PayPoint plc
Half yearly financial report
for the 27 weeks ended 30 September 2012

HIGHLIGHTS

	27 weeks ended 30 September 2012	26 weeks ended 25 September 2011	Increase[2]
Revenue	**£101.7m**	£95.9m	6.0%
Net revenue[1]	**£49.3m**	£41.9m	17.7%
Gross margin	**41.2%**	37.5%	3.7ppts
Operating profit	**£18.9m**	£16.7m	13.0%
Profit before tax	**£18.3m**	£15.8m	15.5%
Diluted earnings per share	**20.2p**	16.7p	21.0%
Interim dividend per share	**10.2p**	8.7p	17.2%

- 345 million transactions processed in the period, up 18%
- Proposed interim dividend of 10.2p, up 17%

Retail
- UK & Ireland retail network transactions increased 17%, with retail services continued strong growth of 24%
- Over 11.6 million Romanian bill payment transactions in the period, up 38%, and the Romanian network continued to grow profitably
- Collect+ has more than doubled transactions to over 3 million and is now available in over 5,000 sites

e&m commerce (Internet and PayByPhone)
- Internet transactions have grown by 22% and net revenue by 13%
- PayByPhone increased transactions to over 10 million, up 27%

David Newlands, Chairman of PayPoint said:

“I am pleased to report respectable growth in transactions, net revenue and operating profits in the first half of this financial year, demonstrating the strength of the UK retail channel. Our Romanian business and our parcels service[3] are both now profitable. In PayByPhone, parking and other mobile payments, such as for tolling, offer substantial future revenue opportunities.

Our retail networks in the UK and Romania continue to deliver profitable growth from our strong client base and breadth of services. We continue to innovate and invest in technology and new services to maintain the premium quality of these retail networks and their competitive advantages. Our e&m commerce businesses are important elements of our strategy to become a multi-channel payments and services company providing us with a foothold in fast growing markets and a bridge from cash to electronic payments.

For the current financial year, trading is in line with the company’s expectations. Our retail networks are strong and developing well. We intend to pursue further opportunities to enhance UK retail yield and to grow the Romanian retail network, thereby increasing market share in bill payment and retail services in both countries. We expect continued progress in the internet and mobile payment channels.”

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

1 Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, merchant service charges for card payments and costs for the provision of call centres for PayByPhone clients. Net revenue is a measure, which the directors believe assists with a better understanding of the underlying performance of the group.

2 The reported period of 26 March to 30 September 2012 contains 27 weeks. Comparative data is given for the 26 week period reported last year (i.e. 28 March to 25 September 2011). Percentage increases on a pro-rata basis are lower than those shown.

3 Our parcels service comprises the net revenue less direct costs in the UK retail network, less our share of the losses of Collect+

MANAGEMENT REPORT

This management report has been prepared solely to provide additional information to shareholders as a body to assess PayPoint's half year results and it should not be relied upon for any other purpose. It contains forward looking statements made by the directors in good faith based on the information available at the time of approval of the half yearly financial report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking statements.

PayPoint processes consumer transactions and as such, has only one operating segment. However, we include an analysis of the number and value of consumer transactions, revenue and net revenue and our networks, by product to help to explain the execution of our strategy.

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

The results cover a period of 27 weeks (2011: 26 weeks) and as a consequence percentage increases are flattered by an additional week of trading. Pro-rata increases would be less, generally between 3 to 5 percentage points.

The channel and product analysis is as follows:

Retail networks:
Bill and general (prepaid energy, bills, and cash out services)
Top-ups (mobile, e-money vouchers, prepaid debit cards and The Health Lottery)
Retail services (ATM, debit/credit, parcels, money transfer, SIMs and receipt advertising)

e&m commerce:
Internet (consumer transactions with merchants, pre-authorisations and Fraudguard, where separately charged)
PayByPhone (parking, tolling, ticketing and bicycle rental transactions)

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

Formerly, we disclosed separately, transaction numbers and value, revenue and net revenue by established businesses (UK retail network and internet) and developing businesses (Romanian retail network, PayByPhone and Collect+). Given that the Romanian retail network continues to be profitable and our parcels service (net revenue from parcels in UK retail less direct costs and our share of the loss in Collect+) is also profitable, we have dispensed with the distinction between established and developing businesses.

Operational review

During the 27 week period (2011: 26 weeks), transactions have increased to 345 million (2011: 292 million). Transaction value increased to £6.6 billion (2011: £5.6 billion). Revenue has increased £6 million or 6% overall. Net revenue increased by £7m or 18% overall, higher than revenue growth mainly because net revenue is not adversely affected by the decline in the cost of mobile top-ups in Romania and Ireland nor mobile top-up agent commission. Operating profit improved by 13%, lower than net revenue, mainly as a consequence of the costs incurred for the Simple Payment service (SPS). A lower tax charge (from the reduction in UK corporate tax rates and prior year benefits from Romanian losses and relief for share based compensation) enhanced earnings per share growth to 21%. The impact of the additional week on earnings is the main reason for growth in earnings in excess of the growth in dividends.

