.”

“We have again increased the dividend as there is ample capacity to do so without adversely affecting growth prospects.”

The condensed financial statements cover the 6 months from 30 March 2009 to 27 September 2009, the last Sunday in the month (2008: 6 months covering the period 31 March 2008 to 28 September 2008).

1 Throughput represents payments made by consumers using the PayPoint service for bill and general payments, online, cash withdrawals from ATMs and the value of transactions via the internet.
2 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. Net revenue and operating margin are measures which the directors believe assist with a better understanding of the underlying performance of the group.
3 Operating profit excludes start up losses incurred in the current six months for our parcel joint venture Collect+
4 The group excluding PayPoint plc, PayPoint.net, PayPoint Ireland, Collect+ and PayPoint Romania.
5 UK terminal sites, source: Ipsos MORI September 2009.

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.

Review of results

Substantial increases in the value paid by consumers (throughput) were recorded in bill and general and internet payments. Revenue decreased as a consequence of lower mobile top-ups. Net revenues[1], however, increased slightly as the increase in other sources of net revenue was more than the impact of the reduction in mobile top-ups. As a consequence, operating profits increased. Start up losses in our new parcels joint venture and lower interest received caused a reduction in profit before tax.

Execution of strategy

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

- UK retail payments and services (cash payments for bills, general payments, mobile top-ups, ticketing, money transfer, parcels 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 developments in selected developing countries for cash payment networks and as an e-commerce payment service provider.

UK retail payments and services

PayPoint has created the strongest retail payment collection network in the UK, enabling the company to deliver its services through over 22,000 outlets with over 99% population coverage[2] and unrivalled opening hours. This network provides an ideal footprint for a broad range of payments and consumer services delivered to and through the retail outlets. UK bill and general payment growth was offset by a decline of 8% in mobile transactions, a lower rate of decline than suffered by the retail channel as a whole, because of the increase in the terminal estate and the strength of independent retailers in the economic recession. PayPoint aims to maintain its lead in bill and general payments (with further growth in local authority payments), transport tickets and its strong position in mobile top-ups, including mobile virtual network operators (MVNOs) and the prepayment card sector, in which PayPoint is the pre-eminent cash loading channel (working with many leading brands, including O2, PayPal and Virgin Money). However, recent developments in energy prepayment infrastructure have enabled clients to choose to negotiate agreements with better transaction pricing with individual payment networks rather than working with all three networks. PayPoint expects to grow share, but at lower margin through this dynamic. Retailers, from small corner stores to major multiples, including the major grocers, increasingly value the footfall that PayPoint drives and the unique range of payments and services. Client developments include working with major utilities on plans for the next generation smart meters, which will be rolled out during the next decade.

Our retail network is also providing a strong base from which to grow value added optional services for the convenience retail community, including ATMs (now offered through 2,300 sites), debit and credit card acceptance through the PayPoint terminal (offered through 4,600 sites) and Western Union Money Transfers (currently rolling out the first 400 sites). PayPoint also generates transaction-based income through selling advertising space on the bottom of consumer receipts, which is attracting significant interest from fast moving consumer goods brands and government agencies, in addition to our existing client base to promote their services and deliver public information. The network is being used to support physical product distribution for the first time, with the successful, recent launch of SIM card sales on behalf of the mobile networks (active in 1,000 sites).

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. Net revenue and operating margin are measures which the directors believe assist with a better understanding of the underlying performance of the group.

2 99% of consumers are within 5 miles rural and 1 mile urban of a PayPoint retailer.

The most significant new initiative using the PayPoint network has been Collect+, a joint venture with a leading UK parcel carrier, Home Delivery Network,. Collect+ allows home shoppers to receive and return their purchases through over 3,500 local outlets. The ability for consumers to send parcels to each other with collection and delivery at Collect + outlets has also been launched since the end of the period. Already, after only a few months, Collect+ has handled over 100,000 parcels and is well placed to be a major player in the UK market.

