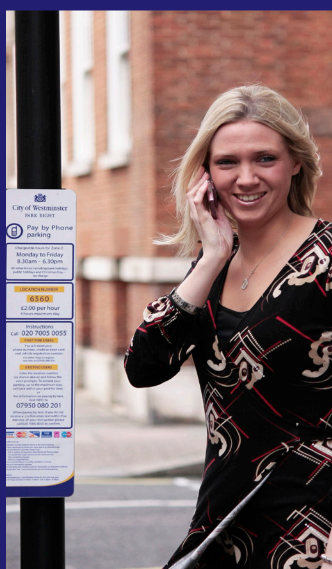
Annual Report
For the year ended 28 March 2010



ABOUT PAYPOINT

PayPoint is a leading specialist payments company with operations in the UK, Ireland, Romania, France, USA and Canada. We handle over £9.5 billion from over 550 million transactions annually for more than 6,000 clients and merchants.

PayPoint processes consumer payments across a wide variety of markets (energy pre and post-payment, telecoms, housing, water, transport, e-commerce, parking and gaming) through its retail networks, internet and mobile phone channels:

Retail networks

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

We also supply added value services to our retailers to improve the yield from our network. We have recently successfully launched a consumer parcel drop off and collection service using PayPoint's retail network through Collect+ a joint venture with Yodel (formerly Home Delivery Network combined with it's recently acquired DHL businesses). This service is already available in 3,400 of our convenience retailers. Clients include Littlewoods, Woolworths, Very, Mobile Phone Exchange, Virgin Media and Great Universal. In addition, in the UK we have over 2,300 LINK branded ATMs, mainly in the same sites as our terminals.

In Romania, the branded retail network numbers over 4,800 terminals located in local shops across Romania and is expanding. Our terminals process cash bill payments for utilities and mobile phone top-ups. In Ireland, we have over 500 outlets in shops and Credit Unions processing mobile top-ups and bill payments.

Internet

PayPoint.net is an internet payment service provider linking into all major UK acquiring banks to deliver secure online credit and debit card payments for over 5,600 web merchants, including PKR, Betsson, Moneysupermarket.com, Severn Trent Water, Ann Summers and British Gas Home Vend. We offer a comprehensive set of products ranging from a transaction gateway through to a bureau service, in which we take the merchant credit risk and manage settlement for the merchants. We offer real time reporting for merchant transactions and Fraudguard, an advanced service to mitigate the risk of fraud for card not present transactions.

PayByPhone

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

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

To give competitive differentiation, we aim to meet our clients' payment needs, not just through a wide spectrum of payments, but also with products that span payment channels. For example, PayCash enables cash payment for internet transactions at PayPoint retailers and our new home vending solutions allow customers to pay across the internet as well as through our retail network.

27 May 2010

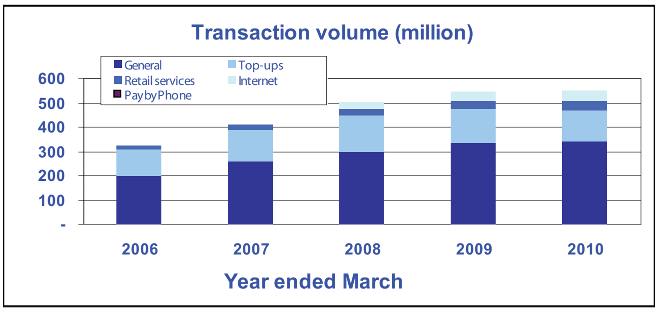
CONTENTS

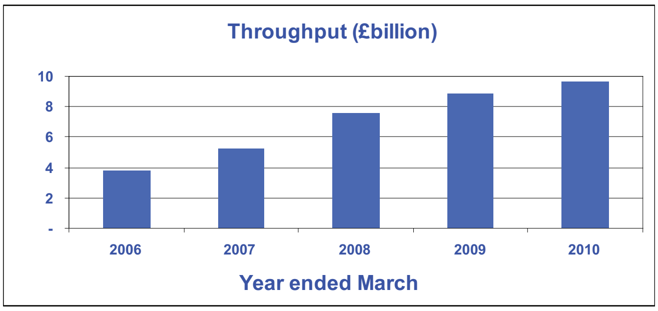
FINANCIAL HIGHLIGHTS

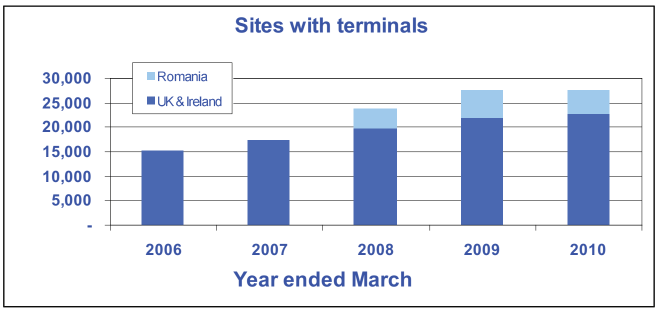
	Year ended 28 March 2010	Year ended 29 March 2009	Increase/ (decrease)
Revenue	**£196.6m**	£224.4m	(12.4)%
Net revenue[1]	**£77.4m**	£77.4m	- %
Gross margin	**32.3%**	28.5%	3.8 ppts
Operating profit	**£34.1m**	£33.7m	1.2%
Profit before tax	**£32.6m**	£34.6m	(5.7)%
Basic earnings per share	**32.9p**	35.6p	(7.6)%
Proposed final dividend per share	**14.4p**	11.6p	24.1%

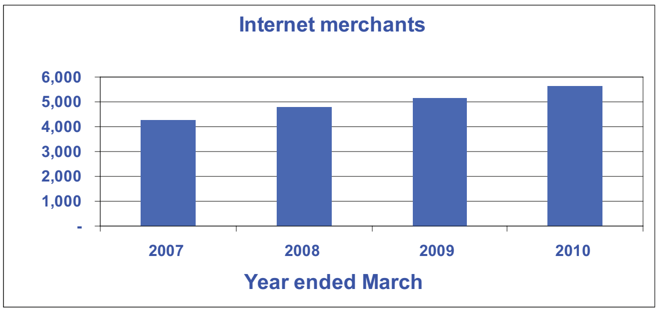
OPERATIONAL HIGHLIGHTS

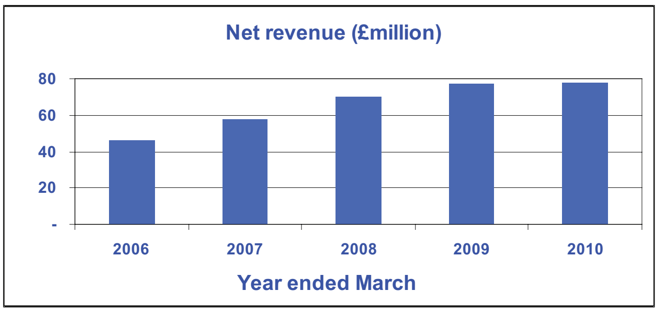
- **Continued leadership of the UK retail cash payment sector**
- **Bill payment network and transaction volume growth in Romania**
- **22% transaction growth in internet payments and the successful introduction of energy meter home vending solutions for major utility clients, demonstrating the success of a multi-channel approach**
- **Successful launch of Collect+, a ground-breaking, new consumer parcel collection and delivery service into 3,400 outlets, in a joint venture with Yodel (formerly Home Delivery Network combined with it's recently acquired DHL business)**
- **Acquisition of PayByPhone, worldwide leader in parking payments by mobile phone**

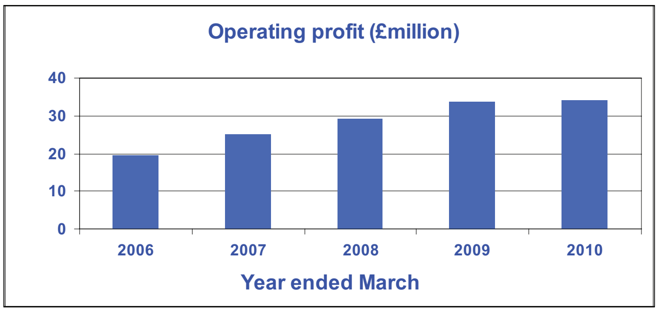












1. Net revenue is revenue less commissions paid to retail agents, the cost of mobile top-ups and SIM cards where PayPoint is principal and acquiring bank charges.

CHAIRMAN'S STATEMENT

PayPoint has continued to grow and invest in new business areas despite the tough economic climate. Margins, operating profit and dividends have increased.

PayPoint's established business streams delivered to plan and provide a solid base for ongoing development. We added over 650 net new retail outlets in the UK and Ireland. PayPoint.net has continued to grow but margins for larger merchants reduced as they reached volumes that justified lower pricing.

Our investment is focussed on developing new business streams: bill payment, top-ups and retail services in Romania; developing and building our parcel collection and delivery joint venture; and by extending our payment channels using PayByPhone.

We have continued to transform PayPoint Romania into a full service network by rolling out 900 more full service terminals, whilst removing mobile top-up only sites. We plan to replace the remaining mobile top-up only sites with full service sites. We accept bill payment for 22 clients and volumes have grown to over 5.5 million transactions, an increase of nearly six times the number of transactions in the prior year.

Collect+, our parcels joint venture with the Yodel, was successfully launched in May 2009 and we are continuing the roll out of this service across the network. Momentum is building, with considerable interest among major internet retailers. We have over 3,400 sites able to take Collect+ transactions and thirteen clients live.

In March, we completed the acquisition of PayByPhone (Verrus Mobile Technologies Inc. and Verrus UK Limited), adding mobile payments capability to our existing retail and internet channels. This service has considerable potential beyond its existing market leadership in mobile phone parking payments.

In the established business streams, our focus is on yield in our retail networks, extending retail services and on growth in our internet channel and Romanian full service retail network.

We have provided the National Lottery Commission (NLC) with a robust response to Camelot's application to provide bill payment and mobile top-ups. We argue that the application should be rejected, primarily on competition grounds, for which we have received strong independent legal advice, including counsel's opinion and are reserving our position. Whatever the decision, we are well prepared and our new developing business streams, which are unaffected by this threat, provide opportunity for strong profitable growth. It is clear that the uncertainty arising from this consultation process, with a decision still pending, has had some adverse impact on our share price, which is disappointing.

We have core strength in the attractive UK cash payments sector to which our skills are well suited. In addition, consumer behaviour, regulatory change and technical innovation are leading to a proliferation of new payment media utilising a variety of new channels. With our key skills in client and retail management, transaction processing and financial settlement, we are well placed to take advantage of the new markets opening up to us.

These opportunities are supported by strong cash generation and the stability of the underlying industries in which our clients operate.

We are proposing a final dividend of 14.4 pence per share, which together with the interim dividend of 7.4 pence makes a total for the year of 21.8 pence, an increase of 24 percent.

For the current financial year, trading is in line with the company's expectations.

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

David Newlands
Chairman

27 May 2010

CHIEF EXECUTIVE'S REVIEW

PayPoint has had a satisfactory year in which we delivered profit just ahead of market expectations and reinforced our prospects for further growth. Our established business streams (delivered through our retail networks in the UK and Ireland and the internet) continue to be highly profitable and cash generative. Our developing business streams (bill payment and mobile top-ups in Romania, parcels through Collect+ and mobile payments through PayByPhone) are important to our strategic development and longer term value creation; although we recognise that the decline in mobile top-ups in Romania has resulted in a delay to profitability. The developing business streams are currently loss making but bill payment in Romania, parcels and PayByPhone are growing strongly and we expect them to generate profits and cash next year.

The last year has been significant in the evolution of our strategy, particularly through the acquisition of PayByPhone, as we broaden our position as a leading specialist payments company. At the time of flotation, PayPoint's capabilities centred on its UK and Irish based retail networks. PayPoint has now also become a leading player in web and mobile phone payments through PayPoint.net and PayByPhone, as well as operating a retail cash network in Romania. We have expanded the sectors which we serve and moved into new geographies. The profit yield of outlets in PayPoint's retail networks is also being enhanced by additional services including ATMs, debit and credit card payments, international money transfer and the ground-breaking new Collect+ service, allowing consumers to send and collect parcels from their local store.

The payments industry is changing. Technology advances are creating new channels for secure and convenient payments, providing greater accessibility for consumers to the internet through sophisticated computers and smartphones. Client and retailer requirements are for multi-channel solutions. Consumers value new technology's convenience and speed, and better access to information. Developments such as Wave & Pay and growth in prepaid cards, e-money and other payment media require underlying processing and financial settlement between consumers and businesses. At the same time, regulatory changes such as the Payment Services Directive and plans to phase out cheques, are opening up parts of the payments industry which were previously the exclusive domain of banks. Banks are having to focus on their core businesses and enhanced payment security standards are leading other businesses to focus on efficiencies and their core activities.

These developments lead us to believe that there will be new opportunities for the outsourcing of payment and related transaction processing. Cash payments markets also continue to deliver a high proportion of regular payments, demonstrating entrenched preference for cash among many consumers.

PayPoint's strategy places the group in a strong position to benefit its existing business streams and from changes in technology, regulation and competitor focus which external influences are providing. Our strategy, which aims to reinforce our position as a specialist payments provider, is built around four key elements:

- **Payments capability**
  The acceptance of multiple payment media (cash, cheque, cards, e-money, etc.) through different channels (retail based terminal networks, internet and mobile phone);

- **Attractive vertical markets**
  Targeting high volume, recurring consumer payments;

- **Value added content / services**
  Providing additional content or services to the payment channel and chosen vertical markets to create differentiation; and

- **Geographic reach**
  Identifying regions with attractive payment dynamics where we can create value through importing know how.

PayPoint has succeeded in establishing broad payment capability in a number of key vertical markets. We provide a vital payments hub to our clients in many sectors (energy, telecoms, household bills, transport, e-commerce and parking), with the ability to process consumer payments and related transactions across the consumer's choice of payment media or channel. The delivery of the payment from the consumer to our client touches various elements such as the payment medium used (cheque, cash or debit/credit card) the channel through which the payment is made (by post, in a shop, via the internet or mobile); the processing company (for example paypoint, banks and internet payment service providers); and the financial intermediary (acquiring banks, card schemes and card issuers). PayPoint either runs operations within each channel directly (such as our retail proposition for cash collection, internet payment service provision and mobile payment for parking) or works closely with partners (retailers, internet merchants and acquiring banks) to drive a secure and efficient consumer payment to the client, from whichever consumer source.

PayPoint also provides value added content and services within each channel, which differentiates the PayPoint proposition from competitors. In the case of our retail channel, this differentiation is achieved through providing retailers with a broad range of retail services, including ATMs, parcels, SIM cards and international money transfer. With respect to our internet channel, differentiation to merchants will be driven through having a wider base of acquiring bank relationships, combined with value adding products such as Fraudguard and superior reporting to merchants. Our mobile channel, delivered through PayByPhone, will similarly drive differentiation through its ability to leverage our cash retail payment capability and internet payment services, combined with improving the consumer experience with appropriate smartphone applications.

The execution of the fourth element of our strategy to extend geographic reach has commenced. We entered into the Romanian market to replicate our UK retail success in cash payments, and we have recently acquired PayByPhone which has contracts in the UK, Canada, USA and France.

Our objective is to increase shareholder value through accessing the range of opportunities which build around the four key elements of our strategy. We aim to:

1. grow our established UK market position through incrementally adding new payments to our existing portfolio; by focusing on optimising the retail network to enhance our yield; by adding further payment schemes and online merchants to our internet business; and by continually adding content and services to attract consumers and clients.

2. accelerate growth in our developing businesses as we expand our PayByPhone business in parking and into new markets and applications. We have opportunities to add services from the UK to our Romanian business such as international money transfer, to leverage our retail presence in Romania. Collect+ should benefit from the continued roll-out to stores across the UK, greater take-up by online merchants and through increased consumer adoption.

3. add content and services to our payment channels, which is fundamental to maintaining our competitive differentiation. We have a number of developments aimed at offering new content-rich services to our retailers and online merchants and by extending our role in financial settlement where it is to our clients' advantage. We also aim to enhance functionality around PayByPhone, the terminal networks and PayPoint.net, notably where these functions build bridges between the different payment channels by offering choice to consumers.

4. take the opportunity for improved and more rapid returns from new geographies, which is substantially greater with the combination of PayByPhone, the internet and a retail-based network, than through entering a new market with a single proposition. PayByPhone already has a presence in the UK, Canada, USA and France, with opportunities in other countries under investigation.

As we move to maximise these opportunities, we are strengthening the management in our established business streams to ensure senior management attention is directed proportionally to the developing business streams.

These are exciting times to be an innovator in the payments industry and we look forward to the opportunities and challenges presented. At the same time, we continue to maintain our status as the market leader in our more established business streams.

Dominic Taylor
27 May 2010

OPERATING AND FINANCIAL REVIEW

The operating and financial review complies with the guidance set out in the Accountancy Standards Board's Reporting Statement: Operating and Financial Review and is prepared solely to provide additional information to shareholders as a body to assess PayPoint's strategies and their potential to succeed. 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 annual report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

Our key performance indicators are shown on page 11.