Our retail networks continue to perform well, with transaction growth of 17% and net revenue growth of 16%. In the UK, prepaid energy transactions have increased 19%, helped by increases in prepaid meter numbers and tariffs and retail services transactions have grown 24%, as we extend these services across our network. In Romania, bill payment transactions have grown 38%, where we have started advertising on national television to improve brand awareness and help drive increases in market share. Western Union money transfer has contributed to Romanian growth. In both UK and Romania, the market for mobile top-ups continues to decline. In the UK, mobile top-up transactions have fallen by 8% whereas in Romania, the roll-out of new terminals has more than countered the market decline with transactions 4% higher. Mobile top-up revenues now only account for 19% of total annual net revenues. Other top-up revenues, including The Health Lottery, introduced in October 2011, have increased 122%. The UK retail network management team is now almost complete and has added focus to this business. The successful implementation of SPS, which is at an early stage, is material to achievement of results in line with expectations. We have increased the field force substantially, to support the SPS roll out and to add to our sales capacity in retail services.

Our parcels service has been profitable in the first half of the year, ahead of market expectations. This combines our share of the loss in Collect+, our joint venture with Yodel, with the net revenue less direct costs from parcels in the UK retail channel. Parcel transactions have more than doubled to 3.3 million (2011: 1.3 million) and since the period end, the number of sites has increased to over 5,000. Collect+ has increased the number of clients it serves to 160 from 126 at 25 March 2012. Transactions have grown across the board, including a seven fold increase in consumer deliveries, sold through the Collect+ website, Amazon, eBay and resellers. We now have contracts with Amazon for deliveries, returns and for Amazon.co.uk Marketplace. We continue to invest in service improvements, which should help to deliver revenue growth that outstrips the growth in costs.

In our e&m commerce channels (internet, trading as PayPoint.net and PayByPhone) transaction growth was 23% and net revenue growth 11%. Transaction growth in large internet merchants, which generate lower net revenues, dominated and reduced rechargeable parking related calls caused net revenue growth to be lower than transaction growth. Both e&m commerce channels have made good progress. Through PayByPhone, we gain valuable insight into the development of mobile commerce. It has continued to win new clients but remains at an early stage in its development. Although conversion of business won into revenue remains slow, the potential market for services delivered through mobile phones is large. Extension to bicycle rental, transport ticketing, tolling and other areas offer substantial further potential but will require expenditure in development and marketing. The other focus in the mobile channel has been the reduction of cost to acquire by concentrating sales efforts on the most profitable opportunities and the reduction of cost to serve, by addressing telecommunications costs. Further cost reduction opportunities exist, including the migration of payments to our internet channel, the technical integration of which is now complete.

We have continued to invest in technology. We have signed contracts with the two new data centre operators and commenced fitting out. These new environments are ideally suited to handle the power and air conditioning demands of newer equipment and should provide for our long-term requirements for more capacity and efficiency. Our objective is to close our data centres in Welwyn, Hatfield and London and move all systems and transaction processing to the new data centres over the next three years. Other investment plans include a new CRM system for use with agents in the UK retail network, and to extend 'My PayPoint.com', our extranet service portal. We will introduce single daily settlement with our retailers by the financial year end, reducing agent banking costs and our exposure to retail agent debt. In e&m commerce, we are planning to replace and upgrade our internet platform. In PayByPhone we are developing our technology to open the platform to services other than parking and reducing our cost to serve.

We continue to focus on profitable growth and on evaluating new opportunities to extend our business, particularly in e&m commerce, developing vertical markets and internationally.

Bill and general

		27 weeks ended 30 September 2012	26 weeks ended 25 September 2011	Increase %	Year ended 25 March 2012
Transactions	'000	**191,371**	165,419	15.7	383,332
Transaction value	£000	**3,471,606**	3,005,334	15.5	6,757,902
Revenue	£000	**33,425**	28,032	19.2	62,990
Net revenue [1]	£000	**20,101**	16,179	24.2	36,379

Bill and general payment transactions were ahead of the same period last year as a result of a 19% increase in prepaid energy volumes. The rise in prepaid volumes was driven by an increase in the number of new pre-pay meters installed, higher energy use in colder weather in the early part of the year and higher energy tariffs. There was also strong growth in Romania, where we processed over 11.6 million transactions (2011: 8.5 million).

SPS has now been launched in selected locations across the UK, although volumes have not been material in the reported period. Revenue includes set up and management fees in respect of SPS.

Revenue and net revenue growth in excess of transactions was caused mainly by SPS set up and management fees.

Top-ups

		27 weeks ended 30 September 2012	26 weeks ended 25 September 2011	Increase / (decrease) %	Year ended 25 March 2012
Transactions	'000	**65,494**	55,496	18.0	125,163
Transaction value	£000	**539,651**	549,448	(1.8)	1,071,947
Revenue	£000	**43,904**	47,066	(6.7)	94,450
Net revenue [1]	£000	**11,522**	10,747	7.2	22,756

Top-up transactions increased over last year despite the decline in mobile top-up volumes in the UK and Ireland of 8%. The overall growth is driven by the introduction of The Health Lottery, e-money loads and a small increase in Romanian mobile top-ups, where the impact of a larger network has offset market decline similar to that experienced in the UK.

The reduction in top-up transaction value primarily resulted from prepay mobile market decline, which impacted average transaction value as well as volume. The Health Lottery average transaction values are relatively low, resulting in a lower increase in transaction value than in transactions.

In Romania and Ireland, PayPoint acts as principal for mobile phone top-ups for which the sales value is recorded as revenue and the purchase cost is recorded in cost of sales. In the UK, PayPoint acts as an agent and only the commission income is recorded as revenue. Therefore, the decline in the mobile top-up market in Romania and Ireland has a larger impact on revenue than net revenue. Notwithstanding this, top-up revenue increased overall as a result of the introduction of The Health Lottery and growth e-money top-ups in the UK.