PayPoint has continued to develop its technology and process efficiencies to increase productivity and control, particularly at the retailer. These include innovative and complementary alternatives to the highly successful PayPoint terminal, which up to now, has been central to all full service retailers. New EPOS-linked modules, known as PPods, will allow full functionality to be provided through the retailers' own tills, reducing deployment costs, enabling faster transactions (via broadband) and improving reconciliation and control. This new technology will be adopted by the Co-operative Group and is being sold into other multiple retailers, releasing terminals to be reprogrammed and deployed internationally.

e-commerce

PayPoint recognised the growth potential in this market in creating PayPoint.net from the acquisitions of two smaller Payment Service Providers (PSPs). Both of them link internet merchants to acquiring banks for credit card acceptance. PayPoint.net will also stand in for the bank in managing debt risk with the merchant, enabling us to work with a broader range of merchants than other PSPs. This has provided us with differentiation through specialisation in risk management and fraud screening, both highly regarded services provided by PayPoint.net. This differentiation is extended through our ability to link internet merchants to cash payments through the PayPoint terminal network via PayCash, attracting new business including MoonPig, Firebox and PKR over the past few months. PayPoint's conviction that blue chip clients from our retail business would be attracted by the ability to add an internet dimension is being confirmed through the use of PayPoint.net platforms in the delivery of home vending for the new smart meters.

Within PayPoint.net, there has been encouraging growth in the underlying business, which has been substantially offset by merchants moving from our Bureau product (where we take the merchant credit risk and are rewarded with higher margins) to the lower margin ISO product reflecting greater willingness among sponsoring banks to take on such merchants' credit risk. All these merchants will have moved by the end of the financial year.

There are good prospects for PayPoint.net in the UK and in other countries. To support this, the range of payment types processed by the company is growing and the scale of operations is allowing keener wholesale rates to be negotiated with banks, thus widening the range of merchant accounts over which PayPoint.net can be competitive.

International developments

The ability to recreate PayPoint's success in internet and retail payments and services in other countries has major potential for the group's development. PayPoint has already developed retail networks in Ireland (organically) and Romania (building from an acquisition). This experience puts PayPoint in a good position to roll out selectively or acquire retail and/or internet based services in other countries, using system solutions and operational processes that are already proven.

Whilst bill payment volume is delivering high growth, our Romanian business has suffered this year from substantial reductions in the mobile top-up market, as the mobile networks have offered more airtime for the same or lower top-up values. There are some signs that this adverse dynamic has slowed. Romania should move to break-even in 2010 as the linkage of bill payment and mobile volumes to give differentiation allows PayPoint to secure higher volume outlets. This has been coupled with a focus on costs and margin, which has resulted in PayPoint reducing the volume of low margin physical scratch cards and increasing penetration of cash banking in our retail base, thereby removing the need to collect the cash from retailers. In Romania, nearly all the major utilities are now working with PayPoint, with some only recently launched. PayPoint Romania recently processed its three millionth bill payment transaction from a standing start in just over 12 months and currently has an annual run rate in excess of five million bill payment transactions per annum.

Operational review

During the period, PayPoint processed 252 million transactions, with a value of £4.4 billion (2008: 249 million transactions with a value of £4.0 billion), an increase of 1% in transactions and 10% in value. Commissions paid to retail agents were reduced to £36.2 million (2008: £41.2million), a result of lower mobile top-ups which pay higher than average commissions to retail agents in the UK.

Analysis of transactions

Bill and general payments comprises energy prepayments, budget and other utility bill payments and transport tickets. Online includes mobile top-ups as well as other online products such as international calling cards, e-currency and pre-pay debit cards. ATM transactions comprise cash withdrawals and balance enquiries. Internet payments include consumer payments on the internet.

	6 months ended 27 September 2009 thousands	6 months ended 28 September 2008 thousands	Increase/ (decrease) %	Year ended 29 March 2009 thousands
Bill and general payments[1]	**159,640**	151,954	5	351,476
Online [2]	**65,924**	73,778	(11)	142,823
ATMs	**7,419**	7,236	3	14,645
Internet payments	**19,005**	16,341	16	35,653
Total	**251,988**	249,309	1	544,597

PayPoint has continued to perform well in bill and general payments, with an increase of 7.7 million transactions, of which 1.8 million are in Romania following the introduction of bill payment in the latter half of last year. The increase in the UK has resulted from network growth and previous increases in domestic energy prices, partially offset by an increase in average transaction values. There has been particularly good growth in the council and local authority payment sector. A new long term contract with British Gas has been signed which provides that, in the second half of this year, new gas cards and electricity keys issued by British Gas will only operate on the PayPoint and Post Office networks. From 2011, this will be extended to all British Gas over-the-counter payments for cards, keys and regular bill payments.