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

In addition, we have expanded and altered the channel analysis as follows:

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

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

PayByPhone (Parking transactions)

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

Growth opportunities are centred around retail services in the UK retail network including parcels; new merchants for internet payments; the expansion of the retail network and new retail services in Romania; new parking contracts for PayByPhone and building and developing Collect+.

Operational review

Transactions have increased to 552 million (2009: 545 million), up 1% in the established business streams and 20% in the developing business streams.

Throughput increased to £9.7 billion (2009: £8.9 billion), up 8% in the established business streams and over a threefold increase in the developing business streams despite the reduction in mobile top-ups in Romania.

Revenue in developing business streams and in the remainder of our business streams (shown in the table below as established business streams) has fallen as a result of fewer mobile top-up transactions, especially where PayPoint is principal and accounts for the face value of the top-up as revenue. Net revenue in the developing business streams was up 20% but was down slightly in the established business streams.

Operating profit in the established business streams was flat and the operating loss including our share of Collect+ in the developing business streams was £4 million (2009: £3 million), an increase of £1 million as a result of a full year of losses in Collect+ (2009: two months)[1].

		Established business streams[2]	Developing business streams[3]	Total	Adjust Collect+	As reported
Transactions (million)						
	2010	**540**	**12**	**552**	**-**	**552**
	2009	535	10	545	-	545
Throughput £000						
	2010	**9,560,776**	**127,647**	**9,688,423**	**-**	**9,688,423**
	2009	8,845,846	35,291	8,881,137	-	8,881,137
Revenue £000						
	2010	**171,933**	**24,875**	**196,808**	**(205)**	**196,603**
	2009	188,870	35,482	224,352	(1)	224,351
Net revenue[4] £000						
	2010	**74,589**	**2,981**	**77,570**	**(164)**	**77,406**
	2009	74,922	2,477	77,399	(1)	77,398

Collect+ is a joint venture and its profit after tax is included in our consolidated profit and loss account as a seperate item after operating profit. In the table above, developing business streams figures for revenue and net revenue include our 50% share of Collect+ to render a like-for-like comparison. The figures are reconciled to the relevant figures in the profit and loss account and elsewhere in the operating and financial review.

1. The group's operating profit (which excludes Collect+) was £34,072k (2009: £33,684k).
2. Established business streams include the whole of PayPoint less the developing business streams.
3. Developing business streams include bill payment and mobile top-ups in Romania, Collect+ and PayByPhone.
4. Net revenue is revenue less commissions paid to retail agents, the cost of mobile top-ups and SIM cards where PayPoint is principal and acquiring bank charges.

Analysis of transactions

There has been growth in transaction volumes across most sectors with the exception of top-ups where, for mobile top-ups, in all territories, there has been a decrease in the market. Mobile operators are offering more value for the same or lower cost per top-up to consumers, resulting in fewer transactions.

Transactions	Year ended 28 March 2010 million	Year ended 29 March 2009 million	Increase / (decrease) %
Retail networks			
Bill and general	**339**	334	1.5
Top-ups	**129**	143	(9.7)
Retail services	**39**	32	23.4
Internet	**44**	36	22.1
PayByPhone	**1**	-	-
Total	**552**	545	1.3

Prepaid energy volumes (included in bill and general) in the UK have increased by 1% on last year despite reductions through the year in domestic gas and electricity prices. The cold winter had a beneficial impact on volumes in the second half of the year.

Bill payments in Romania have grown significantly and include a full year of transaction volumes compared to last year (launched August 2008). Volumes continue to grow as more terminal sites are rolled out and consumers become aware of the service. In the year, we have processed over 5.5 million bill payment transactions, an increase of nearly six times on the previous year and our current run rate is c.160,000 transactions per week.

Mobile top-ups in UK, Ireland and Romania have continued to decline. E-money volumes are up 43% with the introduction during the year of the O_2 pre-pay debit card and a full year of trading for PayPal's pre-pay debit card.

Retail services volumes have increased as a result of the growth in credit/debit card transactions performed by the retailers on the PayPoint terminal.

Internet transactions of 44 million are up 22% on last year as we continue to add new merchants and existing merchants grow organically. New merchants in the last 12 months include Moneysupermarket.com, Severn Trent Water, Ann Summers and British Gas Home Vend.

Throughput

There has been substantial growth in the value paid by consumers (throughput), primarily in bill and general payments and internet payments.

Throughput	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000	Increase/ (decrease) %
Retail networks			
Bill and general	**5,925,249**	5,549,152	6.8
Top-ups	**1,166,507**	1,199,186	(2.7)
Retail services	**377,271**	378,714	(0.4)
Internet	**2,216,319**	1,754,285	26.3
PayByPhone	**3,077**	-	-
Total	**9,688,423**	8,881,337	9.1

Bill and general throughput reflects the increase in transactions and in the average transaction value. There has been strong growth in higher value transactions for local authority and housing authority payments and a small rise in the average value for gas prepayments.

The reduction in top-ups throughput reflects the reduction in the overall market value of mobile top-ups as a consequence of mobile operators offering more airtime for the same value or less to consumers and the migration of pre-paid mobile top-up customers to contracts offset by the increase in e-money top-ups.

Retail services include ATMs where throughput is flat. Whilst credit/debit transactions have grown, we report no related throughput as the merchant acquirer settles direct with our retailer.

Internet throughput has increased at a greater rate than the transaction growth, as the average consumer spend per transaction has increased.

Revenue analysis

Revenue	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000	Increase/ (decrease) %
Retail networks			
Bill and general	**58,564**	60,566	(3.3)
Top-ups	**108,508**	135,013	(19.6)
Retail services	**16,168**	14,527	11.3
Internet	**9,968**	11,798	(15.5)
PayByPhone	**283**	-	-
Other	**3,112**	2,447	27.2
Total	**196,603**	224,351	(12.4)

Bill and general payments revenue is lower than last year because the amount billed to clients in respect of agent commission has reduced mainly as a result of a new British Gas contract which includes a reduction in agent commission.

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

Retail services revenue has increased as a result of growth in the number of sites processing credit/debit transactions to 4,998 sites at the year end (2009: 3,930), and growth in revenues from parcels, SIM card sales, advertising on till receipts and money transfer.

Retail services also includes ATM machine rental and revenue for ATM withdrawals and balance enquiries. Average revenue per ATM has decreased as a consequence of lower cash withdrawal volumes on more recently installed ATMs and lower rental income, as five year term rental agreements expire and fully depreciated machines are rolled over on lower rentals.

Internet revenues are lower, largely as a result of the migration of larger merchants from our higher margin bureau service (where we take credit risk and arrange settlement) to our lower margin gateway service (where we are not exposed to merchant credit risk). We expect this to complete early in the next financial year. In addition, the need to change our bureau sponsoring bank, when Pago decided to exit the market, required the switching of all bureau internet merchants to our new acquirer by March 2010. This was completed without loss, but diverted considerable resources and delayed sales activity.

Other revenue includes rechargeable software development work, configuration and customisation and settlement of claims.

Net revenue analysis

Net revenue is revenue less commissions paid to retail agents, acquiring bank charges and the cost of mobile top-ups and SIM cards 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.

Net revenue	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000	Increase / (decrease) %
Retail networks			
Bill and general	**33,586**	33,653	(0.2)
Top-ups	**24,272**	25,692	(5.5)
Retail services	**8,684**	7,553	15.0
Internet	**7,469**	8,053	(7.3)
PayByPhone	**283**	-	-
Other	**3,112**	2,447	27.2
Total	**77,624**	77,398	-

Bill and general net revenue is flat because the benefit of the increase in Romania bill payment and UK local authority housing payments has been offset by margin reduction in respect of energy clients which have taken advantage of developments in energy prepayment infrastructure which have enabled them to negotiate agreements with better transaction pricing with individual payment networks rather than working with all three networks.

The decrease in top-ups net revenue is lower than the decrease in revenue as a result of the growth in e-money transactions which have higher than average net revenue.

Retail services net revenue has a greater percentage increase than revenue because debit/credit and advertising on till reciepts attracts no retailer commission.

Internet net revenue is down 7% for the reasons noted under revenue. The reduction is proportionally lower because bureau revenue which has reduced includes the charges from sponsoring banks.

Collect+

On 5 February 2009, PayPoint announced a 50:50 joint venture with Yodel (formerly Home Delivery Network), a leading logistics and parcel network company, to provide consumers with a more convenient solution for parcel delivery and collection, by leveraging our retail network of agents as parcel drop-off and collection points.

At the end of the year, we had 3,418 (2009: 1,250) convenience retailers offering the parcel service within our existing retailer base.

During the year, we processed 247,000 transactions for thirteen clients. The service is growing and major internet merchants are showing interest.

PayByPhone

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

PayByPhone is a leading international provider of services to parking authorities allowing consumers to use their mobile phones to pay for their parking by credit or debit card. It has contracts in the UK, Canada the USA and France.

Network growth

Terminal sites overall have decreased by 1% to 27,459.

In the UK and Ireland, sites have increased by 653, an increase of 3%, but reflect the current economic climate, where two medium retailers, with over 500 terminal sites, went into administration.

In Romania, we installed over 900 new full service terminals in the year and have removed over 1,700 of the old mobile top-up only terminals.

Analysis of sites	28 March 2010	29 March 2009	Increase/ (decrease) %
UK & Ireland			
Terminal sites	**17,830**	18,705	(4.7)
Terminal and EPoS	**4,813**	3,285	46.5
	22,643	21,990	2.9
Romania			
Terminal sites	**4,816**	5,702	(15.5)
Total terminal sites	**27,459**	27,692	(0.8)
Internet merchants	**5,618**	5,160	8.9

Financial review

Revenue for the year was 12.4% lower at £197 million (2009: £224 million), driven by the decrease in mobile top-ups. This revenue reduction is also reflected in cost of sales which, at £133 million (2009: £160 million), was down 17.1%. Agents' commission decreased to £73 million (2009: £84 million) due to fewer mobile top-up transactions, which pay a higher than average commission, and reductions in the amount paid for commission by the mobile operators. The cost of mobile top-ups in Ireland and Romania[1] has fallen to £43 million (2009: £59 million).

Net revenue[2] of £77.4 million (2009: £77.4 million) was flat with operating operating margin[3] of 44.0% (2009: 43.5%) as a result of reduced operating costs.

Operating costs (administrative expenses) were 2% lower at £29.4 million (2009: £30.2 million) despite investment in parcels and the acquisition of PayByPhone.

Our share of the loss in developing Collect+ was £1.6m as expected (2009: loss of £0.3m). This reflects a full year of trading compared to two months in the previous year.

Profit before tax was £32.6 million (2009: £34.6 million), a decrease of 6%, as a result of the loss in Collect+ and lower interest rates impacting investment income. The tax charge of £10.5 million (2009: £10.8 million) represents an effective rate of 32.2% (2009: 31.3%). The tax charge is higher than the UK nominal rate of 28% because of unrelieved losses in Romania and the write off of a deferred tax asset relating to tax relief for share based payments which are unlikely to be released in June 2010, on the third anniversary of their award.

Cash flow from operating activities was £25 million (2009: £33 million), reflecting strong conversion of profit to cash offset by corporation tax paid of £14 million (2009: £8 million), bringing the group's tax payments into line with the charge for tax over the last two years. Capital expenditure of £3 million (2009: £9 million) reflected spend on new terminals, ATMs and IT equipment. In 2009 the freehold of our Welwyn operations base was purchased for £6 million. Net interest received was £0.2 million (2009: £1.2 million), reduced as a result of low interest rates.

Equity dividends paid were £12.9 million (2009: £11.1 million).

As part of the funding for the purchase of PayByPhone, the company has drawn down £6 million (2009: £nil) from its £35 million loan facility.

Cash and cash equivalents were £20.8 million (including client cash of £6.8 million), down from £36.3 million (including client cash of £7.5 million) last year due to the acquisition of PayByPhone, costing £29 million.

Economic profit

PayPoint's economic profit (operating profit less tax and capital charge) was £18.5 million (2009: £19.5 million) reduced as a result of the losses in Collect+.

Dividend

We propose to pay a final dividend of 14.4p per share on 16 July 2010 (2009: 11.6p) to shareholders on the register on 18 June 2010, subject to the approval of the shareholders at the annual general meeting. An interim dividend of 7.4p (2009: 6.0p) per share was paid on 15 December 2009 making a total dividend for the year of 21.8p (2009: 17.6p).

Liquidity and going concern

The group has cash of £20.8 million and a loan of £6 million drawn down on its unsecured loan facility of £35 million, with a remaining term of over one year. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group taking account of any risks (see page 14). The financial statements have therefore been prepared on a going concern basis.

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 costs in cost of sales.
2. Net revenue is revenue less commissions paid to retail agents, the cost of mobile top-ups and SIM cards where PayPoint is the principal and acquiring bank charges.
3. Operating margin is calculated as operating profit as a percentage of net revenue.

Financing and treasury policy

The financing and treasury policy requires a prudent approach to the investment of surplus funds, external financing, settlement, foreign exchange risk and internal control structures. The policy prohibits the use of financial derivatives and sets limits for gearing.

Charitable donations

During the year, the group made charitable donations of £15,000 (2009: £31,000) to charities serving the communities in which the group operates. We encourage employees to raise funds for charity and the company matches funds raised by the employees, subject to certain limits.

During the year, we agreed with BBC Children In Need that we would collect public donations on their behalf. Whilst we incurred some costs, this service was offered at no charge to the charity and retailers were not paid any commission.

Employees

We would like to take this opportunity to thank PayPoint's employees for their commitment, energy and enthusiasm in the delivery of these results.

Strategy, risks and corporate social responsibility

Details of the company's strategy, is included in the Chief Executive's review on pages 4 and 5. The company's approach to corporate social responsibility and an analysis of risks facing the company are set out in separate statements on pages 12 and 14 respectively.

Economic climate

The company's bill and general payments sector, which accounts for 43% (2009: 43%) of our net revenue, continues to be reasonably resilient in the recession as consumers' discretion was limited in expenditure for essential services. Utility providers continue to install new prepay gas and electricity meters, which will have a beneficial impact on our transaction volumes. The internet payment market continues to grow. There has been an adverse impact on our mobile top-ups and in ATM cash withdrawal rates.

PayPoint's exposure to retailer bad debt is limited as most of the group's clients in the UK, other than mobile operators, bear the risk of retailer bad debt. Credit granted to retailers is restricted by daily direct debiting for all UK and Irish transactions via a terminal and weekly for EPoS mobile top-ups. In Romania, the risk of the bad debt lies with PayPoint Romania. 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. This risk is mitigated to some extent by withholding settlement of funds to merchants.

National Lottery Commission

We have provided the National Lottery Commission (NLC) with a robust response to Camelot's application to provide bill payment and mobile top-ups. We argue that the application should be rejected, primarily on competition grounds, supported by strong, independent legal advice, including counsel's opinion and are reserving our position. Whatever the decision, we are well prepared and our new developing business streams, which are unaffected by this threat, provide opportunity for strong profitable growth. It is clear that the uncertainty arising from this consultation process, with a decision still pending, has had some adverse impact on our share price, which is disappointing.

Outlook

For the current financial year, trading is in line with the company's expectations.

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

KEY PERFORMANCE INDICATORS (KPIs)

In order to realise its strategic aims, PayPoint has identified areas of strategic focus and has put in place a number of KPIs to measure progress against them. Whilst these KPIs are helpful in measuring the group's performance, they are not exhaustive and the group uses many other additional measures to monitor progress.

Measuring our performance

Strategic focus	KPI	Description	2010	2009
Shareholder return	Earnings per share (basic)	Profit after tax attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the year	**32.9p**	35.6p
	Dividends per share	Proposed final dividend and interim dividend divided by the number of fully paid shares at the end of the year	**21.8p**	17.6p
	Economic profit	Operating profit after tax and a charge for capital employed based upon the group's cost of capital	**£18.5 million**	£19.5 million
Growth	Terminal sites in the UK, Ireland and Romania	Number of live terminal sites at the end of the year	**27,459**	27,692
	Internet merchants	Number of live internet merchants at the end of the year	**5,618**	5,160
	Retail networks transactions	Number of PayPoint transactions processed in the year on our terminals, ATMs and on our retailers' EPoS systems	**507 million**	509 million
	Internet transactions	Number of transactions processed in the year by PayPoint.net	**44 million**	36 million
	PayByPhone	Number of PayByPhone transactions processed in the year since acquisition	**1 million**	n/a
	Throughput	The value of transactions processed via our terminals, retailers' EPoS systems, internet merchants, ATMs, PayByPhone and the sale of other retail services	**£9.7 billion**	£8.9 billion
	Net revenue	Revenue less: commissions paid to retail agents; the cost of mobile top-ups and SIM cards where PayPoint is principal; and acquiring bank charges	**£77 million**	£77 million
	Operating margin	Operating profit as a percentage of net revenue	**44.0%**	43.5%
Asset optimisation	Return on capital employed	Total operating profit for the year divided by monthly average capital employed excluding cash	**88%**	115%
People	Labour turnover	Number of permanent employees who left during the year divided by average total permanent employees UK & Ireland Rest of world	 **20%** **49%**	 23% 56%
	Gender diversity	% women % women managers employed by the group at the year end	**42%** **7%**	42% 7%

CORPORATE SOCIAL RESPONSIBILITY

PayPoint is committed to dealing fairly and with a high level of integrity with all its stakeholders. We comply with statutory obligations in all areas and subject our practices to high levels of scrutiny through regular compliance audits. We publish results twice each year and provide two interim management statements, complying with reporting and disclosure obligations. The corporate social responsibility report sets out our approach and the way we measure our success in dealing with each group of stakeholders.