1 Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, merchant service charges for card payments and costs for the provision of call centres for PayByPhone clients. Net revenue is a measure, which the directors believe assists with a better understanding of the underlying performance of the group.

Retail services

		27 weeks ended 30 September 2012	26 weeks ended 25 September 2011	Increase %	Year ended 25 March 2012
Transactions	‘000	**36,201**	29,108	24.4	60,493
Transaction value	£000	**252,691**	211,005	19.8	426,527
Revenue	£000	**14,481**	11,693	23.8	23,659
Net revenue	£000	**8,636**	6,671	29.5	13,844

Retail services volumes have increased across most products. ATM transactions increased by 7%, credit and debit transactions by 18%, SIM card sales by 14% and parcels more than doubled over the same period last year. Western Union transactions have increased in Romania, following the launch of the service there during the last year, as well as in the UK.

The increase in transaction value is less than the increase in volume as debit/credit transactions (where the card sponsor settles direct with our retailer), parcel transactions and terminal advertising have no associated transaction value and SIM sales are low value transactions.

Retail services revenue grew strongly through sales success with retailers. Net revenue had a larger percentage increase than revenue, as retail agent commission is not paid for credit and debit card transactions and receipt advertising.

Internet payments

		27 weeks ended 30 September 2012	26 weeks ended 25 September 2011	Increase %	Year ended 25 March 2012
Transactions	‘000	**41,416**	33,914	22.1	72,820
Transaction value	£000	**2,339,699**	1,790,612	30.7	3,796,569
Revenue	£000	**4,936**	4,372	12.9	9,670
Net revenue	£000	**4,936**	4,372	12.9	9,670

Internet transactions of 41 million were up 22% on the first half of last year as PayPoint.net continues to add large merchants and grow organically in existing merchants.

Internet transaction value has increased by 7% to £56.49 (2011: £52.80).

Revenue growth was less than transaction and value growth due to higher transaction growth in some larger merchants who benefit from lower pricing.

PayByPhone

		27 weeks ended 30 September 2012	26 weeks ended 25 September 2011	Increase %	Year ended 25 March 2012
Transactions	'000	**10,262**	8,068	27.2	17,307
Transaction value	£000	**38,596**	31,916	20.9	66,949
Revenue	£000	**2,751**	2,560	7.5	4,751
Net revenue	£000	**1,930**	1,761	9.6	3,284

Transactions have increased 27%. PayByPhone continues to win key contracts with councils and parking authorities across the UK and North America as they provide a more convenient and cost effective method for collecting parking charges.

PayByPhone transaction values have increased by less than volume growth with average transaction value down slightly year on year as new clients' parking charges were lower than existing clients.

PayByPhone revenues have grown at a slower rate than transactions as a result of a one off compensation payment received last year and reduced call centre income recharged to clients. We have reduced the number and length of calls made to decrease costs. Further migration towards mobile web and mobile applications is expected to continue this trend.

Other

		27 weeks ended 30 September 2012	26 weeks ended 25 September 2011	Increase %	Year ended 25 March 2012
Transactions	'000	**-**	-	-	-
Transaction value	£000	**-**	-	-	-
Revenue	£000	**2,225**	2,200	1.1	4,509
Net revenue	£000	**2,225**	2,200	1.1	4,509

Other revenue includes the recharge of development costs and other fees.

Network growth

Retail sites have increased by 437 to 31,554 (March 2012: 31,117). In the UK and Ireland, net retail sites increased by 165. We increased the number of sites offering our Collect+ parcels service by 175, bringing the total to 4,896 and which, since the period end, has risen to over 5,000 sites. In Romania, we have installed 272 net new sites. Our focus in the UK remains on increasing retail agent yield.

In our internet channel, where we added over 130 new merchants during the period, we focussed on winning higher volume merchants, rather than start-ups that process little volume and the overall reduction in merchants, since 25 March 2012, is largely the result of tidying up dormant merchants.

Analysis of sites/internet merchants **Sites**	**At 30 September 2012**	At 25 September 2011	Increase %	At 25 March 2012
UK and Ireland	**24,552**	24,162	1.6	24,387
Romania	**7,002**	6,383	9.7	6,730
Total sites	**31,554**	30,545	3.3	31,117
Internet merchants	**5,611**	5,464	2.7	5,670
Collect + sites	**4,896**	4,252	15.1	4,721

Financial review

Movement in revenue and net revenue have been addressed in the operational review above.

Gross profit was £41.9 million (2011: £36.0 million), up 16.4% and the gross profit margin improved to 41.2% (2011: 37.5%) predominantly as a result of the reduction in the cost of mobile top-ups in Ireland and Romania, the reduction in agent commission as a consequence of lower commission rates from mobile operators and fewer mobile top-up transactions.

Operating costs (administrative expenses) were £23.1 million (2011: £19.3 million), up 19.4%. This increase is driven by the roll-out of SPS, IT costs to meet the change in capacity (including the new data centres), the additional management cost of separating the UK retail business from group, and to increase sales capacity and our continuing investment in the internet channel and PayByPhone. These costs account for all but 4 percentage points of the increase.