Online volumes have declined 8% in the UK, 37% in Romania and 29% in Ireland. In the UK, in the second half of the year, transactions are expected to benefit from the combined effect of the roll out of new sites and the recent new contract with McColls, which added 1,400 sites to our network from July. E-currency and pre-pay debit card volumes have increased 35% on the same period last year. In Romania, we have deliberately reduced sales of our mobile scratch cards, which are low margin products and prone to shrinkage, in favour of electronic mobile top-ups, which deliver better margins. This has contributed to the decline in the number of transactions. The roll out of new sites in Romania and the re-siting of existing low volume terminals should improve performance.

ATM transactions have increased by 3%, a rate lower than the 7% net increase in ATM sites, as the number of transactions per ATM has declined. New machines, whilst profitable, are not reaching the volumes of ATMs placed in earlier years. Balance enquiries, which produce a lower income than cash withdrawals, are a slightly greater proportion of the transactions than in the same period last year.

Internet payments have increased both in existing merchants and from new merchants that have been signed in the last 12 months, including moneysupermarket.com, Severn Trent Water, Ann Summers, Pacel2Go and Fair FX.

1 Includes debit/credit transactions
2 Online consists mainly of mobile top-ups but also prepay debit cards, e-money schemes, international calling cards and the sale of mobile phone SIMs.

Throughput

Throughput represents payments made by consumers using the PayPoint service for bill and general payments, online (mainly mobile top-ups), cash withdrawals from ATMs and the value of transactions via the internet.

	6 months ended 27 September 2009 £000	6 months ended 28 September 2008 £000	Increase / (decrease) %	Year ended 29 March 2009 £000
Bill and general payments	**2,657,269**	2,421,747	10	5,549,154
Online[1]	**600,363**	625,300	(4)	1,234,662
ATMs	**172,359**	171,089	1	343,238
Internet payments	**1,016,385**	822,810	24	1,754,286
Throughput	**4,446,376**	4,040,946	10	8,881,340

The increase in bill payment value reflects the increase in transactions processed and an increase in the average transaction value. Online payments reflect the reduction in the overall value of mobile top-ups as a consequence of mobile operators offering more airtime for the same or less cost to consumers. The increase in ATMs was offset by lower average number of cash withdrawals. Internet throughput has increased at a greater rate than the transaction growth, as average consumer spend per transaction has increased by 6%.

Revenue analysis

Revenue comprises the value of sales (excluding VAT) of services and includes commissions billed to clients and then passed on to retail agents, the sales value to retailers of mobile top-ups in Romania and Ireland where PayPoint acts as principal and external processing charges on internet payments billed to merchants that are passed on to the sponsoring banks.

	6 months ended 27 September 2009 £000	6 months ended 28 September 2008 £000	Increase/ (decrease) %	Year ended 29 March 2009 £000
Bill and general payments	**26,661**	25,436	5	61,301
Online[1]	**56,600**	70,297	(19)	135,013
ATMs	**6,808**	6,780	-	13,615
Internet payments	**4,634**	5,295	(12)	11,798
Other	**1,707**	1,533	11	2,624
Revenue	**96,410**	109,341	(12)	224,351

Bill payment revenue has increased broadly in line with the number of transactions. Online revenue (mainly mobile top-ups) has decreased as mobile operators continue to increase the airtime offered at the same or lower cost to the consumer. ATM revenue has increased, but average revenues per ATM have declined as a consequence of lower cash withdrawals on more recently placed ATMs and lower rental income, as five year term rental agreements expire and fully depreciated machines are rolled over on lower rentals. Internet payment revenues are lower, largely as a result of the migration of larger merchants to a lower margin service, which will complete this year. Overall revenue in the UK is down 7% and in Romania and Ireland 28% and 19% respectively. The decline in revenue is greater than the decline in transactions, because of the impact of acting as principal in mobile top-ups in Romania and Ireland.

1 Online consists mainly of mobile top-ups but also prepay debit cards, e-money schemes, international calling cards and the sale of mobile phone SIMs.