STAKEHOLDER

	Clients	Retailers, merchants and consumers	Local communities	Shareholders
Information on stakeholders	Over 500 clients in six countries.	Over 18,000 retailers and merchants in three countries and provide a service to millions of consumers.	Where our employees live and work.	544 shareholders at 28 March 2010.
Impact	Provision of convenient service for consumer payments.	To provide a stable and reliable service and generate consumer footfall for retailers.	Financial support to local charities.	Maximise shareholder return.
Engagement	Provision of a high standard of service to our clients and open communication. Client contracts contain service level agreements, which are set to a high standard. Specific performance is measured for key elements, including system availability and file delivery.	We seek to provide an unparalleled service to our retailers, merchants and consumers.	Staff are encouraged to nominate local charities and fund raising events. PayPoint has adopted a charitable giving policy which supports the local communities in which its employees live and work by matching funds raised by employees, subject to certain limits.	PayPoint focuses on maximising economic value.
How we interact and support the stakeholders	Communication - major clients have regular review meetings with dedicated sector managers.	In the UK, terminal availability is over 99% and when a terminal needs to be swapped, it is achieved within four hours across the UK in 97% of cases. The breadth of products offered by PayPoint is greater than any other network. An annual retailer survey is carried out to understand how we can improve our service. We also invite retailers to attend an annual forum to discuss new products and obtain retailer feedback. Major multiple retailers have regular review meetings with dedicated account managers.	During the year, PayPoint donated £15,000 to local and national charities, which was supplemented by employees who also donate to some of these charities through various schemes. We also offered our network to collect donations for BBC Children in Need free of charge.	Shareholders are invited to attend the annual general meeting and major shareholders are visited twice a year to discuss the group’s results.

Environment

PayPoint's impact on the environment stems from its use of resources to run its offices in the UK, Ireland, Romania, Canada and France and its communications with its retailers.

During the year, we have implemented a system to measure our carbon footprint in accordance with Green House Gas (GHG) protocol. This allows us to monitor, by region, our carbon footprint and implement where practical, targets to reduce our carbon footprint.

The primary source of PayPoint's carbon emissions is business travel by road, mainly to visit existing and prospective retailers in the UK, Ireland and Romania. We aim to try and reduce unnecessary travel and routes are pre-planned to ensure efficiency where possible. Our second largest CO_2 emissions arise from our energy consumption in our offices. During the year, we installed some additional energy efficient air conditioning units for our data centre. The largest office is our Welwyn operations base which houses over 80% of our UK staff. This building was refurbished in 2006 with energy efficient lighting, air conditioning and heating units. The refurbishment resulted in the building receiving an energy performance certificate rating of 'C' (a typical building of the same age would normally obtain a rating of 'E').

We have removed individuals' waste bins from our operations base in Welwyn and installed an increased number of recycling bins alongside a limited number of general waste bins. We recycle paper, cans, plastic cups, cardboard, toners and print cartridges. Where possible, we also aim to recycle computer equipment. This has resulted in an increase of recycled waste to 42% of all waste generated (2009: 20%)

	Year ended 28 March 2010 CO_2 Tonnes	Year ended 29 March 2009 CO_2 Tonnes	**Year ended 28 March 2010 Consumption measure per employee**	Year ended 29 March 2009 Consumption measure per employee
Business travel				
Road	**1,338**	1,118	**9,235km**	10,247 km
Air	**56**	73	**1,056km**	1,349 km
Rail	**38**	23	**592km**	428km
Energy purchased	**1,089**	1,146	**4,053kwh**	5,040 kwh
Water consumed	**1**	1	**8.92m³**	7.81m³
Waste	**6**	6		
Total	**2,528**	2,346		

	Year ended 28 March 2010 Tonnes	Year ended 29 March 2009 Tonnes	**Change %**
Waste			
Landfill	**13.0**	19.2	(32)
Recycled	**9.3**	4.9	90
Total	**22.3**	24.1	(7)

All these numbers exclude PayByPhone for the year ended 28 March 2010 as we only acquired the companies 19 days before the year end and their emissions in the period were immaterial.

Employees

PayPoint seeks to improve its employees' working environment. All employees are invited to two staff meetings a year where the directors present the performance of the group and two other meetings at which points of topical interest are presented. Other functional meetings take place throughout the year at our various offices. PayPoint believes that keeping its employees informed of new developments and products as well as the financial performance of the group, motivates the employees and helps them understand the group's progress towards its goals and objectives.

Employees in the UK, Ireland and Romania are asked annually to complete an anonymous employee engagement survey which covers a wide range of subjects, including health and safety, work environment, training and staff behaviour. 85% of employees completed the survey in the last year. This survey is used to agree with employees the actions necessary for improvement. Written appraisals are completed for all employees twice a year. These policies have been extended to PayByPhone.

PayPoint has the following policies in place:

equal opportunities - we treat job applicants, employees and temporary staff in the same way, regardless of their sex, sexual orientation, age, race, ethnic origin or disability. It is also the group's policy to retain employees who may become disabled while in service and provide appropriate training;

whistle-blowing - we are committed to ensuring that malpractice is prevented and immediately dealt with, should it arise. We encourage employees to raise their concerns about any malpractice promptly and we have an established procedure for raising any such concerns;

health and safety - we recognise that effective health and safety management is fundamental to running a successful business. We are committed to operating high standards, designed to minimise the risk of injuries and ill health to employees, contractors, visitors and others who come into contact with the business, so far as is reasonably practicable;

disciplinary and grievance procedures - we provide a fair and consistent method of dealing with disciplinary problems and treat misconduct with appropriate action. We ensure that we treat any grievance an employee may have relating to their employment in a fair and reasonable manner;

bullying and harassment - we promote a working environment free of harassment and individuals who believe that they are being subjected to any form of harassment are encouraged to come forward to have the issue resolved;

business ethics - we set out clear standards for ethical relationships and conduct to be maintained by employees and sub-contractors and conduct our business in accordance with the highest ethical standards. We do not offer or accept any bribes;

training and development - all employees meet twice a year with their line manager to discuss performance and any development needs. Training is provided either in-house or externally. We also sponsor employees through further professional and technical qualifications. We promote internally, wherever possible.

PayPoint's employees

	UK		Rest of the World[2]	
	Year ended 28 March 2010	Year ended 29 March 2009	**Year ended 28 March 2010**	Year ended 29 March 2009
General				
Average number of staff employed during the year.	**326**	297	**167**	171
Average length of service	**4 years**	4 years	**1 year**	1 year
Average staff turnover during year	**20%**	23%	**49%**	56%
Sickness absence rate	**2.4%**	2.9%	**1.4%**	1.4%
% working part-time[1]	**15%**	13%	**2%**	2%
Women				
Number of women employed[1]	**170**	158	**55**	54
% of women employed[1]	**44%**	50%	**33%**	29%
% of management grades[1]	**8%**	8%	**5%**	5%
Ethnic minorities				
% of all employees[1]	**11%**	10%	**7%**	1%
% of management grades[1]	**1%**	1%	**1%**	0%
Disabled employees				
% of all employees[1]	**2%**	2%	**0%**	0%
Age profile				
employees under 25[1]	**52**	49	**18**	42
employees 25 to 29[1]	**68**	57	**47**	67
employees 30 to 49[1]	**206**	176	**87**	67
employees 50 and over[1]	**61**	41	**3**	1

1. Numbers based on employees employed at the end of the relevant year.
2. Rest of the world includes Ireland, Romania, Canada and France

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. The group's risk management policies and procedures are also discussed in the governance statement on page 15.

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	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

GOVERNANCE

The directors recognise the importance of sound corporate governance, whilst taking into account the size and nature of the company. The company has fully complied with the provisions set out in Section 1 of the Financial Reporting Council's Combined Code on Corporate Governance (the Combined Code) for the year ended 28 March 2010, a copy of which can be found at www.frc.org.uk/corporate/combinedcode.cfm.

This statement describes how the principles of corporate governance in the Combined Code are applied by the company.

The board

The board comprises ten directors: David Newlands, the non-executive Chairman, three executive directors, Dominic Taylor, George Earle and Tim Watkin-Rees, and six non-executive directors, Eric Anstee, David Morrison, Andrew Robb, Stephen Rowley, Roger Wood and Nick Wiles. Nick Wiles was appointed on 22 October 2009.

The board considers that David Newlands, Eric Anstee, Andrew Robb, Stephen Rowley, Nick Wiles and Roger Wood are independent for the purposes of the Combined Code. Given the size of the company and its ownership structure, the board has concluded that the proportion of independent non-executive directors is appropriate.

All the non-executive directors bring considerable knowledge and experience to board deliberations. Non-executive directors do not participate in any of the company's share schemes or bonus schemes and their service is non-pensionable.

Biographical details of each of the directors are set out on page 17. Procedures exist to allow the directors to seek independent professional advice in respect of their duties at the company's expense where the circumstances are appropriate. All directors have access to the Company Secretary for advice and are subject to re-election at intervals of not more than three years.

The terms and conditions of appointment of the non-executive directors and the executive directors' service contracts are available for inspection at the company's registered office during normal business hours and will be available at the annual general meeting.

The Chairman, David Newlands, chairs board meetings and regularly consults with the executive directors regarding ongoing business. His other significant commitments are disclosed in his biography on page 17. The board considers that these commitments do not hinder his ability to discharge his responsibilities to the company and its subsidiaries (the group) effectively.

The directors believe it is essential for the company to be led and controlled by an effective board which monitors progress through monthly reports and management accounts. The board has a schedule of matters reserved for its approval. The most significant of these are the approval of:

- corporate strategy of the group and the annual operating and capital expenditure budgets;
- the appointment of the Chief Executive, other directors and the Company Secretary;
- major capital investments;
- annual and half yearly accounts;
- interim management statements; and
- acquisitions and disposals.

The board met eight times during the year and all members were in attendance. Nick Wiles has attended all board meetings since his appointment. Where a director is unable to attend, he provides input through discussion with the Chairman in advance of the meeting.

A formal performance evaluation of the board, its committees and individual directors took place during the year. The performance of individual executive directors is appraised annually by the Chief Executive, to whom they report. The performance of the Chairman is reviewed by the non-executive directors, led by Andrew Robb, Senior Independent Director, taking into account the views of the executive directors.

The performance review of the Chief Executive is conducted by the non-executive Chairman, taking into account the views of other directors. Non-executive directors' performance is reviewed by the non-executive Chairman, taking into account the views of other directors.

The performance evaluation confirmed that the members of the board were satisfied with the board's overall performance and there were no material changes recommended.

In addition to the evaluation of board members, the various committees carried out self-assessments to assess whether their terms of reference had been satisfactorily fulfilled and how their processes could be improved.

Committees of the board

The following formally constituted committees deal with specific aspects of the group's affairs in accordance with the duties and responsibilities formally delegated to them by the board. The terms of reference for each of the committees are available on the company's website at www.paypoint.com.

Audit committee

The audit committee comprises Eric Anstee, Andrew Robb, Stephen Rowley, Roger Wood and Nick Wiles. The board considers Eric Anstee, who is Chairman of the audit committee, to have recent and relevant financial experience in acordance with the combined code. It met six times during the year. All members were in attendance with the exception of Eric Anstee, who was unable to attend one of the meetings. On that occasion it was chaired by Andrew Robb. Nick Wiles has attended all meetings since his appointment.

The audit committee is primarily responsible for monitoring that the financial performance of the group is properly measured and reported and appropriate financial control systems and procedures are in place. During the year, the committee: reviewed reports from the auditors relating to the group's accounting and internal controls; advised the board on the appointment, performance, independence and objectivity of the auditors and the internal auditor; reviewed the effectiveness of the group's systems of internal control, including fraud prevention; reviewed the appropriateness of the internal audit programme and the reports of the internal auditors.

The committee considered the level of non-audit fees for services provided by the auditors in order to satisfy itself that the auditors' independence is safeguarded. The group has a policy which prohibits the auditors providing certain services which might impair their independence. During the year, any proposals to use the auditors for non-audit services were subject to approval by the audit committee Chairman. The policy has subsequently been revised. Any future non-audit services to be performed by the auditors in any one year (excluding tax) are to be provisionally capped at an aggregate total equivalent to the level of the annual audit fee. Any proposal to use the auditors for non-audit services exceeding this will be subject to the prior approval of the audit committee. Details of the remuneration paid to the auditors for the statutory audit and non audit services are set out in note 5.

The audit committee regularly meets the external auditors without the executive directors being present and procedures are in place which allow access at any time of both external and internal auditors to the audit committee. The Chairman of the committee reports the outcome of each meeting to the board, which is provided with the minutes of all meetings.

Remuneration committee

The role, composition and activities of the remuneration committee and details of how the company applies the principles of the Combined Code in respect of directors' remuneration are set out in the remuneration committee report on pages 20 to 25.

Nomination committee

The nomination committee comprises Eric Anstee, Andrew Robb, Stephen Rowley, David Morrison, Roger Wood, Nick Wiles and David Newlands, who is its Chairman. It met twice during the year and all members were in attendance. Nick Wiles attended the meeting that took place following his appointment.

The nomination committee is responsible for considering and making recommendations on the appointment of additional directors, the retirement of existing directors and for reviewing the size, structure and composition of the board and membership of board committees.

Nick Wiles was appointed on 22 October 2009. He was already known to some members of the nomination committee having performed a key role in the company's flotation in 2004, whilst partner at Cazenove & Co. With over 20 years experience in banking and a detailed knowledge of the company, the nomination committee considered Nick Wiles a valuable addition to the board.

Conflicts of interest

A register of conflicts is maintained and is reviewed at least annually to ensure all details are kept up to date. Authorisation is sought prior to the appointment of any new director or if any new conflicts arise.

Risk management and internal control

The directors are responsible for establishing and maintaining the group's system of internal control, and for regularly reviewing its effectiveness. Procedures have been designed to meet the particular needs of the group and its risks, safeguarding shareholders' investments and the company's assets. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. There is an ongoing process of identifying, evaluating and managing the significant risks faced by the group.

All procedures necessary to comply with Internal Control: Guidance for directors on the Combined Code have been in place throughout the year under review and up to the date of approval of the annual report and financial statements. The directors have conducted a formal review of the effectiveness of the group's system of internal control during the year. No significant failings or weaknesses were identified during the review; however, had there been, the board confirms that necessary actions would have been taken to remedy them. The operational management of the group is delegated to senior managers who are appointed by the Chief Executive. The responsibilities of the senior management group include the regular review of the main business risks to the group.

The group has prepared a detailed risk register which includes analysis of all the main operational risks identified by the senior management group, covering all parts of the group's business activities including financial risks. The senior management group evaluates and prioritises the identified key operational risks. In order to ensure that this process is managed effectively, members of the senior management group are asked to confirm in writing on each risk area that the potential threats in each area have been properly identified and recorded and the appropriate action taken. This process has been fully embedded into the operations of the business. The audit committee has received regular updates on the ongoing risk management, control systems and processes which are discussed at their meetings.

KPMG is the internal auditor and conducts a rigorous three year internal audit programme covering all the group's key business areas. The audit committee approved the current programme in 2008 and each year the programme is reviewed to ensure that account is taken, where necessary, of any change. In addition, independent internal audits are conducted for assessment: of compliance with ISO/IEC 27001:2005 (information security management), which takes place twice annually; and by LINK auditors, on an annual basis, which assesses control over LINK related ATM systems; by independent assessors for Payment Card Industry Data Security Standard compliance; and audits by our clients from time to time.

Shareholder relations

The directors consider that the annual report and accounts play an important role in providing shareholders with an evaluation of the company's position and prospects. The board aims to achieve clear reporting of financial performance to all shareholders. The board acknowledges the importance of an open dialogue with its institutional shareholders and welcomes the interest of private investors.

We believe that in addition to the annual report and the company's website, the annual general meeting is an ideal forum at which to communicate with investors, and the board encourages their participation. The Senior Independent Director is available to address any unresolved shareholder concerns.

The company held briefings with institutional fund managers, analysts and other investors following the announcement of half yearly results and feedback from these has been reported to the board. Meetings have been held at other times during the year when appropriate.

BOARD OF DIRECTORS

David Newlands, non-executive Chairman (aged 63), appointed 4 August 1998

David has been Chairman of PayPoint since 1998. He was previously Finance Director of The General Electric Company, plc (GEC), non-executive Chairman of Britax International plc and deputy Chairman of The Standard Life Assurance Company plc. David is currently non-executive Chairman of Tomkins plc and Kesa Electricals plc, and a non-executive director of a number of other companies.

Dominic Taylor, Chief Executive (aged 51), appointed 4 August 1998

Dominic joined PayPoint in 1997 as Retail Director and was appointed to his current role in August 1998. He was a Royal Naval officer for 12 years, following which he completed an MBA at the Cranfield School of Management. In 1991, Dominic joined the Vodafone Group where he led a number of initiatives including the development of its SMS service and a bid for the National Lottery, before becoming Sales and Marketing Director for the indirect sales of mobile phones to retailers. In 1996, Dominic joined Granada plc as a director of Granada Technology Group and Managing Director of Granada Business Technology, supplying film and telecommunications products into the hotel and leisure sectors.