Operating profit was £18.9 million (2011: £16.7 million), up 13.0%, excluding PayPoint's share of losses in Collect+. The operating margin[3] decreased to 38.2% (2011: 39.8%) mainly as result of costs in relation to SPS.

Our share of the loss in our parcels joint venture, Collect+, reduced to £0.7 million (2011: £0.9 million) in the period as revenue growth has outpaced the continued investment expenditure.

Profit before tax was £18.3 million (2011: £15.8 million), up 15.5% on the same period last year. The tax charge was £4.6 million (2011: £4.5 million) and the effective tax rate was 25.0% (year ended 25 March 2012: 27.6%). The reduction in tax rates reflects the decrease in the UK corporate tax rate, the use of losses in Romania and relief for share based compensation for the prior year, which vested in the period.

1 In Ireland and Romania, PayPoint is principal in the sale of mobile top-ups and, accordingly, the face value of the top-up is included in sales and the corresponding cost in cost of sales.
2 Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal) SIM cards and other costs incurred by PayPoint, which are recharged to clients and merchants. These costs include retail agent commission, merchant service charges for card payments and costs for the provision of call centres for PayByPhone clients.
3 Operating margin is operating profit (which excludes Collect+) as a percentage of net revenue.

Operating cash flow was £13.5 million (2011: £8.1 million), after corporation tax payments of £5.2 million (2011: £5.3 million). Capital expenditure of £4.8 million (2011: £1.7 million) comprised expenditure on IT infrastructure, developments for new products, terminals, ATMs and prepaid energy card and key readers for PPoS (PayPoint Point of Sale, the software version of our terminal that can be loaded onto retail till systems). Collect+ funding was £0.7m (2011: £0.8 million). Equity dividends paid were £12.1 million (2011: £10.6 million). Net cash and cash equivalents at the period end were £31.0 million including client cash of £5.4 million, lower than £35.5 million (including client cash of £5.1 million) at 25 March 2012, mainly because of the increase in capital expenditure previously announced and the usual first half cash out flows.

Related party transactions

Related party transactions are disclosed in note 5.

Risks

Risks to PayPoint's business, financial condition and operations are disclosed on pages 21 and 22.

Dividend

We propose to pay an interim dividend of 10.2p per share (2011: 8.7p) on 20 December 2012 to shareholders on the register at 7 December 2012. The final dividend for the year ended 25 March 2012 of £12.1m (17.8p per share) was paid during the period.

Liquidity and going concern

The group had cash of £31.0 million at the period end and an undrawn £35 million revolving term credit facility expiring in May 2016. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group, taking account of any risks (page 21 and 22). The financial statements have therefore been prepared on a going concern basis.

Economic climate

Bill and general payments, accounting for 39% (2011: 41%) of our annual net revenue, has continued to be resilient, as consumers' discretion in expenditure is limited for essential services and our service continues to be popular. Utility providers in the UK continue to install new prepay gas and electricity meters, which will have a beneficial impact on our transaction volumes. The internet payment market continues to grow substantially. There has been adverse impact on our top-up volumes as a consequence of migration from prepaid to contract and more value for money being offered to consumers by mobile networks. Mobile top-ups account for 19% of our annual net revenue (2011: 23%). PayByPhone is able to offer parking authorities a more cost effective collection system for parking than pay and display machines, which should continue to make PayByPhone's services attractive. PayByPhone can also offer real time information about the usage of parking facilities, allowing parking authorities to offer better services to motorists. The convenient service offered by Collect+ offers great opportunity for growth in parcel volumes.

Outlook

For the current financial year, trading is in line with the company's expectations. Our retail networks are strong and developing well. We intend to pursue further opportunities to enhance UK retail yield and to grow the Romanian retail network, thereby increasing market share in bill payment and retail services in both countries. We expect continued progress in the internet and mobile payment channels.

CONDENSED CONSOLIDATED INCOME STATEMENT

Continuing operations	Note	**Unaudited 27 weeks ended 30 September 2012 £000**	Unaudited 26 weeks ended 25 September 2011 £000	Audited Year ended 25 March 2012 £000
Revenue	2	**101,723**	95,923	200,029
Cost of sales	2	**(59,799)**	(59,913)	(121,778)
Gross profit		**41,924**	36,010	78,251
Administrative expenses		**(23,057)**	(19,316)	(39,385)
Operating profit		**18,867**	16,694	38,866
Share of loss of joint venture		**(705)**	(935)	(1,828)
Investment income		**140**	87	195
Finance costs		**(25)**	(23)	(32)
Profit before tax		**18,277**	15,823	37,201
Tax	3	**(4,569)**	(4,510)	(10,262)
Profit for the period		**13,708**	11,313	26,939
Attributable to:				
Equity holders of the parent		**13,729**	11,329	26,975
Non-controlling interest		**(21)**	(16)	(36)
		13,708	11,313	26,939
Earnings per share				
Basic	4	**20.2p**	16.7p	39.8p
Diluted	4	**20.2p**	16.7p	39.8p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Unaudited 27 weeks ended 30 September 2012 £000**	Unaudited 26 weeks ended 25 September 2011 £000	Audited Year ended 25 March 2012 £000
Exchange differences on translation of foreign operations	8	**(109)**	655	(831)
Other comprehensive (loss) / income for the period		**(109)**	655	(831)
Profit for the period		**13,708**	11,313	26,939
Total comprehensive income for the period		**13,599**	11,968	26,108
Attributable to:				
Equity holders of the parent		**13,620**	11,984	26,144
Non-controlling interest		**(21)**	(16)	(36)
		13,599	11,968	26,108