Net revenue analysis

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. 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 27 September 2009 £000	6 months ended 28 September 2008 £000	Increase/ (decrease) %	Year ended 29 March 2009 £000
Bill and general payments	**15,030**	14,174	6	34,388
Online[1]	**12,588**	13,025	(3)	25,692
ATMs	**3,303**	3,331	(1)	6,641
Internet payments	**3,362**	3,498	(4)	8,053
Other	**1,707**	1,533	11	2,624
Net revenue	**35,990**	35,561	1	77,398

Net revenue on bill payments is broadly in line with transaction and revenue growth. Online net revenue has not decreased as much as throughput or revenue as a consequence of a richer mix of e-money transactions at higher net revenue per transaction and independent retailers maintaining mobile top-up volumes. ATM net revenue has fallen as a consequence of lower average transactions per ATM and lower rental income. Internet payment net revenues have fallen as a consequence of the lower margin from ISO product sales that migrated from the Bureau product.

Net revenue in the UK is up 1%, in Romania up 12% and in Ireland down 16%.

Collect+

At the end of the last financial year, PayPoint announced a 50:50 joint venture with Home Delivery Network, a leading UK carrier, to provide consumers with a more convenient solution for parcel delivery and collection, through a national network of outlets selected from within the PayPoint network. The service has been launched with some of the leading mail order and online e-commerce brands, including Littlewoods, Very, Great Universal and Marshall Ward from within the Shop Direct Group. These retailers make the Collect+ outlets available to their customers as alternative delivery addresses and for returning goods. These services should also prove attractive to other major e-commerce retailers and to online marketplaces including eBay Power Sellers.

At the end of the period, we had 3,063 parcel sites within our existing retailer base. We have launched a C2C (consumer to consumer) service booked and paid for over the internet (www.collectplus.co.uk) as well as the returns service for Shop Direct Group. Initial volumes are encouraging and we plan to have c.4,000 sites live by the end of this financial year. Collect+ parcels are tracked throughout the delivery process from dispatch to delivery.

1 Online consists mainly of mobile top-ups but also prepay debit cards, e-money schemes, international calling cards and the sale of mobile phone SIMs.

Network growth

Terminal sites have increased to 28,413 (29 March 2009: 27,692) an increase of 721. The retail network in the UK and Ireland has grown to 22,669 (29 March 2009: 21,990) an increase of 3% on last year end. Following the appointment of an administrator to two medium sized multiple retailers, we have revised the target for terminal growth in the UK to 1,100 from 1,500.

Analysis of sites	**At 27 September 2009**	At 28 September 2008	Increase %	At 29 March 2009
UK and Ireland terminal sites	**22,669**	20,772	9	21,990
PayPoint Romania terminal sites	**5,744**	4,743	21	5,702
Total terminal sites	**28,413**	25,515	11	27,692
ATM sites	**2,306**	2,165	7	2,249
Internet merchants	**5,243**	5,111	3	5,160

Financial review

Revenue for the first six months was £96.4 million (2008: £109.3 million), down 12%, driven mainly by the decline in transaction volumes in mobile top-ups where PayPoint acts as principal[1].

Cost of sales was £67.6 million (2008: £80.9 million), a decrease of 17%, 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. Depreciation and amortisation have decreased to £2.6 million (2008: £3.2 million), down 17%, mainly due to some ATMs and intangible assets becoming fully written down in the period. Acquiring bank charges are down 29% as internet merchants are moving from the Bureau product to ISO.

Net revenue[2] of £36.0 million (2008: £35.6 million) was up 1%, driven primarily by volume growth and mix of transactions. Gross profit improved to £28.9 million (2008: £28.4 million), 2% ahead of the same period last year, with a gross margin of 29.9% (2008: 26.0%).

Operating costs (administrative expenses) were £14.2 million (2008: £14.2 million). Operating costs in the UK terminal and ATM businesses were down 3% on last year, whilst costs in PayPoint.net and PayPoint Romania have increased, as we continue to invest in these companies.

Operating profit was £14.7 million (2008: £14.2 million), up 3%, excluding the losses in Collect+. The operating margin[3] increased to 40.7% (2008: 39.8%).