George Earle, ACA, Finance Director (aged 56), appointed 20 September 2004

George joined PayPoint in September 2004 and is responsible for the financial affairs of the group. George qualified as a chartered accountant with Touche Ross & Co (now Deloitte LLP) in 1979, where he served in the corporate finance and audit groups, becoming a partner in 1984. In 1987, George moved to Saatchi & Saatchi plc, serving as Deputy Finance Director. George subsequently moved to GEC in 1989, where, until 2001, he fulfilled the role of Financial Services Director. George left Marconi (formerly GEC) in 2001 to work as Group Director, Chief Executive's Office at Centrica plc, and in 2003 was appointed as Director of Financial Control.

Tim Watkin-Rees, Business Development Director (aged 47), appointed 22 September 1998

Tim was the founder Sales and Marketing Director of PayPoint in 1996. Since 2000, he has been responsible for strategic business development. Prior to PayPoint, he was a specialist in retail banking and payment systems, starting with Lloyds Bank in 1984, then as a Senior Consultant with KPMG Management Consultants in 1988 and Head of Business Planning and Director of Consulting with Nexus (later Sligos and now Atos Origin) from 1989. He is an Associate of the Chartered Institute of Bankers.

David Morrison, non-executive director (aged 51), appointed 12 January 1999

David has been Chief Executive of Prospect Investment Management since 1999, when he started the company. He became a director of PayPoint in 1999 following an investment in the company by clients of Prospect. Prior to establishing Prospect, he had worked in the venture capital sector with 3i, Abingworth Management and Botts & Company. He is currently a non-executive director of a number of public and private companies in the UK.

Andrew Robb, non-executive director (aged 67), appointed 18 August 2004

Andrew worked for P&O Steam Navigation Co. from 1971 to 1989, initially as Financial Controller and, from 1983, as Group Finance Director. From 1989 to 2001 he was Group Finance Director of Pilkington plc. Andrew has also served on the board of Alfred McAlpine plc as a non-executive director and Chairman of the audit committee. Andrew is a Fellow of the Chartered Institute of Cost and Management Accountants and is currently a non-executive director and Chairman of the audit committee of Kesa Electricals plc and the Laird Group. He is also a non-executive director of Tata Steel Limited and a number of private companies.

Roger Wood, non-executive director (aged 67), appointed 9 September 2004

Roger began his career at International Computers Limited (ICL) becoming Managing Director of STC/Northern Telecom Limited and then Vice President of Nortel Europe SA. In 1993, he became Director General for Matra Marconi Space NV. Roger joined the board of Centrica plc in 1997, initially as Managing Director of British Gas Services Limited, then Managing Director of the Automobile Association in 1999, after Centrica's acquisition of the business, until he retired in 2004. Roger is a non-executive director of Reliance Security Group Limited. After six years on the board Roger Wood will retire at the annual general meeting.

Eric Anstee, non-executive director (aged 59), appointed 16 September 2008

Eric Anstee is currently Chief Executive of City of London Group PLC a non-executive director of The Financial Reporting Council and Insight Asset Management (BONY Mellon institutional investment management). He is also a member of the Takeover Panel appeals board. His former non-executive appointments include: Chairman of Mansell plc, non-executive director of SSL International, Garland Appeal and Severn Trent, where he was Chairman of the treasury and audit committees. His former executive appointments include: Chief Executive Officer of the Institute of Chartered Accountants in England and Wales, Chief Executive at Old Mutual Financial Services, Group Finance Director at Old Mutual plc and Finance Director of The Energy Group plc.

Stephen Rowley, non-executive director (aged 51), appointed 16 September 2008

Stephen Rowley is currently Chief Executive of Torex and was formerly CEO of Anite plc, Senior Vice President and General Manager of PeopleSoft Europe and Senior Vice President Corporate Business Development for 3Com Corporation, where he also held a variety of other positions.

Nick Wiles, non-executive director (aged 48), appointed 22 October 2009

Nick Wiles is currently Chairman of UK investment banking at Nomura. He has worked in banking for more than 20 years, with the majority of this time at Cazenove & Co, where he was a partner prior to incorporation. He is a non-executive director at Strutt & Parker.

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company and of the group, together with the financial statements and independent auditors' report, for the year ended 28 March 2010.

Principal activity

The company is a holding company and its subsidiaries are engaged in providing clients with specialist consumer payment transaction processing and settlement. PayPoint processes transactions and collects payments on behalf of the UK and Ireland's leading utility and customer service organisations, and there are 22,600 convenience retail outlets using PayPoint's terminals. On average, over 10 million consumer transactions are processed weekly by PayPoint. At a PayPoint outlet, consumers are provided with a one stop shop for making cash payments for the wide range of PayPoint's clients. In addition, PayPoint provides other services to retail outlets.

PayPoint.net provides secure credit and debit card payments services for web merchants.

PayPoint Romania provides electronic mobile top-ups and scratch cards and a bill payment service to consumers.

PayByPhone allows consumers to pay for their car parking by credit or debit card from their mobile phones.

Substantial shareholdings

On 27 May, the company had been notified of the following disclosable interests in the voting rights of the company as required by provision 5.1.2 of the FSA Disclosure and Transparency Rules:

Name of holder	No. of ordinary shares	Percentage of issued capital
Invesco Limited	18,201,007	26.89%
Troy Asset Management (UK)	8,085,008	11.94%
Lansdowne Partners Limited (UK)	6,244,603	9.23%
RIT Capital Partners plc	6,121,057	9.04%
Artemis Investment Management (SC)	4,817,412	7.12%
Legal & General Investment Management Limited (UK)	3,411,678	5.04%
T. Rowe Price Associates Inc. (US)	2,340,966	3.46%
Heritage Capital Management Ltd. (UK)	2,030,000	3.00%

As at the date of this report, 67,761,904 ordinary shares of 1/3p each have been issued and fully paid up and are quoted on the London Stock Exchange. During the year ended 28 March 2010, 30,382 ordinary shares were issued under to the company's share schemes. The rights and obligations attaching to the company's ordinary shares, as well as the powers of the company's directors are set out in the company's articles of association, copies of which can be obtained from Companies House or by writing to the Company Secretary.

There were no restrictions on the voting rights attaching to the ordinary shares or on the transfer of securities in the company. No person holds securities in the company carrying special rights with regard to control of the company. The company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. Unless expressly specified to the contrary in the articles of association of the company, the company's articles of association may be amended by a special resolution of the company's shareholders.

At the annual general meeting on 8 July 2009, the directors were given authority to purchase 14.99% of its issued share capital, allot relevant securities up to an aggregate nominal amount of £75,253 and to disapply pre-emption rights in respect of allotments of relevant securities up to an aggregate nominal amount of £11,288. Resolutions to renew these authorities will be proposed at the 2010 annual general meeting, details of which are set out in the notice of meeting on pages 48 to 52.

The company's authorised and issued share capital as at 28 March 2010, together with details of purchases of own shares during the year, are set out in note 23.

The aforementioned resolutions are considered special business. A further item of special business is a proposed resolution detailed in the notice of meeting to reduce the notice required to call a general meeting to 14 clear days' notice. This is being sought due to the Companies (Shareholders' Rights) Regulations 2009 amending the Companies Act 2006 with effect from August 2009. One effect was to increase the notice period of the company's general meetings to 21 days. The directors have no present intention to utilise this authority.

Directors

The names of the directors at the date of this report and their biographical details are given on page 17 and their interests in the ordinary shares of the company are given on page 25. Nick Wiles was appointed as a non-executive director on 22 October 2009. Roger Wood will be retiring at the 2010 annual general meeting.

Results for the year

The consolidated income statement, balance sheet and cash flow statement for the year ended 28 March 2010 are set out in pages 28 to 30. The business review of the group for the year ended 28 March 2010, which complies with the Accounting Standards Board's 2006 Statement on Operating and Financial Reviews, including an analysis of the group's key performance indicators and financing and treasury policy, is set out on pages 6 to 14 and forms part of the directors' report. An analysis of risk is set out on page 14 and of risk management on page 16. The balance sheet and cash flow statement of the holding company for the year ended 28 March 2010 are set out on pages 31 and 32. Since the year ended 28 March 2010, there have been no material events likely to impact the future developments of the company.

Qualifying third party indemnity provisions for the benefits of directors

Under sections 236 (1) (a) and (b) of the Companies Act 2006, companies are obliged to disclose any indemnities which are in force in favour of their directors. The current articles of association of the company contain an indemnity in favour of the directors of the company which indemnifies them in respect of certain liabilities and costs that they might incur in the execution of duties as directors. Copies of the articles of association can be obtained from Companies House or by writing to the Company Secretary and will be available at the venue of the annual general meeting from 15 minutes before the meeting until it ends.

Change of control

All of the company's share schemes contain provisions relating to a change of control. Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

The company has secured a revolving term credit facility for £35 million with a remaining term of over one year. The terms of the facility allow for termination on a change of control, subject to certain conditions. There are no other significant contracts in place that would take effect, alter or terminate on the change of control of the company, including compensation for loss of office as a result of a takeover bid.

Suppliers' payment policy

The group aims to pay its creditors promptly, in accordance with terms agreed for payment. The group had 24 days' purchases outstanding at 28 March 2010 (2009: 16 days), based on the average daily amount invoiced by suppliers during the year.

Charitable and political donations

The group made no political donations during the year (2009: nil). Details of the charitable donations policy can be found within the operating and financial review on page 10.

Employee matters and environmental issues

Employee matters and environmental issues are discussed in the corporate social responsibility report on pages 12 to 14.

Future developments

Future developments are discussed in the operating and financial review on pages 6 to 10.

Dividends

The directors recommend the payment of a final dividend of 14.4p (2009: 11.6p) per ordinary share amounting to £9,756,000 (2009: £7,848,000) to be paid on 16 July 2010 to members on the register on 18 June 2010. An interim dividend was declared and paid during the year of 7.4p per share (2009: 6.0p per share) amounting to £5,008,000 (2009: £4,054,000).

Related party transactions

Related party transactions that took place during the year can be found in note 28.

Going concern

The group has cash of £20.8 million, and a loan of £6 million drawn down its unsecured loan facility of £35 million which has a remaining term of over one year. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group taking into account any risks (see page 14). 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. Therefore, the financial statements have been prepared on a going concern basis.

The group's liquidity review and commentary on the current economic climate are shown on pages 9 and 10 of the operating and financial review and commentary on financial risk management is shown in note 27.

Independent auditors

Deloitte LLP have expressed their willingness to continue as the company's auditor and a resolution for their re-appointment will be proposed at the forthcoming annual general meeting.

Directors' report

Pages 6 to 19, inclusive, of this annual report comprise a report of the directors that has been drawn up and presented in accordance with English company law and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

In particular, directors would be liable to the company (but not to any third party) if the directors' report contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Statement as to disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

2. the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S.418 of the Companies Act 2006.

Annual general meeting

The annual general meeting will be held at J.P. Morgan Cazenove offices, 20 Moorgate London EC2R 6DA, on 7 July 2010. The notice of meeting and explanatory information on the resolutions to be passed at the annual general meeting can be found on pages 48 to 52, inclusive, of the annual report.

Approved by the board of directors and signed on behalf of the board.

Susan Court
Company Secretary

27 May 2010

REMUNERATION COMMITTEE REPORT

Introduction

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the board has applied the principles relating to directors' remuneration in the Combined Code. As required by the Act, a resolution to approve the report will be proposed at the annual general meeting of the company at which the financial statements will be approved.

The Act requires the auditors to report to the company's members on certain parts of the directors' remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Accounting Regulations. The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration committee

The remuneration committee is responsible for developing policy on remuneration for executive directors and senior management and for determining specific remuneration packages for each of the executive directors. The committee members are all independent directors. Andrew Robb is Chairman of the committee with Eric Anstee, Stephen Rowley, Nick Wiles and Roger Wood acting as committee members.

The remuneration committee received wholly independent advice on executive compensation and incentives from Kepler Associates during the year. No other services were provided to the company by Kepler Associates during the year. The remuneration committee is formally constituted with written terms of reference which set out the full remit of the committee. A copy of the terms of reference is available to shareholders by writing to the Company Secretary whose contact details are set out on page 57. The terms of reference are also available on the company's website at www.paypoint.com. The remuneration committee met three times during the year and all members were in attendance. Nick Wiles has attended all meetings since his appointment.

Remuneration policy overview

The remuneration committee has adopted a remuneration policy so that total levels of compensation encourage and reward high performance and attract and retain individuals of the right calibre to ensure the company meets its objectives. It is the opinion of the remuneration committee that shareholders' interests are best served by focusing a greater proportion of total remuneration on performance-related compensation.

Short and long-term incentives are structured so as to align directors' interests with those of shareholders by rewarding them for enhancing shareholder value. It should be noted that the real value received by the executive directors under the share incentive arrangements will be dependent upon the degree to which the associated performance conditions have been satisfied at the end of the three year performance period and the share price of the company at this time. This ensures that substantial rewards are only received when value has been created in the business.

The company's comparator group for the purposes of benchmarking comparative total shareholder return (TSR) performance under the PayPoint Long-Term Incentive Plan (the LTIP) for awards granted to the end of the year under review was based on the FTSE 250 constituents (excluding investment trusts) at the date of the awards. This larger group was regarded as more appropriate than the comparator group utilised for awards granted in previous years and the change was foreshadowed in last year's report.

Basic salary

The remuneration committee's policy is to set base salaries at median level. Salaries are reviewed annually. When determining the salary of the executive directors, the remuneration committee takes into consideration the levels of base salary for similar positions with comparable status, responsibility and skills, in organisations of broadly similar size and complexity. These factors are considered in parallel with the following:

- the performance of the individual executive director;
- the individual executive director's experience and responsibilities; and
- pay and conditions throughout the company.

During the year, Kepler Associates carried out a review of salary levels, finding that the then salary level of the executive directors was broadly in line with the company's stated median policy. Accordingly, following the adjustments reported last year, there has been no change to the executive director salaries in 2010.

Annual performance-related bonus

The annual bonus plan for the year ended 28 March 2010 provided for a maximum cash bonus of 50% of salary. Executive directors were also eligible to participate in the PayPoint plc Deferred Share Bonus Plan (DSB). Under the DSB, they are able to choose to defer up to 50% of the bonus awarded (i.e. up to 25% of salary) for the acquisition of shares (Bonus Shares), with the opportunity of an additional award of shares (Matching Shares) of an equivalent value to the gross bonus deferred (i.e. up to 25% of salary), which equates to a maximum bonus potential of 75% of salary.

The company's bonus plan for the year ended 28 March 2010 was based on the achievement of an economic profit (operating profit after tax and a charge for capital employed based on the company's cost of capital) target. Based upon the actual results for the year, 84.5% of the maximum bonus is payable.

The remuneration committee believes that the use of economic profit as the measure of performance for the annual bonus plan will encourage a focus on both profit and capital efficiency, which are key to driving shareholder value and which are implicit in the calculation of economic profit.

The remuneration committee reviews and agrees targets at the beginning of each financial year and may subsequently adjust those targets as appropriate for investments and start up costs that are approved after the targets have been set. Bonus payments are not pensionable.

The results are set out below:

	70% payment threshold for 95% of plan delivery £000	80% payment threshold for plan delivery £000	100% payment threshold for 110% of plan delivery £000	Actual results £000
Economic profit	17,158	18,061	19,867	18,470

The review conducted during the year showed that the executive directors' bonus opportunity was well below the company's stated median policy. Accordingly, the remuneration committee decided to increase the maximum cash bonus opportunity from 50% to 75% of salary for the next financial year.

Deferred Share Bonus Plan (DSB)

A new DSB plan was adopted at the 2009 annual general meeting to replace the previous plan that expired in September 2009. Under the new plan, the committee retains the discretion to operate the annual bonus and deferred plan by applying a greater or lower overall limit, taking into account the appropriate level of total compensation of executives of the company.

Executive directors and senior managers of the company are able to participate in the DSB. As planned and reported last year, the maximum individual limit under the DSB has been increased for the next financial year such that the maximum value of cash bonus, Bonus Shares and Matching Shares in any bonus year may now exceed 100% of a participant's salary but remains well within the remuneration committee's 150% overall limit for participation from 2010 onwards.

The release of Matching Shares is subject to:

- minimum earnings per share growth of the company of RPI + 3% p.a. over a three year period; and
- the participant still being employed by the company at the end of the three year deferral period from the award date.

If a participant disposes of any of the Bonus Shares during the three year deferral period, a corresponding proportion of Matching Shares will be forfeited.

The executive directors elected to defer 50% of their cash bonus received in respect of the year ending 28 March 2010. During the year, Bonus Shares were purchased and Matching Shares awarded under the DSB based on the value of bonus deferred. Details of the awards made under the DSB during the year are set out on page 24.

In light of the recent change in remuneration practices, the remuneration committee decided to amend the deferral option under the DSB such that bonus recipients are subject to a 25% compulsory and maximum further 25% voluntary deferral rather than the previous 50% voluntary deferral limit.