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 September 2012 £000**	Unaudited 25 September 2011 £000	Audited 25 March 2012 £000
Non-current assets				
Goodwill		**55,542**	56,744	56,076
Other intangible assets		**3,605**	1,344	2,304
Property, plant and equipment		**16,682**	14,566	15,212
Investment in joint venture		**33**	-	58
Deferred tax asset		**947**	1,079	901
Investment	5	**435**	435	435
		77,244	74,168	74,986
Current assets				
Inventories		**1,925**	1,412	1,284
Trade and other receivables		**26,725**	19,006	21,443
Cash and cash equivalents	7	**31,048**	21,511	35,487
		59,698	41,929	58,214
Total assets		**136,942**	116,097	133,200
Current liabilities				
Trade and other payables		**39,263**	28,834	36,650
Current tax liabilities		**4,356**	4,491	4,938
Obligations under finance leases		**-**	9	-
		43,619	33,334	41,588
Non-current liabilities				
Other liabilities		**211**	225	247
		211	225	247
Total liabilities		**43,830**	33,559	41,835
Net assets		**93,112**	82,538	91,365
Equity				
Share capital	8	**226**	226	226
Investment in own shares	8	**-**	(216)	(216)
Share premium	8	**298**	25	25
Share based payment reserve	8	**2,533**	2,566	3,138
Translation reserve	8	**(469)**	1,126	(360)
Retained earnings	8	**90,622**	78,868	88,629
Total equity attributable to equity holders of the parent company		**93,210**	82,595	91,442
Non-controlling interest		**(98)**	(57)	(77)
Total equity		**93,112**	82,538	91,365

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	**Unaudited 27 weeks ended 30 September 2012 £000**	Unaudited 26 weeks ended 25 September 2011 £000	Audited Year ended 25 March 2012 £000
Opening equity		**91,365**	80,595	80,595
Profit for the period		**13,708**	11,313	26,939
Dividends paid		**(12,051)**	(10,565)	(16,450)
Own shares for management compensation	8	**216**	-	-
Share premium on shares issued	8	**273**	-	-
Exchange differences on translation of foreign operations		**(109)**	655	(831)
Movement in share based payment reserve		**(605)**	(439)	133
Adjustments on share schemes vesting		**315**	979	979
Closing equity		**93,112**	82,538	91,365

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	**Unaudited 27 weeks ended 30 September 2012 £000**	Unaudited 26 weeks ended 25 September 2011 £000	Audited Year ended 25 March 2012 £000
Net cash flow from operating activities	9	**13,458**	8,098	32,868
Investing activities				
Investment income		**66**	69	-
Purchase of property, plant and equipment and technology		**(4,841)**	(1,670)	(5,263)
Proceeds from disposal of property, plant and equipment		**28**	23	20
Loan to joint venture	5	**(680)**	(800)	(1,750)
Net cash used in investing activities		**(5,427)**	(2,378)	(6,993)
Financing activities				
Repayments of obligations under finance leases		**-**	(23)	(32)
Dividends paid		**(12,051)**	(10,565)	(16,450)
Net cash used in financing activities		**(12,051)**	(10,588)	(16,482)
Net (decrease)/increase in cash and cash equivalents		**(4,020)**	(4,868)	9,393
Cash and cash equivalents at beginning of period		**35,487**	26,464	26,464
Effect of foreign exchange rate changes		**(419)**	(85)	(370)
Cash and cash equivalents at end of period		**31,048**	21,511	35,487

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Accounting policies

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

Basis of preparation

The condensed financial statements contained in this report are unaudited, but have been formally reviewed by the auditor and their report to the company is set out on page 23. The information shown for the year ended 25 March 2012, which is prepared under International Financial Reporting Standards (IFRS), does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The report of the auditor on the statutory accounts for the year ended 25 March 2012, prepared under IFRS, was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006 and has been filed with the Registrar of Companies.

The directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. The group's liquidity and going concern review can be found in the Management Report on page 8.

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

(i) Segmental information

PayPoint processes consumer transactions (products, services, payments and receipts) through various distribution channels, involving the processing of high volume transactions, the management of retail agents, clients and online merchants, the settlement of funds (collection and transmission) and transmission of data in secure environments, by the application of technology.

The application of technology is directed on a group basis from the group's executive team (consisting of the Chief Executive, Group 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 analysis of net revenue is shown in the Management Report.

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

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

Revenue comprises the value of sales (excluding VAT and sales taxes) of products and services in the normal course of business.

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

Net revenue

	27 weeks ended 30 September 2012 £000	26 weeks ended 25 September 2011 £000	Year ended 25 March 2012 £000
Revenue - transaction processing	**101,159**	95,240	198,699
- service charge income from ATMs	**564**	683	1,330
Revenue	**101,723**	95,923	200,029
less:			
Commission payable to retail agents	**(34,335)**	(33,120)	(69,541)
Cost of mobile top-ups and SIM cards as principal	**(17,217)**	(20,076)	(38,579)
Card scheme sponsors' charges and call centre charges	**(821)**	(797)	(1,467)
Net revenue	**49,350**	41,930	90,442

Cost of sales

	27 weeks ended 30 September 2012 £000	26 weeks ended 25 September 2011 £000	Year ended 25 March 2012 £000
Cost of sales			
Commission payable to retail agents	**34,335**	33,120	69,541
Cost of mobile top-ups and SIM cards as principal	**17,217**	20,076	38,579
Card scheme sponsors' charges and call centre charges	**821**	797	1,467
Depreciation and amortisation	**1,890**	1,652	3,333
Other	**5,536**	4,268	8,858
Total cost of sales	**59,799**	59,913	121,778

Depreciation has risen as a consequence of the increase in capital expenditure. Other cost of sales includes UK retail field sales, the headcount of which has increased by 40% and higher terminal and ATM maintenance expenditure.