Our share of the loss in the period of our parcels joint venture, Collect+, was, as expected, £1.0 million (before tax relief).

Profit before tax was £13.8 million (2008: £15.3 million), down 10% on the same period last year as a consequence of the start up loss in Collect+ and substantially lower investment income on surplus cash balances. The tax charge was £4.1 million (2008: £4.5 million) and the effective tax rate was 30% (2008: 29%).

Operating cash flow was £6.6 million, (2008: £13.3 million), reflecting corporation tax payments of £9.5 million (2008: £5.1 million). Capital expenditure of £1.6 million (2008: £2.1 million) reflected spend on new terminals in the UK and Romania and on ATMs. Collect+ funding was £0.9m and the purchase of own shares for Long Term Incentive Plans cost £0.5 million (2008:£2.5 million). Equity dividends paid were £7.8 million (2008: £7.0 million). Net interest received reduced to £0.1 million (2008: £1.0 million) as a result of lower interest rates. Net cash and cash equivalents at the period end were £32.2 million (2008: £28.2 million) including client cash of £7.2 million (2008: £8.0 million).

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
3 Operating margin is operating profit (which excludes Collect+) as a percentage of net revenue

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 20.

Dividend

The board has reviewed the dividend and in the light of the group's ability to generate strong operating cash flows, its cash reserves and undrawn borrowing facilities, has concluded that there is ample capacity to increase substantially the dividend, without adversely affecting the group's growth prospects. Accordingly, the directors have declared an interim dividend of 7.4p per share (2008: 6.0p) payable on 15 December to shareholders on the register at 4 December 2009.

Liquidity and going concern

The group has cash of £32 million, no debt and an unsecured loan facility of £35 million with a remaining term of nearly two years. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group taking account of any risks (see page 20). The condensed financial statements have therefore been prepared on a going concern basis.

Economic climate

The bill and general payments sector is robust in a recession, where consumers' discretion in expenditure is limited for essential services. The internet payment market continues to grow substantially. 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 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 chargebacks but this is mitigated by cash retention.

Outlook

We expect further growth in transaction volumes and net revenue in the UK from increases in our market share and the growth in our network. In Romania, we have already completed signing up most of the major utilities for bill payment and installed 2,260 bill enabled terminals and we plan to roll out a further 700 bill payment terminals in the second half. We expect PayPoint Romania to be break-even next financial year. In PayPoint.net, the migration of large merchants to our ISO product at lower margins, which has held back results, will complete in the second half, following which, growth will resume.

Trading since 28 September has been in line with the company's expectations and the directors are confident that the company will meet market expectations.

David Newlands	Dominic Taylor
Chairman	**Chief Executive**

19 November 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

Continuing operations	**Note**	**Unaudited 6 months ended 27 September 2009 £000**	Unaudited 6 months ended 28 September 2008 £000	Audited Year ended 29 March 2009 £000
Revenue	2	**96,410**	109,341	224,351
Cost of sales	2	**(67,555)**	(80,931)	(160,496)
Gross profit		**28,855**	28,410	63,855
Administrative expenses		**(14,195)**	(14,244)	(30,171)
Operating profit		**14,660**	14,166	33,684
Share of loss of joint venture		**(964)**	-	(323)
Investment income		**118**	1,142	1,275
Finance costs		**(3)**	(4)	(34)
Profit before tax		**13,811**	15,304	34,602
Tax	3	**(4,102)**	(4,475)	(10,818)
Profit for the period		**9,709**	10,829	23,784
Earnings per share				
Basic	4	**14.4p**	16.1p	35.6p
Diluted	4	**14.3p**	16.0p	35.3p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Unaudited 6 months ended 27 September 2009 £000**	Unaudited 6 months ended 28 September 2008 £000	Audited Year ended 29 March 2009 £000
Exchange differences on translation of foreign operations	8	**140**	(19)	190
Net income / (loss) recognised directly in equity		**140**	(19)	190
Profit for the period		**9,709**	10,829	23,784
Total comprehensive income for the period		**9,849**	10,810	23,974