Long Term Incentive Plan (LTIP)

A new LTIP plan was adopted at the 2009 annual general meeting to replace the previous plan that expired in September 2009. Broadly speaking, the new plan is a renewal of the previous plan, with no major changes in its operation, although the opportunity was taken to bring the plan rules into line with current best practice and legislation.

Executive directors and senior executives are eligible to participate in the LTIP. Under the new rules, the maximum annual award that can be made to an individual is 150% of salary. In exceptional circumstances, this limit may be exceeded but grant levels will be subject to acceptable market practice and remain below a maximum approved by the remuneration committee. There is no present intention to exceed the stated maximum of 150% of salary. Eligible executives are awarded rights to a maximum number of shares at the beginning of a three year period, a proportion of which they will be entitled to acquire at the end of that period depending on the extent to which (if at all) the performance conditions set by the remuneration committee at the time of the allocation is made are satisfied.

During the year, Dominic Taylor received an LTIP award equivalent to 120% of salary and George Earle and Tim Watkin-Rees received LTIP awards equivalent to 100% of salary. Awards made in the period were granted as conditional awards of shares. During the year, the third tranche of the LTIP awards were released in full. Details of the LTIP awards made and released to the executive directors during the year are set out on page 23.

The performance conditions for the awards made during the year under the LTIP are set out in the following table:

Total Shareholder Return (TSR) position against comparator group	**LTIP % of shares released**
Below median	0%
Median	30%*
Upper quartile	100%*

*There is proportionate vesting between points.

In addition to the above comparative TSR performance of the company, the remuneration committee will, in any event, satisfy itself that the recorded TSR is a genuine reflection of the underlying financial performance of the company before the release of any share awards under the LTIP in accordance with the ABI guidelines.

Comparative TSR was selected as the performance condition for LTIP awards by the remuneration committee, as it ensures that the executives have outperformed their peers in the comparator group over the measurement period in delivering shareholder value, before being entitled to receive any of their awards, irrespective of general market conditions.

Performance measurement

The remuneration committee determines whether the performance conditions for share awards are satisfied. Where the performance requirements are based on earnings per share, the remuneration committee will use the principles behind the audited figures disclosed in the company's financial statements and may take advice from independent advisers as to whether any adjustments are required to ensure consistency in accordance with the terms of the performance conditions. Where used as a performance measure, TSR shall be calculated by the remuneration committee's independent advisers. Performance conditions under the LTIP and DSB are not subject to re-testing.

Total Shareholder Return (TSR) performance graph

The graph shows the company's performance, measured by TSR, compared with the company's comparator group which applies with respect to the LTIP awards granted prior to 2009 and the new comparator group that was adopted during the year as detailed earlier in the report.

Share Incentive Plan (SIP)

The SIP was approved by shareholders prior to admission and adopted by the company at admission.

The board's objective is to give employees the opportunity to:

- invest their salary in company shares; and
- build up a shareholding in the company

The company is currently offering eligible employees, including executive directors and senior executives, the opportunity to purchase £1,500 of shares a year out of pre-tax salary and provide additional matching shares on a one matching share for every share purchased basis. These matching shares will normally be released three years after they have been awarded provided that the associated shares purchased by the employee have been retained and provided the employee is still employed by a group company at this time.

Details of shares held in the SIP by executive directors are set out on page 24.

Dilution

In accordance with the ABI guidelines, the company can issue a maximum of 10% of its issued share capital in a rolling ten year period to employees under all its share plans. The company can only use half of the maximum (5%) to satisfy awards under discretionary or executive plans.

Pension

The company pays the equivalent of 12% of the executive director's basic salary for personal pension plans.

Executive directors' contracts

Details of the service contracts of the executive directors of the company are as follows:

Name	Company notice period	Contract date
D Taylor	12 months	13 September 2004
G Earle	12 months	30 September 2004
T Watkin-Rees	12 months	13 September 2004

There are no special provisions in service contracts relating to cessation of employment or change of control. The policy on termination is that the company does not make payments beyond its contractual obligations and executive directors will be expected to mitigate their loss.

In addition, the remuneration committee ensures that there are no unjustified payments for failure.

Non-executive directors

The remuneration of the non-executive directors is determined by the board based upon recommendations from the Chairman and Chief Executive (or, in the case of the Chairman, based on recommendations from the Senior Independent Director and the Chief Executive) and is within the limits set by the articles of association. Non-executive directors do not participate in any bonus plan or share incentive programme operated by the company and are not entitled to pension contributions or other benefits provided by the company. Details of the terms of appointment of the non-executive directors are set out in the table below:

Name	Date of appointment	Expiry date
D Morrison	10 August 2004	1 August 2010
D Newlands	10 August 2004	1 August 2010
A Robb	10 August 2004	1 August 2010
E Anstee	16 September 2008	1 August 2010
S Rowley	16 September 2008	1 August 2010
N Wiles	22 October 2009	1 October 2012
R Wood	10 September 2004	1 August 2010

Under the company's articles of association, each director is required to submit themselves for re-election every three years. The board has determined that the basis of appointment of all non-executive directors will be that they will ordinarily serve two three year terms, but that any additional three year terms may be agreed by the board on a case by case basis.

Compliance

The board has reviewed the group's compliance with the Combined Code on remuneration related matters. It is the opinion of the board that the group had complied with all remuneration related aspects of the Combined Code during the period since admission.

Audited information

Directors' emoluments

	Salary[1]		Bonus		Benefits in kind[2]		Total		Pension[3]		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Executive												
D Taylor	**392**	366	**161**	164	**8**	10	**561**	540	**46**	42	**607**	582
G Earle	**300**	283	**121**	128	**15**	14	**436**	425	**59**	55	**495**	480
T Watkin-Rees	**258**	242	**104**	108	**6**	8	**368**	358	**39**	27	**407**	385
Non-executive												
D Newlands	**120**	100	**–**	–	**–**	–	**120**	100	**–**	–	**120**	100
A Robb	**43**	43	**–**	–	**–**	–	**43**	43	**–**	–	**43**	43
D Morrison	**36**	36	**–**	–	**–**	–	**36**	36	**–**	–	**36**	36
R Wood	**36**	36	**–**	–	**–**	–	**36**	36	**–**	–	**36**	36
E Anstee	**43**	23	**–**	–	**–**	–	**43**	23	**–**	–	**43**	23
S Rowley	**36**	19	**–**	–	**–**	–	**36**	19	**–**	–	**36**	19
N Wiles[4]	**16**	–	**–**	–	**–**	–	**16**	–	**–**	–	**16**	–
K Minton[5]	**–**	12	**–**	–	**–**	–	**–**	12	**–**	–	**–**	12
Total	**1,280**	1,160	**386**	400	**29**	32	**1,695**	1,592	**144**	124	**1,839**	1,716

1. Salary is the total salary paid during the year and includes payment of a car allowance as part of the contract of employment. Base salaries, for the executive directors with effect from 1 April 2009 and which remain unchanged were:
   D. Taylor £380,000, G Earle £287,625, T Watkin-Rees £245,700.
2. Benefits include the following elements: private medical cover, permanent health insurance and life assurance.
3. Defined contribution pension scheme, of which two current directors are members. For G Earle, the remuneration committee has agreed that G Earle's pension contributions will be paid direct to him (grossed up for tax).
4. N Wiles was appointed on 22 October 2009.
5. K Minton retired on 9 July 2008.

Long Term Incentive Plan[1]

	Number of shares at 29 March 2009	Number of shares awarded during the year	Number of shares released during the year	Number of shares at 28 March 2010	Value of shares awarded	Date of grant	Release date
D Taylor	43,720[3]		(43,720)[4]	–	£281,994	05.06.06	05.06.09
	51,266[3]			51,266	£324,000	11.06.07	11.06.10
	55,512[3]			55,512	£336,958	04.06.08	04.06.11
		86,445[2]		86,445	£456,000	04.06.09	04.06.12
G Earle	31,007[3]		(31,007)[4]	–	£199,995	05.06.06	05.06.09
	34,810[3]			34,810	£220,000	11.06.07	11.06.10
	37,693[3]			37,693	£228,797	04.06.08	04.06.11
		54,526[2]		54,526	£287,625	04.06.09	04.06.12
T Watkin-Rees	25,891[3]		(25,891)[4]	–	£167,000	05.06.06	05.06.09
	29,066[3]			29,066	£183,700	11.06.07	11.06.10
	31,474[3]			31,474	£191,047	04.06.08	04.06.11
		46,578[2]		46,578	£245,700	04.06.09	04.06.12

1. Awards under the LTIP will only vest if the company's comparative TSR performance is equal to or greater than the median level of performance over the three year holding period, at which point 30% of awards will vest, with full vesting occurring for upper quartile performance (proportionate vesting between points).
2. Awards were granted at a price of £5.275 per share (the closing price on the preceding dealing day).
3. Granted as a conditional award of shares.
4. At the date of release, the market value was £5.3235 per share.

Deferred Share Bonus Plan

	Number of Bonus Shares purchased at 29 March 2009[2]	Number of Matching Shares awarded at 29 March 2009[3]	Number of Bonus Shares purchased/ (released) during the year	Number of Matching Shares awarded/ (released) during the year	Number of Bonus Shares purchased at 28 March 2010	Number of Matching Shares awarded at 28 March 2010	Value of Matching Shares awarded	Date of grant	Release date[4]
D Taylor	4,841	8,206	(4,841)	(8,206)	–	–	£53,749	05.06.06	05.06.09
	5,600	9,491			5,600	9,491	£34,663	13.06.07	13.06.10
	5,865	9,942			5,865	9,942	£61,626	04.06.08	04.06.11
			9,241[1]	15,663[1]	9,241	15,663	£83,014	04.06.09	04.06.12
	16,306	27,639	4,400	7,457	20,706	35,096			
G Earle	4,143	7,023	(4,143)	(7,023)	–	–	£46,000	05.06.06	05.06.09
	4,765	8,077			4,765	8,077	£29,494	13.06.07	13.06.10
	4,779	8,101			4,779	8,101	£50,215	04.06.08	04.06.11
			7,097[1]	12,029[1]	7,097	12,029	£63,754	04.06.09	04.06.12
	13,687	23,201	2,954	5,006	16,641	28,207			
T Watkin-Rees	3,467	5,878	(3,467)	(5,878)	–	–	£38,500	05.06.06	05.06.09
	3,979	6,744			3,979	6,744	£24,629	13.06.07	13.06.10
	3,990	6,764			3,990	6,764	£41,927	04.06.08	04.06.11
			6,035[1]	10,228[1]	6,035	10,228	£54,208	04.06.09	04.06.12
	11,436	19,386	2,568	4,350	14,004	23,736			

1. The Bonus Shares were purchased and the Matching Shares awarded at a share price of £5.30.
2. Bonus Shares are purchased with the bonus deferred after the deduction of tax.
3. Matching Shares are awarded based on the value of the gross bonus deferred.
4. No Matching Shares will be released unless the company's earnings per share growth is 3% p.a. in excess of the Retail Prices Index over the three year holding period.

Share Incentive Plan

	Number of Partnership Shares purchased at 29 March 2009	Number of Matching Shares awarded at 29 March 2009	Number of Free Shares[1] awarded at 29 March 2009	Dividend Shares[2] acquired at 29 March 2009	Total shares at 29 March 2009	Number of Partnership Shares[3] purchased during the year	Matching Shares[4] awarded during the year	Dividend Shares acquired during the year	Dates of release of Matching and Free Dividend Shares	Total shares at 28 March 2010
D Taylor	1,456	1,456	1,562	341	4,815	333	333	198	13.04.09 – 17.03.12	5,679
G Earle	1,479	1,479	–	181	3,139	334	334	132	13.04.09 – 17.03.12	3,939
T Watkin-Rees	1,479	1,479	1,562	338	4,858	334	334	200	13.04.09 – 17.03.12	5,726

1. Free Shares are ordinary shares of the company awarded conditionally on 24 September 2004 based on the share price on admission of £1.92.
2. Dividend shares are ordinary shares of the company purchased with the value of dividends paid in respect of all other shares held in the plan.
3. Partnership Shares are ordinary shares of the company purchased on a monthly basis during the year (at prices from £3.64 to £5.40).
4. Matching Shares are ordinary shares of the company awarded conditionally on a monthly basis during the year (at prices from £3.64 to £5.40) in conjunction with two share purchases.

Directors' shareholdings

The directors serving during the period who had interests in the shares of the company were as follows:

	Ordinary shares of 1/3p each 28 March 2010	Ordinary shares of 1/3p each 29 March 2009
E Anstee	**1,700**	1,700
G Earle	**195,101**	168,577
D Newlands[1]	**180,100**	180,100
A Robb	**15,000**	10,417
D Taylor	**1,638,113**	1,602,710
T Watkin-Rees	**715,480**	693,317
R Wood	**52,083**	52,083
N Wiles[2]	**15,000**	0

1. D Newlands holds a non-beneficial interest in a further 900,000 shares held in various trusts of which he is a trustee (2009: 900,000).
2. N Wiles was appointed as a director on 22 October 2009.

Between the end of the year and 24 May 2010, D Taylor acquired 87 Partnership Shares and 87 Matching Shares under the Share Incentive Plan and G Earle and T Watkin-Rees acquired 86 Partnership and Matching Shares.

The market price of the company's shares on 28 March 2010 was £3.60 (29 March 2009: £3.75) per share and the low and high share prices during the year were £3.60 and £5.45 respectively.

This report covers the remuneration of all directors that served during the year.

This report has been approved by the remuneration committee.

Andrew Robb
Chairman, remuneration committee

27 May 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRS as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the board

Dominic Taylor
Chief Executive

27 May 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAYPOINT PLC

We have audited the financial statements of PayPoint plc for the year ended 28 March 2010, which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated and company cash flow statements, the consolidated and company statements of changes in equity, the consolidated statement of comprehensive income and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 28 March 2010 and of the group's profit for the year then ended;

- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;

- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the directors' reports in relation to going concern; and

- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Colin Hudson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK

27 May 2010

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Continuing operations			
Revenue	2	**196,603**	224,351
Cost of sales		**(133,110)**	(160,496)
Gross profit		**63,493**	63,855
Administrative expenses		**(29,421)**	(30,171)
Operating profit	5	**34,072**	33,684
Share of loss of joint venture	13	**(1,601)**	(323)
Investment income	6	**224**	1,275
Finance costs	6	**(50)**	(34)
Profit before tax		**32,645**	34,602
Tax	7	**(10,513)**	(10,818)
Profit for the financial year attributable to equity holders of the parent	23	**22,132**	23,784
Earnings per share			
Basic	9	**32.9p**	35.6p
Diluted	9	**32.7p**	35.3p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Exchange differences on translation of foreign operations	23	**35**	190
Net income recognised directly in equity		**35**	190
Profit for the year		**22,132**	23,784
Total recognised income and expenses for the year		**22,167**	23,974

CONSOLIDATED BALANCE SHEET

	Note	28 March 2010 £000	29 March 2009 £000
Non current assets			
Goodwill	10	**56,872**	27,628
Other intangible assets	11	**1,400**	1,973
Property, plant and equipment	12	**14,767**	16,161
Investment in joint venture	13	**326**	177
Deferred tax asset	14	**1,167**	1,128
Investments	15	**405**	375
		74,937	47,442
Current assets			
Inventories	17	**1,567**	1,213
Trade and other receivables	18	**23,482**	26,260
Cash and cash equivalents	19	**20,769**	36,345
		45,818	63,818
Total assets		**120,755**	111,260
Current liabilities			
Trade and other payables	20	**37,926**	40,853
Current tax liabilities		**5,684**	9,153
Short-term borrowings	21	**6,000**	-
Obligations under finance leases	25	**22**	9
		49,632	50,015
Non-current liabilities			
Other liabilities	22	**379**	278
		379	278
Total liabilities		**50,011**	50,293
Net assets		**70,744**	60,967
Equity			
Share capital	23	**226**	226
Investment in own shares	23	**(370)**	(926)
Share premium	23	**25**	25
Share based payment reserve	23	**2,684**	2,489
Translation reserve	23	**543**	508
Retained earnings	23	**67,636**	58,645
Total equity attributable to equity holders of the parent company		**70,744**	60,967

These financial statements were approved by the board of directors on 27 May 2010.

Signed on behalf of the board of directors.