Geographical information:

	27 weeks ended 30 September 2012 £000	26 weeks ended 25 September 2011 £000	Year ended 25 March 2012 £000
Revenue			
UK	**80,597**	72,136	153,734
Ireland	**7,970**	11,006	20,537
Romania	**12,218**	11,998	24,275
North America	**938**	783	1,483
Total	**101,723**	95,923	200,029
Non-current assets			
UK	**75,366**	71,642	72,765
Ireland	**-**	-	-
Romania	**1,502**	2,108	1,766
North America	**376**	418	455
Total	**77,244**	74,168	74,986

3. Tax on profit of ordinary activities

	27 weeks ended 30 September 2012 £000	26 weeks ended 25 September 2011 £000	Year ended 25 March 2012 £000
Current tax	**4,615**	4,473	10,047
Deferred tax	**(46)**	37	215
Total	**4,569**	4,510	10,262

4. Earnings per share

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

	27 weeks ended 30 September 2012 £000	26 weeks ended 25 September 2011 £000	Year ended 25 March 2012 £000
Profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**13,729**	11,329	26,975
	Number of shares	Number of shares	Number of shares
Weighted average number of shares (for basic earnings per share)	**67,823,776**	67,772,332	67,766,430
Potential dilutive ordinary shares:			
Deferred share bonus	**265,081**	157,996	-
Diluted basis	**68,088,857**	67,930,328	67,766,430

5. Related party transactions

PayByPhone

During the period the company subscribed for additional share capital in PayByPhone Technologies Inc for £1,527,000.

Collect+

During the period, PayPoint has lent Drop and Collect Limited (its 50/50 joint venture with Yodel, which trades as Collect+) £680,000 bringing the total amount of the loan outstanding to £5,530,000 (25 March 2012: £4,850,000). This has been treated as part of the investment in the joint venture.

Investment in OB10

OB10 specialises in electronic invoicing. PayPoint's shareholding at 30 September 2012 represented 1.02% of the issued capital of OB10 (25 March 2012: 1.02%).

	30 September 2012 £000	25 September 2011 £000	25 March 2012 £000
Investment at cost	**435**	435	435

In the view of the directors, the aggregate cost of £435,000 represents the fair value of the investment in the shares.

David Newlands, Dominic Taylor, George Earle, Eric Anstee and Nick Wiles hold shareholdings in OB10 as follows:

Directors' shareholding in OB10	30 September 2012 %	25 September 2011 %	25 March 2012 %
David Newlands	2.87	2.87	2.87
Dominic Taylor	1.44	1.44	1.44
George Earle	0.40	0.40	0.40
Nick Wiles	1.02	1.02	1.02
Eric Anstee	0.08	0.08	0.08

Share based payments

During the period, the long term incentive plan vested and, as a result, treasury shares were released to the relevant executive directors and senior managers.

6. Dividend

The interim dividend of 10.2p (2011: 8.7p) was declared on 29 November 2012 and, accordingly, has not been recorded as a liability as at 30 September 2012. The total dividend in respect of the year ended 25 March 2012 was 26.5p per share. The final dividend for the year ended 25 March 2012 of £12.1m (17.8p per share) was paid during the period.

7. Cash and cash equivalents

Included within cash and cash equivalents is £5.4 million (September 2011: £3.0 million, March 2012: £5.1 million) relating to monies collected on behalf of PayPoint clients where PayPoint has title to the funds (client cash). An equivalent balance is included within trade payables.

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 30 September 2012, the group's cash was £31.0 million (25 March 2012: £35.5 million).

8. Share capital and reserve

	27 weeks ended/at 30 September 2012 £000	26 weeks ended/at 25 September 2011 £000	Year ended/at 25 March 2012 £000
Authorised share capital			
4,365,352,200 ordinary shares of 1/3p each	**14,551**	14,551	14,551
Called up, allotted and fully paid share capital			
67,868,564 ordinary shares of 1/3p each	**226**	226	226
Investment in own shares			
At start of period	**(216)**	(216)	(216)
Used on share scheme vesting	**216**	-	-
At end of period	**-**	(216)	(216)
Share premium			
At start of period	**25**	25	25
Arising on issue of shares	**273**	-	-
At end of period	**298**	25	25
Share based payment reserve			
At start of period	**3,138**	3,005	3,005
Additions in period	**600**	540	1,112
Released in period	**(1,205)**	(979)	(979)
At end of period	**2,533**	2,566	3,138
Translation reserve			
At start of period	**(360)**	471	471
Movement in the period	**(109)**	655	(831)
At end of period	**(469)**	1,126	(360)
Retained earnings			
At start of period	**88,629**	77,125	77,125
Profit for the period	**13,708**	11,313	26,939
Non-controlling interest loss for year included in above	**21**	16	36
Dividends paid	**(12,051)**	(10,565)	(16,450)
Adjustment on share scheme vesting	**315**	979	979
At end of period	**90,622**	78,868	88,629