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 27 September 2009 £000**	Unaudited 28 September 2008 £000	Audited 29 March 2009 £000
Non-current assets				
Goodwill		**27,767**	27,428	27,628
Other intangible assets		**1,658**	2,264	1,973
Property, plant and equipment		**15,639**	12,235	16,161
Investment in joint venture		**64**	-	177
Deferred tax asset		**1,300**	1,530	1,128
Investment		**405**	375	375
		46,833	43,832	47,442
Current assets				
Inventories		**1,253**	1,865	1,213
Trade and other receivables		**23,013**	24,257	26,260
Cash and cash equivalents	7	**32,180**	28,224	36,345
		56,446	54,346	63,818
Total assets		**103,279**	98,178	111,260
Current liabilities				
Trade and other payables		**35,886**	39,999	40,853
Current tax liabilities		**4,110**	6,536	9,153
Obligations under finance leases		**1**	28	9
		39,997	46,563	50,015
Non-current liabilities				
Other liabilities		**293**	317	278
		293	317	278
Total liabilities		**40,290**	46,880	50,293
Net assets		**62,989**	51,298	60,967
Equity				
Share capital	8	**226**	226	226
Investment in own shares	8	**(370)**	(926)	(926)
Share premium	8	**25**	-	25
Share based payment reserve	8	**2,239**	1,996	2,489
Translation reserve	8	**648**	299	508
Retained earnings	8	**60,221**	49,703	58,645
Total equity		**62,989**	51,298	60,967

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	**Unaudited 6 months ended 27 September 2009 £000**	Unaudited 6 months ended 28 September 2008 £000	Audited Year ended 29 March 2009 £000
Opening equity		**60,967**	49,587	49,587
Profit for the period		**9,709**	10,829	23,784
Dividends paid		**(7,848)**	(7,023)	(11,077)
Investment in own shares	5	**(490)**	(2,489)	(2,489)
Exchange differences on translation of foreign operations		**140**	(19)	190
Increase in share based payment reserve		**511**	413	947
New shares issued		**-**	-	25
Closing equity		**62,989**	51,298	60,967

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	**Unaudited 6 months ended 27 September 2009 £000**	Unaudited 6 months ended 28 September 2008 £000	Audited Year ended 29 March 2009 £000
Net cash from operating activities	9	**6,591**	13,322	32,619
Investing activities				
Interest received		**85**	1,016	1,192
Purchase of property, plant and equipment		**(1,634)**	(2,128)	(9,158)
Proceeds from disposal of property, plant and equipment		**39**	31	40
Acquisition of subsidiary		**-**	(2,108)	(2,108)
Investment	5	**(30)**	-	(500)
Loan to joint venture	5	**(850)**	-	-
Purchase of own shares	5	**(490)**	(2,489)	(2,489)
Net cash used in investing activities		**(2,880)**	(5,678)	(13,023)
Financing activities				
Repayments of obligations under finance leases		**-**	(41)	(61)
Dividends paid		**(7,848)**	(7,023)	(11,077)
Net cash used in financing activities		**(7,848)**	(7,064)	(11,138)
Net (decrease) / increase in cash and cash equivalents		**(4,137)**	580	8,458
Cash and cash equivalents at beginning of period		**36,345**	27,727	27,727
Effect of foreign exchange rate changes		**(28)**	(83)	160
Cash and cash equivalents at end of period		**32,180**	28,224	36,345

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 21. The information shown for the year ended 29 March 2009, which is prepared under International Financial Reporting Standards (IFRS), does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The report of the auditors on the statutory accounts for the year ended 29 March 2009, prepared under IFRS, was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 237 of the Companies Act 1985 and has been filed with the Registrar of Companies.

The adoption of IFRS 8 Operating Segments has resulted in the segmental disclosures previously required by IAS 14 Segment Reporting being replaced by those required under IFRS 8. The segments identified in accordance with IFRS 8 have not been changed from those previously identified as business segments under IAS 14.

The adoption of the revision to IAS 1 has resulted in the consolidated statement of changes in equity being presented as a primary statement (previously disclosed as a note titled Reconciliation of changes in equity) and disclosure of the tax impact of individual items in the consolidated statement of comprehensive income. In addition, the group has elected to continue to present a separate income statement and statement of comprehensive income.

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 8.

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

(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 retailers 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 and geographical information

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 sales value to retailers of mobile top-ups where PayPoint acts as principal and, for the bureau sales of PayPoint.net, it includes external processing charges which are amounts billed to merchants that are passed on to the sponsoring bank.