Dominic Taylor
Chief Executive

27 May 2010

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Opening equity		**60,967**	49,587
Profit for the year		**22,132**	23,784
Dividends paid	8	**(12,856)**	(11,077)
Movement in investment in own shares	23	**556**	9
Exchange differences on translation of foreign operations	23	**35**	190
Movement in share based payment reserve	23	**195**	208
Adjustment in share scheme vesting	23	**(285)**	(1,759)
New shares issued		**-**	25
Closing equity		**70,744**	60,967

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Net cash flow from operating activities	29	**24,986**	32,619
Investing activities			
Investment income		**224**	1,192
Purchases of property, plant and equipment		**(2,700)**	(9,158)
Proceeds from disposal of property, plant and equipment		**93**	40
Acquisition of subsidiaries	16	**(28,942)**	(2,108)
Investment	15	**(30)**	(500)
Purchase of own shares	28	**(490)**	(2,489)
Loan to joint venture	13	**(1,750)**	-
Net cash used in investing activities		**(33,595)**	(13,023)
Financing activities			
Repayments of obligations under finance leases		**(8)**	(61)
Dividends paid	8	**(12,856)**	(11,077)
Receipt of short-term borrowings	21	**6,000**	-
Net cash used in financing activities		**(6,864)**	(11,138)
Net (decrease)/increase in cash and cash equivalents		**(15,473)**	8,458
Cash and cash equivalents at beginning of year		**36,345**	27,727
Effect of foreign exchange rate changes		**(103)**	160
Cash and cash equivalents at end of year		**20,769**	36,345

COMPANY BALANCE SHEET

	Note	28 March 2010 £000	29 March 2009 £000
Non current assets			
Investments	15	**106,055**	73,670
		106,055	73,670
Current assets			
Trade and other receivables	18	**71**	1,058
Cash and cash equivalents		**709**	72
		780	1,130
Total assets		**106,835**	74,800
Current liabilities			
Trade and other payables	20	**1,246**	396
Borrowings	21	**6,000**	-
Non-current liabilities			-
Other liabilities	22	**65,781**	48,301
Total liabilities		**73,027**	48,697
Net assets		**33,808**	26,103
Equity			
Share capital	23	**226**	226
Share premium	23	**25**	25
Investment in own shares	23	**(370)**	(926)
Share based payment reserve	23	**2,684**	2,489
Retained earnings	23	**31,243**	24,289
Total equity		**33,808**	26,103

These financial statements were approved by the board of directors on 27 May 2010

Signed on behalf of the board of directors

Dominic Taylor
Chief Executive

27 May 2010

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Opening equity		**26,103**	39,627
Loss for the year		**(1,505)**	(930)
Dividends paid	8	**(12,856)**	(11,077)
Dividends received		**21,600**	-
Movement in investment in own shares	23	**556**	9
Movement in share based payment reserve	23	**195**	208
Adjustment in share scheme vesting	23	**(285)**	(1,759)
New shares issued		**-**	25
Closing equity		**33,808**	26,103

COMPANY CASH FLOW STATEMENT

	Note	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Net cash flow from operating activities	29	**18,338**	18,929
Investing activities			
Interest received		**-**	1
Investment	15	**(30)**	(500)
Loan to joint venture	13	**(1,750)**	-
Investment in group company	15	**(637)**	(2,696)
Purchase of own shares	28	**(490)**	(2,489)
Acquisition of subsidiaries	16	**(29,538)**	(2,108)
Net cash used in investing activities		**(32,445)**	(7,792)
Financing activities			
Dividends received		**21,600**	-
Dividends paid	8	**(12,856)**	(11,077)
Bank loan	21	**6,000**	-
Net cash generated from/(used) in financing activities		**14,744**	(11,077)
Net increase in cash and cash equivalents		**637**	60
Cash and cash equivalents at beginning of year		**72**	12
Cash and cash equivalents at end of year		**709**	72

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

These financial statements have been prepared on an historical cost basis and on the basis of the policies set out below.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

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 review can be found in the operating and financial review on page 9. The group's going concern position is further discussed in the directors' report on page 19.

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 Presentation of Financial Statements 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.

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

IFRS 1 (amended)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IFRIC 14 (amended)	Prepayments of a Minimum Funding Requirement
IFRS 9	Financial Instruments
IAS 24 (revised)	Related Party Transactions
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
IFRS 3 (revised)	Business Combinations

The group does not consider that these standards and interpretations will have a material impact on the financial statements of the group when the respective standards or interpretations come into effect.

The financial statements are presented in pounds sterling because it is the currency of the primary economic environment in which the group operates.

The principal accounting policies adopted are set out below.

Basis of consolidation

PayPoint plc (the company) acts as a holding company. The group accounts consolidate the accounts of the company and entities controlled by the company (its subsidiaries) drawn up to March each year. Control is achieved where the company has the power to govern the financial and operating policies of an entity in which it invests, so as to obtain benefits from its activities. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. All intragroup transactions, balances, income and expenses are eliminated on consolidation except for joint ventures.

The acquisition of subsidiaries is accounted for using the purchase method. Investments are stated at cost less any required provision for impairment. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquired identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets that are classified as held for resale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent year.

Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

The reversal of any impairment loss is limited by the net book value to which the relevant asset would have been reduced, had no impairment occurred. A reversal of an impairment loss is recognised as income immediately.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and comprises the value of sales of services (excluding VAT) in the normal course of business.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Cost of sales

Cost of sales includes agents' commission, the cost of mobile top-ups and SIM cards where PayPoint acts as principal in their purchase and sale, consumables, communications, maintenance, depreciation and field service costs and, in respect of PayPoint.net, external processing charges levied by acquiring banks. All other costs are allocated to administrative expenses.

Pension costs

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

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based upon independent advice that the shares will eventually vest. Fair value is measured by use of either a Monte Carlo simulation or Black Scholes model depending upon the scheme. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Interest income

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

Taxation

The group operates in a number of different tax jurisdictions which leads to some complexity in tax matters. This requires a degree of estimation of liabilities and delays resolution of issues. The final resolution of tax issues may give rise to variances in profit and loss and cash. The group's policy is to pay tax when due but to minimise tax payments where practically possible, without engaging in aggressive tax schemes.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currency

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

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

Intangible assets

On acquisitions, the group has recognised contracts with merchants and technology, based on their estimated fair values as intangible assets.

Contracts with merchants are amortised on a straight line basis, generally between one and five years, and technology is amortised over its estimated useful economic life of ten years.

Software development expenditure

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

Property, plant and equipment

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

- freehold building – 50 years;
- leasehold improvements – over the life of the lease;
- terminals – 5 years;
- automatic teller machines – 4 years; and
- other classes of assets – 3 years.

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

Inventories

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

Joint ventures

A joint venture entity is an entity in which the group holds a long term interest and shares joint control over the strategic, financial and operating decisions with one or more other ventures under a contractual arrangement. The group's share of assets, liabilities, income, expenditure and cashflows are accounted for using the equity method of accounting.

Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as property, plant and equipment and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the remaining balance of liability. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used. Rentals received for ATMs from retail agents under operating leases are credited to income on a straight line basis over the lease term.

Bank and other loans

Bank and other loans are initially measured at fair value, net of any attributable transaction costs, if any, and are subsequently measured at amortised cost using the effective interest rate method.

Dividends

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

Own shares

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

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short-term deposits maturing within three months and are subject to insignificant risk of changes in value.

Critical accounting judgments

The critical accounting judgments and key sources of estimation uncertainty in the business are the valuation of goodwill £56.9 million (2009: £27.6 million) and other intangible assets £1.4 million (2009: £2.0 million). Management reviews goodwill for any impairment on an annual basis; see note 10. Intangible assets are amortised over their economic useful life; see note 11. The accounting policies for goodwill and intangible assets are included above in this note 1.

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

(i) Segmental information

PayPoint is a service provider for consumer payment transactions (payments and receipts) through various distribution channels, involving the processing of high volume transactions, the management of 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 by the group's executive (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 operating and financial review.

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

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

Revenue comprises the value of sales (excluding VAT) of services in the normal course of business and includes amounts billed to clients to be passed on to retail agents as commission payable, the sales value to retailers of mobile top-ups and SIM cards 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; the cost of mobile top-ups and SIM cards where PayPoint is the principal in the supply chain; and acquiring bank charges.

Net revenue

	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Revenue – transaction processing	**195,008**	222,693
– rental income from ATMs	**1,595**	1,658
	196,603	224,351
less:		
Commission payable to retail agents	**(73,178)**	(83,891)
Cost of mobile top-ups and SIM cards as principal	**(43,520)**	(59,317)
Acquiring bank charges	**(2,499)**	(3,745)
Net revenue	**77,406**	77,398

Cost of sales

	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Cost of sales		
Commission payable to retail agents	**73,178**	83,891
Cost of mobile top-ups and SIM cards as principal	**43,520**	59,317
Acquiring bank charges	**2,499**	3,745
Depreciation and amortisation	**4,820**	5,698
Other	**9,093**	7,845
Total cost of sales	**133,110**	160,496

Geographical information

	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Revenue		
UK	**147,658**	159,290
Ireland	**24,476**	29,579
Romania	**24,386**	35,482
North America	**83**	-
Total	**196,603**	224,351

	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Non-current assets		
UK	**73,290**	45,423
Ireland	**14**	61
Romania	**1,422**	1,958
North America	**211**	-
Total	**74,937**	47,442

3. Employee information

	Group		**Company**	
	2010	2009	**2010**	2009
Average number of persons employed				
Sales, distribution and marketing	**176**	140	**-**	-
Operations and administration	**317**	328	**7**	5
	493	468	**7**	5
Staff costs during the year (including directors)	**£000**	£000	**£000**	£000
Wages and salaries	**15,909**	13,931	**330**	269
Social security costs	**1,784**	1,461	**35**	34
Pension costs (note 24)	**754**	667	**-**	-
	18,447	16,059	**365**	303

Directors' emoluments, pension contributions and share options are disclosed in the remuneration committee report on pages 20 to 25. Included within staff costs is a share based payment charge (note 23) of £942,000 (2009: £759,000).

4. Profit of parent company

The company has taken advantage of the exemption under S.408 of the Companies Act 2006 and consequently the income statement of the parent company is not presented as part of these financial statements. The loss of the parent company for the financial year amounted to £1,505,000 (2009: £930,000).

5. Operating profit

	Group	
	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Operating profit is after charging/ (crediting):		
Inventory expensed – cost of mobile top-ups and SIM cards as principal	**43,520**	59,317
Depreciation on owned assets	**4,286**	4,907
(Gain)/loss on disposal of property, plant and equipment	**(14)**	45
Amortisation of intangible assets	**534**	791
Rentals under operating leases:		
– other operating leases	**70**	760
– income from rental of ATMs	**(1,595)**	(1,658)
Auditors' remuneration (see note below)	**196**	219
Staff costs	**18,447**	16,059

	2010 £000	2009 £000
Auditors' remuneration:		
Fees payable to the company's auditors for the audit of the company's annual accounts	**10**	10
Fees payable to the group's auditors for the audit of the company's subsidiaries	**120**	126
Total audit fees	**130**	136
Fees payable to the group's auditors and their associates for other services to the group:		
Tax	**40**	78
Corporate finance services[1]	**285**	-
Other	**26**	5
Total non-audit fees	**351**	83
Total auditors' remuneration	**481**	219

Fees payable to Deloitte LLP and its associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. A description of the work of the audit committee is set out on pages 15 to 16 and includes an explanation of how auditor independence is safeguarded where non-audit services are provided by the auditors.

6. Investment income and finance costs

Investment income

Investment income comprises interest on current and deposit accounts.

	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Interest		
Bank deposits	**224**	1,275

Finance costs

	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Bank charges	**45**	27
Finance charges	**5**	7
	50	34

1. Corporate finance services relate to acquisition costs and are capitalised as part of the cost of acquisition. (See note 16).

7. Tax

	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Current tax		
Charge for current year	**10,178**	10,503
Adjustment in respect of prior years	**394**	(148)
Current tax charge	**10,572**	10,355
Deferred tax		
Credit for current year	**(110)**	(94)
Adjustment in respect of prior years	**51**	557
Deferred tax (credit)/charge	**(59)**	463
Total income tax		
Income tax charge	**10,513**	10,818
The income tax charge is based on the United Kingdom statutory rate of corporation tax for the year of 28% (2009: 28%).		
The charge for the year can be reconciled to the profit before tax as set out in the consolidated income statement		
Profit before tax	**32,645**	34,602
Tax at the UK corporation tax rate of 28% (2009: 28%)	**9,141**	9,689
Tax effects of:		
Losses in countries where the tax rate is different to the UK	**304**	313
(Non-taxable income)/ disallowable expenses	**(6)**	54
Utilisation of tax losses not previously recognised	**-**	(379)
Losses in companies where a deferred tax asset is not recognised	**408**	339
Adjustments in respect of prior years	**445**	409
Deferred tax impact of share based payments	**221**	393
Actual amount of tax charge	**10,513**	10,818

8. Dividends on equity shares

	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Equity dividends on ordinary shares:		
Interim dividend paid of 7.4p per share (2009: 6.0p)	**5,008**	4,054
Proposed final dividend of 14.4p per share (2009: paid 11.6p per share)	**9,756**	7,840
Total dividends paid and recommended 21.8p per share (2009: 17.6p per share)	**14,764**	11,894
Amounts distributed to equity holders in the year:		
Final dividend for the prior year	**7,848**	7,023
Interim dividend for the current year	**5,008**	4,054
	12,856	11,077

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements

9. Earnings per share

Basic earnings per share

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

	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**22,132**	23,784

	28 March 2010 Number of shares	29 March 2009 Number of shares
Weighted average number of ordinary shares in issue (for basic earnings per share)	**67,170,830**	66,754,486
Potential dilutive ordinary shares:		
Long-term incentive plan	**427,415**	515,410
Deferred share bonus	**133,313**	111,828
Diluted basis	**67,731,558**	67,381,724

10. Goodwill

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past experience and expectation of future changes in the market.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next four years and extends cash flows to perpetuity. Terminal values are based on growth rates that do not exceed three per cent.

The post-tax rate used to discount the forecast cash flows is 10 per cent.

	Total £000
Cost	
At 29 March 2009	27,628
Recognised on acquisition of subsidiaries (note 16)	29,168
Exchange rate adjustment	76
At 28 March 2010	**56,872**
Accumulated impairment losses	
At 29 March 2009	–
Impairment losses for the year	–
At 28 March 2010	–
Carrying amount	
At 28 March 2010	**56,872**
At 29 March 2009	27,628

	Total £000
Cost	
At 31 March 2008	27,428
Exchange rate adjustment	200
At 29 March 2009	27,628
Accumulated impairment losses	
At 31 March 2008	–
Impairment losses for the year	–
At 29 March 2009	–
Carrying amount	
At 29 March 2009	27,628
At 30 March 2008	27,428

Goodwill arising on acquisition:

	28 March 2010 £000	29 March 2009 £000
PayPoint.net	**18,207**	18,207
PayPoint Romania	**9,497**	9,421
PayByPhone	**29,168**	-
Total	**56,872**	27,628

11. Other intangible assets

	Technology £000	**Contracts with merchants £000**	**Total £000**
Cost			
At 29 March 2009	1,800	2,091	3,891
Exchange rate adjustment	-	(39)	(39)
At 28 March 2010	1,800	2,052	3,852
Amortisation			
At 29 March 2009	425	1,493	1,918
Charge for the year	180	354	534
At 28 March 2010	605	1,847	2,452
Carrying amount			
At 28 March 2010	**1,195**	**205**	**1,400**
At 29 March 2009	1,375	598	1,973

	Technology £000	**Contracts with merchants £000**	**Total £000**
Cost			
At 31 March 2008	1,800	2,068	3,868
Exchange rate adjustment	-	23	23
At 29 March 2009	1,800	2,091	3,891
Amortisation			
At 31 March 2008	245	881	1,126
Charge for the year	180	611	791
Exchange rate adjustment	-	1	1
At 29 March 2009	425	1,493	1,918
Carrying amount			
At 29 March 2009	1,375	598	1,973
At 31 March 2008	1,555	1,187	2,742

The amortisation period for technology costs incurred is 10 years and amortisation of merchant contracts is between 1.9 years and 4.6 years depending upon the merchant churn in the relevant acquired company.

12. Property, plant and equipment

Group	Terminals and ATMs £000	Fixtures, fittings and equipment £000	Land and buildings £000	Total £000
Cost				
At 29 March 2009	30,398	5,102	6,412	41,912
Acquisition of subsidiary (note 16)	-	322	-	322
Additions	1,994	663	-	2,657
Disposals	(202)	(205)	-	(407)
Exchange rate adjustment	16	13	-	29
At 28 March 2010	**32,206**	**5,895**	**6,412**	**44,513**
Accumulated depreciation				
At 29 March 2009	23,110	2,619	22	25,751
Charge for the year	3,353	844	89	4,286
Disposals	(153)	(147)	-	(300)
Exchange rate adjustment	5	4	-	9
At 28 March 2010	**26,315**	**3,320**	**111**	**29,746**
Net book value				
At 28 March 2010	**5,891**	**2,575**	**6,301**	**14,767**
At 29 March 2009	7,288	2,483	6,390	16,161

The net book value of assets held under finance leases is £0.1 million (2009: £nil). The cost for ATMs rented out under operating leases is £6,396,000 (2008: £6,080,000) and the accumulated depreciation is £5,320,000 (2009: £4,636,000). At 28 March 2010, the group had entered into contractual commitments for the acquisition of terminals and ATMs amounting to £550,400 (2009: £537,000).

Group	Terminals and ATMs £000	Fixtures, fittings and equipment £000	Land and buildings £000	Total £000
Cost				
At 31 March 2008	27,559	6,437	-	33,996
Additions	2,873	105	6,412	9,390
Disposals	(111)	(276)	-	(387)
Exchange rate adjustment	77	39	-	116
Other (a)	-	(1,203)	-	(1,203)
At 29 March 2009	30,398	5,102	6,412	41,912
Accumulated depreciation				
At 31 March 2008	18,829	2,053	-	20,882
Charge for the year	4,318	567	22	4,907
Exchange rate adjustment	37	9	-	46
Disposals	(74)	(10)	-	(84)
At 29 March 2009	23,110	2,619	22	25,751
Net book value				
At 29 March 2009	7,288	2,483	6,390	16,161
At 31 March 2008	8,730	4,384	-	13,114

(a) Other relates to the contribution the landlord made to the refurbishment of our operations base in Welwyn, which was previously included in deferred income and being released over the life of the lease. On 9 January 2009, PayPoint purchased the freehold and the balance on deferred income was transferred against the leasehold improvements.