9. Notes to the cash flow statement

	27 weeks ended 30 September 2012 £000	26 weeks ended 25 September 2011 £000	Year ended 25 March 2012 £000
Profit before tax	**18,277**	15,823	37,201
Adjustments for:			
Depreciation on property, plant and equipment	**1,800**	1,494	3,085
Amortisation of intangible assets	**90**	158	248
Share of losses in joint venture	**705**	935	1,828
Net interest income	**(115)**	(64)	(163)
Share based payment expense	**600**	540	1,112
Operating cash flows before movements in working capital	**21,357**	18,886	43,311
Increase in inventories	**(641)**	(497)	(369)
Increase in receivables	**(5,331)**	(1,706)	(4,545)
Increase / (decrease) in payables			
- client cash	**289**	(3,128)	(1,059)
- other payables	**2,997**	(152)	6,010
Cash generated by operations	**18,671**	13,403	43,348
Corporation tax paid	**(5,197)**	(5,289)	(10,448)
Interest and bank charges paid	**(16)**	(16)	(32)
Net cash from operating activities	**13,458**	8,098	32,868

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements which has been prepared in accordance with IAS 34 Interim Financial Reporting;
(b) the half yearly financial report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 27 weeks and description of principal risks and uncertainties for the remaining 26 weeks of the year); and
(c) the half yearly financial report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the board.

David Newlands	Dominic Taylor
Chairman	**Chief Executive**

29 November 2012

RISKS

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

Risk area	Potential impact	Mitigation strategies
Loss or inappropriate usage of data	The group's business requires the appropriate and secure use of consumer and other sensitive information. Mobile telephone and internet-based electronic commerce requires the secure transmission of confidential information over public networks, and several of our products are accessed through the internet. Fraudulent activity or security breaches in connection with maintaining data and the delivery of our products and services could harm our reputation, business and operating results.	The group has established rigorous information security, anti-fraud and whistleblowing standards, procedures, and recruitment and training schemes, which are embedded throughout its business operations. The group also screens new employees carefully. Continued investments are made in IT security infrastructure, including the significant use of data and communications encryption technology.
Dependence upon third parties to provide data and certain operational services	The group's business model is dependent upon third parties to provide operational services, the loss of which could significantly impact the quality of our services. Similarly, if one of our outsource providers, including third parties with whom we have strategic relationships, were to experience financial or operational difficulties, their services to us would suffer or they may no longer be able to provide services to us at all, significantly impacting delivery of our products or services.	The group selects and negotiates agreements with strategic suppliers and agents based on criteria such as delivery assurance and reliability. Single points of failure are avoided, where practicable and economically feasible. Controls are reviewed regularly and improved to minimise risk of retailer churn caused by financial loss to retailers through fraudulent third party activity.
Exposure to legislation or regulatory reforms and risk of non-compliance	The group is largely unregulated by financial services regulators. The group's agents which offer money transfer are licensed as Money Service Businesses by HMRC. Our internet and mobile phone distribution channels are subject to Payment Card Industry Data Security Standards regulated by the card schemes. Regulatory reform could increase the cost of the group's operations or deny access to certain territories in the provision of certain services. Non-compliance with law or regulation including privacy or information security laws could have serious implications in cost and reputational damage to the group.	The group's legal department works closely with senior management to adopt strategies to educate lawmakers, regulators, consumer and privacy advocates and other stakeholders to support the public policy debate, where appropriate, to ensure regulation does not have unintended consequences over the group's services. The group has in place a business ethics policy which requires compliance with local legislation in all the territories in which the group operates. A central compliance department co-ordinates all compliance monitoring and reporting. Managing and finance directors are required to sign annual compliance statements.
Interruptions in business processes or systems	The group's ability to provide reliable services largely depends on the efficient and uninterrupted operation of our computer network systems, financial settlement systems, data and call centres, as well as maintaining sufficient staffing levels. System or network interruptions, recovery from fraud or security incidents or the unavailability of key staff or management resulting from a pandemic outbreak could delay and disrupt our ability to develop, deliver or maintain our products and services, causing harm to our business and reputation and resulting in loss of customers or revenue.	Comprehensive business continuity plans and incident management programmes are maintained to minimise business and operational disruptions, including fraudulent activity, system failure or pandemic incidents. The group maintains full duplication of all information contained in databases and runs back-up data centres. Support arrangements have been established with third party vendors and there are strict standards, procedures and training schemes for business continuity.
Dependence on recruitment and retention of highly skilled personnel	The ability of the group to meet the demands of the market and compete effectively is, to a large extent, dependent on the skills, experience and performance of its personnel. Demand is high for individuals with appropriate knowledge and experience in payments, IT and support services. The inability to attract, motivate or retain key talent could have a serious consequence on the group's ability to service client commitments and grow our business.	Recruitment programmes are on-going across all business areas, as well as personal and career development initiatives. The executive management reviews talent potential at quarterly meetings. Compensation and benefits programmes are competitive and also reviewed regularly.