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.

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.

	6 months ended 27 September 2009	6 months ended 28 September 2008	Year ended 29 March 2009
Revenue - transaction processing	**95,607**	108,494	222,693
- rental income of ATMs	**803**	847	1,658
Revenue	**96,410**	109,341	224,351
less:			
Commission payable to retail agents	**(36,172)**	(41,234)	(83,891)
Cost of mobile top-ups as principal	**(22,976)**	(30,749)	(59,317)
Acquiring bank charges	**(1,272)**	(1,797)	(3,745)
Net revenue	**35,990**	35,561	77,398

	6 months ended 27 September 2009 £000	6 months ended 28 September 2008 £000	Year ended 29 March 2009 £000
Cost of sales			
Commission payable to retail agents	**36,172**	41,234	83,891
Cost of mobile top-ups as principal	**22,976**	30,749	59,317
Acquiring bank charges	**1,272**	1,797	3,745
Depreciation and amortisation	**2,631**	3,177	5,698
Other	**4,504**	3,974	7,845
Total cost of sales	**67,555**	80,931	160,496

Geographical information:

	6 months ended 27 September 2009 £000	6 months ended 28 September 2008 £000	Year ended 29 March 2009 £000
Revenue			
UK	**70,699**	75,762	159,290
Ireland	**12,577**	15,429	29,579
Romania	**13,134**	18,150	35,482
Total	**96,410**	109,341	224,351
Non-current assets			
UK	**45,194**	41,451	45,423
Ireland	**37**	74	61
Romania	**1,602**	2,307	1,958
Total	**46,833**	43,832	47,442

3. Tax on profit of ordinary activities

	6 months ended 27 September 2009 £000	6 months ended 28 September 2008 £000	Year ended 29 March 2009 £000
Current tax	**4,274**	4,433	10,355
Deferred tax	**(172)**	42	463
Total	**4,102**	4,475	10,818

4. Earnings per share

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

	6 months ended 27 September 2009 £000	6 months ended 28 September 2008 £000	Year ended 29 March 2009 £000
Profit for the purposes of basic earnings per share being net profit attributable to equity holders of the parent and for diluted earnings	**9,709**	10,829	23,784
	Number of Shares	Number of shares	Number of shares
Weighted average number of shares (for basic earnings per share)	**67,384,136**	67,236,551	66,754,486
Potential dilutive ordinary shares: Deferred share bonus	**112,486**	99,693	111,828
Long term incentive plan	**490,573**	409,654	515,410
Diluted basis	**67,987,195**	67,745,898	67,381,724

5. Related party transactions

On 5 June 2009, PayPoint released the second tranche of its long term incentive plan awards to the three executive directors and seven senior managers. PayPoint Network Limited Employee Investment Trust (the Trust) acquired 23,701 ordinary shares at 532.4 pence per share in the open market. 68,273 shares were then sold by participating directors and managers to the Trust at 532.4 pence per share.

Accordingly, PayPoint has funded £490,000 (excluding 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 IFRS 2 of £285,000 has been charged to reserves.

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 £850,000.

Investment in OB10

In March 2008, PayPoint purchased shares in OB10, a company that specialises in electronic invoicing. During the period, PayPoint subscribed for a further £30,000 of shares under a rights issue, resulting in a shareholding at 27 September 2009 of 1.04% (29 March 2009: 1.05%).

	6 months ended 27 September 2009 £000	6 months ended 28 September 2008 £000	Year ended 29 March 2009 £000
Investment at cost	**405**	375	375

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 27 September 2009 %**	6 months ended 28 September 2008 %	Year ended 29 March 2009 %
David Newlands	**4.73**	4.10	4.10
Dominic Taylor	**1.42**	0.42	0.42
George Earle	**0.42**	0.42	0.42
Nick Wiles (appointed 22 October 2009)	**1.04**		
Eric Anstee	**0.08**		-

6. Dividend

The interim dividend of 7.4p (2008: 6.0p) was declared on 19 November 2009 and, accordingly, has not been recorded as a liability as at 27 September 2009. The total dividend in respect of the year ended 29 March 2009 was 17.6p per share