13. Investment in joint venture

On 5 February 2009, PayPoint entered a 50:50 joint venture with Yodel (formerly Home Delivery Network). The joint venture company, Drop and Collect Limited, trades as Collect+. PayPoint subscribed to £500,000 of ordinary shares in the company. The joint venture company has the same accounting reference date as PayPoint plc.

PayPoint's share of aggregated amounts relating to joint ventures	**28 March 2010 £000**	29 March 2009 £000
Total assets	**545**	406
Total liabilities	**(1,969)**	(229)
Share of net assets	**(1,424)**	177
Loan to joint venture (see note 28)	**1,750**	-
Investment in joint venture	**326**	177

	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000
Revenues	**205**	1
Loss for year	**(1,601)**	(323)

14. Deferred tax asset

	29 March 2009 £000	Credit / (charge) to income statement £000	Debit to equity £000	**28 March 2010 £000**
Tax depreciation	1,137	183	-	**1,320**
Share based payments	421	(162)	(20)	**239**
Tax losses	36	(36)	-	**-**
Intangibles	(517)	125	-	**(392)**
Short term temporary differences	51	(51)	-	**-**
Total	1,128	59	(20)	**1,167**

	31 March 2008 £000	Credit / (charge) to income statement £000	Credit to equity £000	29 March 2009 £000
Tax depreciation	620	517	-	1,137
Share based payments	795	(394)	20	421
Tax losses	129	(93)	-	36
Intangibles	-	(517)	-	(517)
Short term temporary differences	27	24	-	51
Total	1,571	(463)	20	1,128

At the balance sheet date:

A deferred tax asset of £1.2 million (2009: £1.1 million) is recognised on the basis that there will be sufficient future taxable profits against which the deferred tax asset can be recovered, based on management forecasts.

At the balance sheet date, the group has unused tax losses of £5.1 million (2009: £2.5 million) available for offset against future profits for which no deferred tax asset is recognised. Included in unrecognised tax losses are losses of £2.0 million that will expire within three to four years and £2.6 million that will expire within four to seven years. Other losses may be carried forward indefinitely.

No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of these differences is not material at the balance sheet date.

15. Investments

	Group		Company	
	28 March 2010 £000	29 March 2009 £000	**28 March 2010 £000**	29 March 2009 £000
Investments carried at cost:				
Investment in OB10 Limited (note 28)	**405**	375	**405**	375
Investments in subsidiaries	**-**	-	**105,650**	73,295
	405	375	**106,055**	73,670

On 9th March 2010, the company purchased PayByPhone for £30 million (see note 16). During the year the company loaned Collect+ £1.8 million (2009: £nil) and subscribed for additional share capital in PayPoint Romania for £0.6 million (2009: £2.7 million).

Subsidiary undertakings

The company, a holding company, has investments (directly or indirectly) in the following subsidiary undertakings:

Subsidiary of the company	Principal activity	Country of registration
PayPoint Network Limited	Management of an electronic payment service	England and Wales
PayPoint Collections Limited	Provision of a payment collection service	England and Wales
PayPoint Retail Solutions Limited	Provision of retail services	England and Wales
PayPoint Ireland Limited	Holding company in Ireland	Ireland
PayPoint Network Ireland Limited	Management of an electronic payment service in Ireland	Ireland
PayPoint Collections Ireland Limited	Payment collection service in Ireland	Ireland
PayPoint Services Romania SRL	Management of an electronic and payment collection service in Romania	Romania
Metacharge Limited	Internet payment service provider	England and Wales
PayPoint.net Limited	Internet payment service provider	England and Wales
Counter Payment Managers Limited	ESOP scheme	Isle of Man
Verrus UK Limited	Provision of a payment by phone service	England and Wales
Verrus Mobile Technologies Inc.	Provision of a payment by phone service	Canada
PayPoint Technologies Canada inc.	Holding Company in Canada	Canada
Mobile Payment Services SAS	Provision of a payment by phone service	France

The company hold 100% of the issued ordinary share capital of the above companies except Mobile Payment Services SAS where the company holds 75% of the issued ordinary share capital.

16. Acquisition of subsidiary

On 9th March, 2010 the group acquired 100 per cent of the issued share capital of Verrus Mobile Technologies Inc and Verrus UK Limited (together PayByPhone) for cash consideration of £29 million with the potential for a further £4 million dependent on financial results until March 2013.

These transactions have been accounted for by the purchase method of accounting.

	Book value £000	Fair value £000
Net assets acquired		
Property plant and equipment	322	319
Trade and other receivables	1,170	1,170
Cash and cash equivalents	596	596
Trade and other payables	(1,127)	(1,127)
Non-current liabilities	(128)	(128)
	833	830
Goodwill		29,168
Total consideration		**29,998**
Satisfied by:		
Cash		28,577
Liability (to Verrus UK Limited) assumed for share option exercise		460
Directly attributable costs		961
		29,998
Net cash outflow arising on acquisition		
Cash consideration		29,538
Cash and cash equivalents acquired		(596)
		28,942

The goodwill of £29.2 million has arisen primarily from the international opportunity to compete successfully for substantial new parking contracts, based on the demonstrable success of the business in offering such services to existing clients in the UK, North America and France.

PayByPhone contributed £283,000 to revenue and a loss of £20,000 to profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of PayByPhone had been completed on the first day of the financial year, it would have contributed £4.7 million to revenue and a loss of £0.3 million attributable to equity holders of the parent.

In May 2008, the company paid £2,108,000, the deferred consideration due for the acquisition of PayPoint Services Romania SRL (formerly Pay Store SRL), which it had acquired on 15 May 2007. The total consideration paid was £10,242,000, of which £8,143,000 was paid in 2007.

17. Inventories

In Ireland and Romania, PayPoint trades as principal for the processing and sale of mobile phone top-ups. In addition, PayPoint Romania purchases and sells mobile scratch cards and SIM cards. In the UK we purchase SIM cards. Stocks of e-vouchers, scratch cards and SIM cards are held at cost.

18. Trade and other receivables

	Group		Company	
	28 March 2010 £000	29 March 2009 £000	**28 March 2010 £000**	29 March 2009 £000
Trade (i) receivables	**21,009**	24,952	**-**	-
Allowance for doubtful debts (ii)	**(1,623)**	(1,587)	**-**	-
	19,386	23,365	**-**	-
Other receivables	**1,708**	1,762	**69**	-
Prepayments and accrued income	**2,388**	1,133	**2**	53
Group relief receivable	**-**	-	**-**	1,005
	23,482	26,260	**71**	1,058

(i) The average credit period on the sale of goods is 27 days (2009: 23 days).

(ii) The group has provided fully for all receivables over 180 days.

Included in the group's trade receivable balance are debtors with a carrying amount of £4,099,000 (2009: £5,604,000) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the group believes that the amounts are still considered recoverable. The average age of these receivables is 41 days (2009: 41 days) and of the total balance £2,795.000 is past due by less than 30 days.

Movement in the allowance for doubtful debts

	Group		Company	
	28 March 2010 £000	29 March 2009 £000	**28 March 2010 £000**	29 March 2009 £000
Balance at the beginning of the year	**1,587**	2,730	-	-
Amounts recovered during the year	**(218)**	(125)	-	-
Amounts utilised in the year	**(630)**	(766)	-	-
Amounts written back to income statement in the year	**-**	(605)	-	-
Increase in allowance	**884**	353	-	-
Balance at end of the year	**1,623**	1,587	-	-

In determining the recoverability of the trade receivables, the group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the spread of the retail agent, merchant and client bases.

19. Cash and cash equivalents

Included within group cash and cash equivalents is £6,818,000 (2009: £7,547,000) relating to monies collected on behalf of clients where the group has title to the funds (client cash). An equivalent balance is included within trade payables (note 20).

The group operates cash pooling amongst its various bank accounts in the UK and therefore individual accounts can be overdrawn without penalties being incurred so long as the overall position is in credit. At 28 March 2010, the group's cash was £20,769,000 (2009: £36,345,000) in credit.

20. Trade and other payables

	Group		Company	
	28 March 2010 £000	29 March 2009 £000	**28 March 2010 £000**	29 March 2009 £000
Amounts owed in respect of client cash (i)	**6,818**	7,547	**-**	-
Other trade payables (ii)	**18,651**	21,328	**610**	15
Trade payables	**25,469**	28,875	**610**	15
Other taxes and social security	**2,219**	1,316	**-**	-
Other payables	**402**	344	**-**	-
Accruals	**9,505**	9,937	**636**	381
Deferred income	**331**	381	**-**	-
	37,926	40,853	**1,246**	396

(i) Included within trade payables is £6,818,000 (2009: £7,547,000) relating to monies collected on behalf of clients where the group has title to the funds (client cash). An equivalent balance is included within cash and cash equivalents (note 19).

(ii) The group aims to pay its creditors promptly, in accordance with terms agreed for payment. The group has 24 days purchases outstanding at 28 March 2010 (2009: 16 days) based on the average daily amount invoiced by suppliers during the year.

21. Short-term borrowings

	Group		Company	
	28 March 2010 £000	29 March 2009 £000	**28 March 2010 £000**	29 March 2009 £000
Bank loan	**6,000**	-	**6,000**	-

During the year £6 million of the £35 million loan facility was drawn down to part fund the purchase of PayByPhone.

22. Other non-current liabilities

	Group		Company	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Deferred income	**347**	278	**-**	-
Obligations under finance leases (see note 25)	**32**	**-**	**-**	-
Amounts due to group companies	**-**	-	**65,781**	48,301
	379	278	**65,781**	48,301

23. Equity

Share-based payments
Equity settled share scheme

The group has a number of share schemes as defined in the remuneration committee report on pages 20 to 25. The vesting period for all awards is three years, and they are forfeited if the employee leaves the group before shares vest. All awards made are free shares.

Details of the share awards outstanding during the year are as follows:

	Number of shares 2010	Number of shares 2009
Outstanding at the beginning of the year	**627,751**	849,655
Granted during the year – Long Term Incentive Plan (LTIP)	**270,518**	212,093
Granted during the year – Deferred Share Bonus (DSB)	**50,969**	45,837
Lapsed during the year	**-**	(17,111)
Released during the year	**(175,803)**	(462,723)
Outstanding at end of the year	**773,435**	627,751

	Awards granted	Number of shares	Vesting date
LTIP	11 June 2007	169,882	4 June 2010
DSB	11 June 2007	28,934	4 June 2010
LTIP	16 May 2008	207,295	16 May 2011
DSB	16 May 2008	45,837	16 May 2011
LTIP	4 June 2009	270,518	4 June 2012
DSB	4 June 2009	50,969	4 June 2012

The inputs into the Black Scholes model for the DSB and Monte Carlo model for LTIP and DSB awards during the year are as follows:

	2010		2009	
	LTIP	**DSB**	LTIP	DSB
Weighted average share price	**3.52**	**4.74**	3.12	5.01
Expected volatility	**45%**		38%	
Expected life	**3 years**	**3 years**	3 years	3 years
Risk free rate	**2.29%**		4.70%	
Expected dividend yield	**3.60%**	**3.60%**	2.48%	2.48%

Other share-based payment plans

The employee Share Incentive Plan is open to all employees of PayPoint Network, PayPoint Collections, PayPoint Retail Solutions and PayPoint.net and provides for a purchase price equal to the market price on the date of purchase. The shares are purchased each month and are placed in the employee share savings plan for a three to five year period.

	Group 2010 £000	Group 2009 £000	**Company 2010 £000**	Company 2009 £000
Authorised share capital				
4,365,352,200 ordinary shares of 1/3p each (2009 4,365,352,200: ordinary shares of 1/3p each)	**14,551**	14,551	**14,551**	14,551
	14,551	14,551	**14,551**	14,551
Called up, allotted and fully paid share capital				
67,754,202 ordinary shares of 1/3p each (2009: 67,723,820 ordinary shares of 1/3p each)	**226**	226	**226**	226
	226	226	**226**	226
Called up share capital				
At start of year	**226**	226	**226**	226
At end of year	**226**	226	**226**	226
Investment in own shares				
At start of year	**(926)**	(935)	**(926)**	(935)
Acquired in year (note 28)	**(490)**	(2,489)	**(490)**	(2,489)
Used on share scheme vesting (note 28)	**1,046**	2,498	**1,046**	2,498
At end of year	**(370)**	(926)	**(370)**	(926)
Share premium				
At start of year	**25**	-	**25**	-
Arising on issue of shares	**-**	25	**-**	25
At end of year	**25**	25	**25**	25
Share based payment reserve				
At start of year	**2,489**	2,281	**2,489**	2,281
Additions in year	**942**	759	**942**	759
Released in year	**(761)**	(764)	**(761)**	(764)
Current tax on awards	**34**	515	**34**	515
Other adjustments	**(20)**	(302)	**(20)**	(302)
At end of year	**2,684**	2,489	**2,684**	2,489
Translation reserve				
At start of year	**508**	318	**-**	-
Movement during year	**35**	190	**-**	-
At end of year	**543**	508	**-**	-
Retained earnings				
At start of year	**58,645**	47,697	**24,289**	38,055
Profit/(loss) for year	**22,132**	23,784	**(1,505)**	(930)
Dividends paid	**(12,856)**	(11,077)	**(12,856)**	(11,077)
Dividends received	**-**	-	**21,600**	-
Adjustment on share scheme vesting (note 28)	**(285)**	(1,759)	**(285)**	(1,759)
At end of year	**67,636**	58,645	**31,243**	24,289

24. Pension arrangements

The group administers a non-contributory defined contribution scheme for executive directors and employees. The amount charged in the consolidated income statement for the year for pension costs of the group under the scheme was £754,000 (2009: £585,000). There is an accrual of £nil for pension contributions at the balance sheet date (2009: £13,000).

25. Financial commitments

Obligations under finance leases

	28 March 2010 £000	29 March 2009 £000
Minimum lease payments due:		
Within one year	22	8
Within two to five years	32	-
	54	8
Finance charges allocated to future periods	6	1
	60	9

Operating lease commitments

	28 March 2010		29 March 2009	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Leases which expire:				
Within one year	550	3	133	44
Within two to five years	1,749	-	268	-
After five years	-	-	-	-

26. Operating lease receivables

	28 March 2010 £000	29 March 2009 £000
Amounts receivable under operating leases:		
Within one year	**1,399**	1,452
Within two to five years	**2,628**	2,782
After five years	–	–
	4,027	4,234

The group enters into operating leases with some of its agents for the supply of ATMs. The average term of each lease entered into is five years.

27. Derivatives and other financial instruments

The group's financial instruments comprise cash and various items such as trade receivables, trade payables, other payables, bank loans and accruals, which arise directly from the group's operations. The group's policy is not to undertake speculative trading in financial instruments.

The main risks arising from the group's financial instruments are interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks which are summarised below. These policies have remained unchanged during the year. The group has not used derivative instruments to manage its foreign exchange exposure.

(a) Interest rate risk

The group has no interest bearing financial assets at 28 March 2010 other than sterling, euro, Romanian lei, US dollars and Canadian dollars deposits of £20,769,000 (2009: £36,345,000). Of these deposits, £6,818,000 (2009: £7,547,000) relates to monies held on behalf of clients where PayPoint has title to the funds for periods of up to seven days.

All sterling funds earn interest at the prevailing rate. The funds are deposited on short-term deposits (normally weekly or monthly) or held in current accounts in cash. The group seeks to maximise interest receipts within these parameters.

Finance leases have been used to finance certain asset purchases within the group. Interest is charged on these leases at fixed contractual rates.

Further analysis of the interest rate profile of the fixed rate financial liabilities as at 28 March 2010 and 29 March 2009 is provided below:

	2010 %	2009 %
Bank loan	**1.15**	-

The terms for the loan are 0.65% above base rate, and the loan is for 3 months and was drawn down on 4 March 2010. The directors believe that the carrying amount and fair value amount is the same.

(b) Liquidity risk

The group's policy throughout the year ended 28 March 2010 regarding liquidity has been to maximise the return on funds placed on deposit whilst minimising the associated risk.

The group had no financial liabilities at 28 March 2010 other than short-term payables such as trade payables, accruals and a short term bank loan of £6 million all of which are payable within two months.

(c) Foreign exchange risk

To date, the group has not engaged in an active programme of foreign exchange risk management. Given the size and nature of the group's non-sterling denominated balances, the directors do not consider hedging necessary.

The group's currency exposures comprise those transactional exposures that give rise to the net currency gains and losses recognised in the income statement. Such exposures comprise the monetary assets and monetary liabilities of the group that are not denominated in the operating (or functional) currency of the operating unit involved. At 28 March 2010, these exposures were £469,000 (2009: £9,000).

(d) Borrowing facilities
The group has a £35 million revolving loan facility with a remaining term of over one year. At 28 March 2010, £6 million was drawn down (2009: £nil).

(e) Fair value of financial assets and liabilities
The directors consider there to be no material difference between the book value and the fair value of the group's financial instruments at 28 March 2010.