7. Cash and cash equivalents

Included within cash and cash equivalents is £7.2 million (September 2008: £8.0 million, March 2009: £7.5 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

	6 months ended 27 September 2009 £000	6 months ended 28 September 2008 £000	Year ended 29 March 2009 £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			
67,737,619 ordinary shares of 1/3p each	**226**	226	226
Investment in own shares			
At start of period	**(926)**	(935)	(935)
Acquired in period (see note 6)	**(490)**	(2,489)	(2,489)
Used on share scheme vesting	**1,046**	2,498	2,498
At end of period	**(370)**	(926)	(926)
Share premium			
At start of period	**25**	-	-
Arising on issue of shares	**-**	-	25
At end of period	**25**	-	25
Share based payment reserve			
At start of period	**2,489**	2,281	2,281
Additions in period	**460**	413	759
Released in period	**(761)**	(698)	(764)
Current tax on awards	**51**	-	515
Other adjustments	**-**	-	(302)
At end of period	**2,239**	1,996	2,489
Translation reserve			
At start of period	**508**	318	318
Movement in the period	**140**	(19)	190
At end of period	**648**	299	508
Retained earnings			
At start of period	**58,645**	47,697	47,697
Profit for the period	**9,709**	10,829	23,784
Dividends paid	**(7,848)**	(7,023)	(11,077)
Adjustment on share scheme vesting (see note 6)	**(285)**	(1,800)	(1,759)
At end of period	**60,221**	49,703	58,645

9. Notes to the cash flow statement

	6 months ended 27 September 2009 £000	6 months ended 28 September 2008 £000	Year ended 29 March 2009 £000
Operating profit	**14,660**	14,166	33,684
Adjustments for:			
Depreciation on property, plant and equipment	**2,316**	2,700	4,907
Amortisation of intangible assets	**315**	477	791
Share based payment expense	**460**	413	759
Operating cash flows before movements in working capital	**17,751**	17,756	40,141
(Increase)/decrease in inventories	**(39)**	(609)	155
Decrease in receivables	**610**	4,454	6,178
Decrease in payables			
- client cash	**(335)**	(18)	(454)
- other payables	**(1,895)**	(3,187)	(5,433)
Cash generated by operations	**16,092**	18,396	40,587
Corporation tax paid	**(9,501)**	(5,074)	(7,940)
Interest and bank charges paid	**-**	-	(28)
Net cash from operating activities	**6,591**	13,322	32,619

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

19 November 2009

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 materialisation 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 27 September 2009, which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, 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 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 27 September 2009 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 Registered Auditor
19 November 2009
London, UK

DIRECTORS & KEY CONTACTS

Directors

George Earle (Finance Director)
Dominic Taylor (Chief Executive)
Tim Watkin-Rees (Business Development Director)
Eric Anstee*
David Morrison*
David Newlands* (Chairman)
Andrew Robb*
Stephen Rowley*
Nick Wiles * (appointed 22 October 2009)
Roger Wood*

* non-executive directors

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ABOUT PAYPOINT

PayPoint is the leading cash and internet payments company in the UK, with operations also in Ireland and Romania. It handles over £9.3billion from almost 550 million transactions annually for more than 6,000 clients and merchants. The company operates several businesses:

- The PayPoint branded retail network numbers over 22,600 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 and Ireland. The terminals process 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 most leading utilities, telecommunications suppliers and many consumer service companies;
- An ATM network which has over 2,300 'LINK' branded machines across the UK, typically in convenience stores;
- PayPoint.net, an internet payment service provider, delivers secure online credit and debit card payments for over 5,200 web merchants, linking into all major UK acquiring banks;
- PayPoint Romania, a branded national retail network of over 2,260 terminals located in local shops which process cash bill payments for all the major utilities and mobile top-ups and a further 3,500 terminals that process mobile top-ups only; and
- Collect+, a joint venture with Home Delivery Network Limited, provides a parcel collection and drop off service at PayPoint retailers.

PayPoint floated on the London Stock Exchange in September 2004 and the company's market capitalisation at 27 September was £318 million. PayPoint is widely recognised for its leadership in prepayment systems, smart technology and consumer service.

19 November 2009

Enquiries:

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George Earle, Finance Director	
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Rollo Head	
Don Hunter	

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