(f) Market price risk
The group's exposure to market price risk comprises interest rate exposure. Group funds are invested in money market cash deposits with the objective of maintaining a balance between accessibility of funds and competitive rates of return. In practice, this has meant that no deposits were made with a maturity greater than 30 days during the year.

(g) Capital risk management
The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

(h) Credit risk
The group's financial assets are cash, trade and other receivables and investments. The group's credit risk is primarily attributable to its trade receivables and off balance sheet agent debt to the extent that PayPoint bears the credit risk. Clients, agents and merchants are credit checked to mitigate credit risk and in all new client contracts we have the right of set-off of funds collected against monies due. The group's maximum exposure, at 28 March 2010, was £42,594,000 (2009: £62,024,000).

(i) Financial instrument sensitivities
Financial instruments affected by market risk include deposits, trade receivables and trade payables. Any changes in market variables (exchange rates and interest rates) will have an immaterial effect on these instruments.

28. Related party transactions

Remuneration of the directors, who are the key management of the group, is disclosed in the audited part of the remuneration committee report on pages 20 to 25.

PayPoint has entered into a loan agreement with its 50:50 joint venture Drop and Collect Limited (trading as Collect +) and during the year it has lent Drop and Collect Limited £1,750,000.

The terms of the loan are:

- Interest payable annually at a rate of 3 months LIBOR.
- Repayable upon termination of the joint venture or upon demand by the lender.

The company and its subsidiaries, in the ordinary course of business, enter into various sales, purchase and service transactions with joint ventures and associates and others in which the group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions are not considered to be significant.

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 difference of the cost of the shares used in share scheme vesting over their fair value determined at the date of grant in accordance with IFRS 2 of £285,000 has been charged to retained earnings.

In March 2008, PayPoint purchased shares in OB10, a company that specialises in electronic invoicing. During the year, PayPoint subscribed for a further £30,000 of shares under a rights issue, resulting in a shareholding at 28 March 2010 of 1.04% (29 March 2009: 1.05%).

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	**Year ended 28 March 2010 £000**	Year ended 29 March 2009 £000
	%	%
David Newlands	**4.73**	4.73
Dominic Taylor	**1.42**	1.42
George Earle	**0.42**	0.42
Nick Wiles (appointed 22nd October 2009)	**1.04**	1.04
Eric Anstee	**0.08**	0.08

29. Notes to the cash flow statement

	Group		Company	
	Year ended 28 March 2010 £000	Year ended 29 March 2009 £000	**Year ended 28 March 2010 £000**	Year ended 29 March 2009 £000
Operating profit/ (loss)	**34,072**	33,684	**(486)**	(484)
Adjustments for:				
Depreciation of property, plant and equipment	**4,286**	4,907	**-**	-
Amortisation of intangible assets	**534**	791	**-**	-
Share based payment charge	**942**	759	**942**	759
Operating cash flows before movements in working capital	**39,834**	40,141	**456**	275
(Increase)/ decrease in inventories	**(373)**	155	**-**	-
Decrease in receivables	**2,385**	6,178	**986**	6,625
(Decrease) / increase in payables				
– client cash	**(729)**	(454)	**-**	-
– other payables	**(2,386)**	(5,433)	**16,896**	12,029
Cash generated by operations	**38,731**	40,587	**18,338**	18,929
Corporation tax paid	**(13,702)**	(7,940)	**-**	-
Interest and bank charges paid	**(43)**	(28)	**-**	-
Net cash from operating activities	**24,986**	32,619	**18,338**	18,929

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, bank manager, solicitor, tax adviser, accountant or other independent professional adviser.

If you have recently sold or otherwise transferred all of your shares in PayPoint plc, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer, so they can pass these documents to the person who now holds the shares as soon as possible.

PayPoint plc

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2010 annual general meeting of PayPoint plc will be held at the offices of J.P.Morgan Cazenove, 20 Moorgate, London EC2R 6DA, on Wednesday 7 July 2010 at 12pm. You will be asked to consider and pass the resolutions below. Resolutions 10 to 12 (inclusive) will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

ORDINARY RESOLUTIONS

1. To receive the financial statements and the reports of the directors and the auditors thereon for the year ended 28 March 2010.

2. To receive the directors' remuneration report for the year ended 28 March 2010.

3. To declare a final dividend of 14.4p per ordinary share of the company.

4. To re-elect Mr Andrew Robb as a director, who retires by rotation under article 37.1 of the company's articles of association.

5. To re-elect Mr George Earle as a director, who retires by rotation under article 37.2 of the company's articles of association.

6. To re-appoint Mr Nick Wiles as a director, who retires by rotation under article 32.2 of the company's articles of association.

7. To re-appoint Deloitte LLP as auditors of the company.

8. To authorise the directors to determine the auditors' remuneration.

9. That the directors are authorised under section 551 of the Companies Act 2006 (the Act) to exercise all the powers of the company to allot relevant securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £75,298 provided that this authority shall expire on the conclusion of the annual general meeting of the company to be held in 2011 or, if earlier, on the date which is 15 months from the date of this resolution, save that the company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the directors to allot relevant securities are revoked.

SPECIAL RESOLUTIONS

To consider and, if thought fit, to pass the following resolutions as special resolutions:

10. That the directors are empowered under section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash (under the authority conferred by resolution 9 above) or by way of a sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

    (a) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date(s), subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and

    b) the allotment (otherwise than under (a) above) to any person or persons of equity securities up to an aggregate nominal amount of £11,293, and shall expire upon the expiry of the general authority conferred by resolution 9 above, save that the company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

11. As permitted by the company's articles of association and Section 701 of the Act, the company is authorised to make market purchases (within the meaning of section 693 of the Act) of ordinary shares of the company provided that:-

    (a) the maximum number of ordinary shares to be acquired is 14.99 per cent;

    (b) the minimum price (exclusive of expenses) which may be paid for an ordinary share is the nominal value of such share;

    (c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than the higher of: (i) 105 per cent. of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid for an ordinary share in the company on the trading venue where the purchase is carried out;

    (d) this authority shall expire on the conclusion of the annual general meeting of the company to be held in 2011 or, if earlier, on the date which is 15 months from the date of this resolution; and

    (e) the company may make any purchase of its ordinary shares pursuant to a contract concluded before this authority expires and which will or may be executed wholly or partly after the expiry of such authority.

    All shares purchased shall either: (i) be cancelled immediately on completion of the purchase; or (ii) be held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act.

12. That any general meeting of the company that is not an annual general meeting may be called on not less than 14 clear days' notice.

By order of the board
Susan Court
Company Secretary
27 May 2010

Registered Office:
1 The Boulevard
Shire Park
Welwyn Garden City
Hertfordshire
AL7 1EL

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. A form of proxy is enclosed with this notice for use by shareholders. To be valid, a proxy must be received by the company's registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU not less than 48 hours before the time of the annual general meeting. Appointment of a proxy does not preclude a shareholder from attending the annual general meeting and voting in person.

2. A member entitled to attend, speak and vote at the annual general meeting may appoint one or more proxies (who need not be a member of the company) to attend and, on a poll, to vote on his or her behalf. In order to be valid, an appointment of proxy must be returned by one of the following methods:

   - in hard copy form by post, by courier or by hand to the company's registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU; or

   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below, and in each case must be received by the company not less than 48 hours before the time of the meeting.

3. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the annual general meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

4. The statement of the rights of shareholders to appoint a proxy in paragraphs one and two above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the company.

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting and any adjournment thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a CREST proxy instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST manual. The message regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of annual general meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedure in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

6. To be entitled to attend and vote at the annual general meeting or any adjournment thereof (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the company by 6 pm on 5 July 2010 (or 6 pm on the date being two days before any adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

7. Biographical details of the directors of the company are shown on page 17 of the 2010 annual report.

8. Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, under section 319A of the Companies Act 2006 and subject to some exceptions, the company must cause to be answered. However no such answer need be given if:

   (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

   (b) the answer has already been given on a website in the form of an answer to a question; or

   (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

9. Information relating to the meeting which the company is required by the Companies Act 2006 to publish on a website in advance of the meeting may be viewed at www.paypoint.com. A member may not use any electronic address provided by the company in this document or with any proxy appointment form or in any website for communicating with the Company for any purpose in relation to the meeting other than as expressly stated in it.

10. It is possible that, pursuant to members' requests made under section 527 of the Companies Act 2006, the company will be required to publish on a website a statement in accordance with section 528 of that Act setting out any matter that the members concerned propose to raise at the meeting relating to the audit of the company's latest audited accounts. The company cannot require the members concerned to pay its expenses in complying with those sections. The company must forward any such statement to its auditors by the time it makes the statement available on the website. The business which may be dealt with at the meeting includes any such statement.

11. The issued share capital of the company as at 27 May 2010 was 67,761,904 ordinary shares of ⅓ pence each, carrying one vote each. The company holds 68,421 shares for the purpose of employee share schemes, therefore, the total number of voting rights in the company on 27 May 2010 was 67,693,483.

12. The following documents are available for inspection at the registered office of the company during normal business hours on any weekday and will be available at the place of the annual general meeting from 15 minutes before the meeting until it ends:

    - the directors' service agreements and letters of appointment; and

    - copies of the current articles of association of the company.

Recommendation and voting intentions

The directors consider that all the resolutions to be put to the meeting are in the best interests of the company and its shareholders as a whole and most likely to promote the success of the company for the benefit of those shareholders. Those directors who are shareholders will be voting in favour of the resolutions and unanimously recommend that you do so as well.

Explanatory notes to certain of the resolutions to be proposed at the annual general meeting

Resolution 9: Directors' authority to allot shares

Under section 551 of the Companies Act 2006 (the Act), the directors require the authority of shareholders of the company to allot shares or other relevant securities. The resolution numbered 9 authorises the directors to make allotments of up to an additional 22,587,301 ordinary shares (representing approximately one-third of the issued share capital of the company as at the date of this document). This amount is in line with ABI guidelines. If approved at the forthcoming annual general meeting, the authority will expire no later than 15 months from the date on which the resolution is passed or on the conclusion of the annual general meeting of the company to be held in 2011, whichever is the sooner. The directors have no present intention of exercising the authority proposed to be conferred under resolution 9.

Resolution 10: Authority for disapplication of statutory pre-emption rights

Under section 561 of the Act, any issue by the company of equity capital for cash made otherwise than to existing shareholders on a proportional basis requires the consent of shareholders of the company unless the company has obtained their authority under section 570 of the Act. The resolution numbered 10 is for that purpose. It authorises the directors to allot shares by way of rights issue or pursuant to an open offer or otherwise than strictly pro rata when the directors consider that it is expedient to do so and also allows them to issue for cash up to 3,388,095 ordinary shares (representing approximately five per cent) of the issued share capital of the company as at the date of this document other than on a pre-emptive basis. If approved at the forthcoming annual general meeting, the authority will expire no later than 15 months from the date on which the resolution is passed or on the conclusion of the annual general meeting of the company to be held in 2011, whichever is the sooner.

Resolution 11: Authority to make market purchases of ordinary shares

Under section 701 of the Act, the company may make market purchases of its own ordinary shares if authorised to do so by shareholders. Under resolution 12, the directors seek to renew an annual authority to make market purchases of shares: each year the directors will seek to further renew this authority at the company's annual general meeting. Any ordinary shares purchased under this authority would either be (i) cancelled immediately on completion of the purchase and the number of ordinary shares in issue reduced accordingly; (ii) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act; or (iii) transferred to an employee benefit trust for the satisfaction of awards under the company's existing share schemes.

The maximum number of ordinary shares which could be purchased under this authority is 10,157,509, being 14.99 per cent. of the issued share capital of the company as at the date of this document. Any repurchase of ordinary shares carried out by the company would be at a maximum price per ordinary share of 105 per cent. of the average middle market price of such a share for the five business days immediately preceding the date of the purchase, the price equal to the last independent trade or the highest current independent bid and at a minimum price equal to the nominal value. The authority to repurchase ordinary shares will, if approved by shareholders, only be exercised after careful consideration by the directors and if such exercise would result in an increase in earnings per share and be in the best interests of shareholders generally. If approved at the forthcoming annual general meeting, the authority will expire no later than 15 months from the date on which the resolution is passed, or on the conclusion of the annual general meeting of the company to be held in 2011, whichever is the sooner.

Resolution 12: Authority to allow any general meeting of the company that is not an annual general to be called on not less than 14 clear days' notice

The Companies (Shareholders' Rights) Regulations 2009 amended the Companies Act 2006 with effect from August 2009. One effect was to increase the notice period of the company's general meetings to 21 days. The directors seek authority to hold general meetings, other than an annual general meeting on 14 rather than 21 days notice. If approved at the forthcoming annual general meeting, the authority will be in effect till the company's next annual general meeting when it is intended that a similar resolution will be proposed. The company must also make a means of electronic voting available to all shareholders before it can call a general meeting on 14 clear days' notice.

The directors have no present intention of exercising the authority proposed to be conferred under resolution 12.

FORM OF PROXY

PayPoint plc – annual general meeting

I/We,.. (NAME)

of.. (ADDRESS)

hereby appoint the Chairman of the meeting OR the following person..(NAME OF PROXY)

of.. (ADDRESS)

As my/our proxy to exercise all or any of my rights to attend, speak and vote in respect of my/our voting entitlement of ……………………………….. shares on my/our behalf at the annual general meeting of the company to be held at 12pm on 7 July 2010 at the offices of J.P.Morgan Cazenove, 20 Moorgate, London EC2R 6DA and at any adjournment thereof.

Please indicate by ticking the box if this proxy appointment is one of multiple appointments being made*
* For the appointment of one or more proxy, please refer to explanatory note 2 (above)

RESOLUTION **ORDINARY BUSINESS**		FOR	AGAINST	WITHHELD
1	To receive the directors' report and the financial statements for the year ended 28 March 2010, together with the auditors' report.			
2	To approve the remuneration committee report for the year ended 28 March 2010.			
3	To declare a final dividend of 14.4p per ordinary share of the company.			
4	To re-elect Mr Andrew Robb as a director of the company.			
5	To re-elect Mr George Earle as a director of the company.			
6	To re-appoint Mr Nick Wiles as a director of the company.			
7	To re-appoint Deloitte LLP as auditors of the company.			
8	To authorise the directors to determine the auditors' remuneration			
9	**ORDINARY RESOLUTION: To authorise the directors to allot shares under Section 551 of the Companies Act 2006**			
SPECIAL RESOLUTIONS				
10	SPECIAL RESOLUTION: To dis-apply statutory pre-emption rights under Section 570 of the Companies Act 2006.			
11	SPECIAL RESOLUTION: To authorise the company to make market purchases of its ordinary shares up to 14.99% of the issued share capital.			
12	SPECIAL RESOLUTION: To allow any general meeting (other than an annual general meeting) to be called on 14 days' notice.			

To assist with arrangements, if you intend attending the meeting in person please place and 'X' in the box opposite

Signature **Date**

In the case of a corporation, this proxy must be given under its common seal or signed on its behalf by an officer duly authorised, stating their capacity (e.g. director, company secretary)

Explanatory Notes

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided (see below). If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name (see below) the number of shares in relation to which they are authorised to act as your proxy. If left blank, your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
2. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the company in accordance with section 146 of the Companies Act 2006 (nominated persons). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
4. The Vote Withheld option above is provided to enable you to abstain on any particular resolution. However, it should be noted that a Vote Withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes For and Against a resolution.
5. Entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6pm on the day which is two days before the day of the meeting or adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
6. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number RA10) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The completion and return of this form will not preclude a member from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
8. To be effective, all votes must be lodged not less than 48 hours before the time of the meeting at the office of the company's registrars at: PXS, 34 Beckenham Road, Beckenham, BR3 4TU.
9. This form is issued only to the addressee(s) and is specific to the unique designated account printed hereon. This personalised form is not transferable between different (i) account holders; or (ii) uniquely designated accounts. The company and Capita Registrars accept no liability for any instruction that does not comply with these conditions.

3rd FOLD and TUCK IN

BUSINESS REPLY
Licence No. RSBH-UXKS-LRBC

PXS
34 Beckenham Road
Beckenham
BR3 4TU

1st FOLD

2nd FOLD

OFFICERS AND PROFESSIONAL ADVISERS

Directors
E E Anstee*
G D Earle
D J Morrison*
D B Newlands (Chairman)*
A M Robb*
S P Rowley*
D C Taylor
T D Watkin-Rees
R N Wood*
N Wiles*[1]

* Non-executive directors
[1] Appointed 22 October 2009

Company Secretary
S C Court

Registered office
1 The Boulevard
Shire Park
Welwyn Garden City
Hertfordshire, AL7 1EL
United Kingdom

Registered in England and Wales
number 3581541

Independent auditors
Deloitte LLP
2 New Street Square
London, EC4A 3BZ
United Kingdom

Registrars
Registrars
Capita Registrars
Northern House
Woodsome Park
Fennay Bridge
Huddersfield
West Yorkshire
HD8 0GA

Financial advisors and stockbrokers
J. P. Morgan Cazenove
20 Moorgate
London EC2R 6DA
United Kingdom

PayPoint plc
1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL United Kingdom
Telephone +44 (0)1707 600300 Fax +44 (0)1707 600333 www.paypoint.com