Risk area	Potential impact	Mitigation strategies
Exposure to materially adverse litigation	The group contracts with a number of large service organisations and on behalf of government for which it provides services essential to their customers. Failure to perform in accordance with contractual terms could give rise to litigation.	The group seeks to limit exposure in its contracts where possible but this not practicable when contracting for services provided for government. Mitigating actions are taken where contractual exposures are above the norm, including insurance coverage, where appropriate and economically sustainable.
Exposure to country and regional risk (political, financial, economic, social) in North America, United Kingdom, Romania, France and Ireland	The group's geographic footprint subjects its businesses to economic, political and other risks associated with international sales and operations. A variety of factors, including changes in a specific country's or region's political, economic or regulatory requirements, as well as the potential for geopolitical turmoil, including terrorism and war, could result in loss of services, prevent our ability to respond to agreed service levels or fulfil other obligations. These risks are generally outside the control of the group.	The group's portfolio is diversified by geography, by product, by sector and by client which offers some protection against many of these fluctuations, especially those that are restricted to individual territories and market sectors, although the bulk of its operations and revenues are UK based.
Exposure to consolidation among clients and markets	Consolidation of retailers and clients could result in reductions in the group's revenue and profits through price compression from combined service agreements or through a reduced number of clients.	No single client accounts for more than 9% of the group's net revenue, and no single retailer accounts for more than 8% of the group's net revenue, which reduces the probability of this potential risk having a significant impact on the group's business.
Acquisitions may not meet expectations	The group's acquisitions, strategic alliances and joint ventures may result in financial outcomes that are different than expected.	The group assesses all acquisitions rigorously, using both in-house experts and professional advisers. In addition, the group conducts extensive post-acquisition reviews to ensure, as far as is possible, that performance remains consistent with the acquisition business plan.
Exposure to the unpredictability of financial markets (foreign exchange, interest rate and other financial risks)	As the group operates on an international basis, it is exposed to the risk of currency fluctuations and the unpredictability of financial markets in which it operates.	The group's financial risk management focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the group's financial performance.
Exposure to increasing competition	The group operates in a number of geographic, product and service markets that are highly competitive and subject to technological developments. Competitors may develop products and services that are superior to ours or that achieve greater market acceptance than our products and services, which could result in the loss of clients, merchants and retailers or a reduction in revenue.	The group is committed to continued research and investment in new data sources, people, technology and products to support its strategic plan.
Loss or infringement of intellectual property rights	The group's success depends, in part, upon proprietary technology and related intellectual property rights. Some protection can be achieved but in many cases, little protection can be secured. Third parties may claim that the group is infringing their intellectual property rights or our intellectual property rights could be infringed by third parties. If we do not enforce the group's intellectual property rights successfully, our competitive position may suffer, which could harm our operating results.	The group, in the limited applications where appropriate and feasible, relies upon a combination of patent, copyright, trademark and trade secret laws, as well as various contractual restrictions, to protect our proprietary technology and continues to monitor this situation The group also vigorously defends all third party infringement claims.
Data centre security breaches	The group is highly dependent on information technology networks and systems to process, transmit and store electronic information. Fraudulent or unauthorised access including security breaches of our data centres could create system disruptions, shutdowns or unauthorised disclosure of confidential information.	The group's data centres are protected against physical break-ins. The group has strict standards and procedures for security and fraud prevention.

INDEPENDENT REVIEW REPORT TO PAYPOINT PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 27 week period ended 30 September 2012 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 27 week period ended 30 September 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
29 November 2012

DIRECTORS & KEY CONTACTS

Directors	Dominic Taylor (Chief Executive) George Earle (Group Finance Director) Tim Watkin-Rees (Business Development Director) Eric Anstee* David Morrison* David Newlands* (Chairman) Andrew Robb* Stephen Rowley* Nick Wiles * * non-executive directors
Registered office	1 The Boulevard Shire Park Welwyn Garden City Hertfordshire AL7 1EL United Kingdom Registered in England and Wales number 3581541
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
Press and investor relations enquiries	Finsbury Tenter House 45 Moorfields London EC2Y 9AE United Kingdom

ABOUT PAYPOINT

PayPoint is a leading international operator of systems for convenient payments and value added services to major consumer service organisations in the utility, telecoms, media, financial services, transport, retail, gaming and public sectors. We handle over £12 billion from 659 million transactions annually for more than 6,000 clients and merchants. We deliver payments and services through a uniquely strong combination of local shops, internet and mobile distribution channels.

Retail networks

PayPoint operates branded retail networks in the UK, Ireland and Romania. The network in the UK numbers over 24,000 terminals situated in local shops (including Co-op, Spar, McColls, Costcutter, Sainsbury's Local, One Stop, Asda, Londis and thousands of independent outlets) across the UK. Our terminals process energy meter prepayments, cash bill payments, mobile phone top-ups, transport tickets, BBC TV licences and a wide variety of other payment types for most leading utilities and many telecoms and consumer service companies.

In Romania, the branded retail network numbers over 7,000 terminals located in local shops across the country and is expanding. Our terminals process cash bill payments for utilities and mobile phone top-ups. In the Republic of Ireland, we have over 500 terminals in shops and Credit Unions processing mobile top-ups and bill payments.

We also supply added value services to our retail agents to improve the yield from our network. In the UK, we have a consumer parcel drop off and collection service using PayPoint's retail network through Collect+, a joint venture with Yodel. This service is available in over 5,000 of our convenience retail agents. Clients include ASOS, New Look, Boden, House of Fraser, ASDA Direct and Very. In addition, in the UK, we have over 2,500 LINK branded ATMs, mainly located in the same sites as our terminals.

e&m commerce

PayPoint.net is an internet payment service provider, linking into 16 major acquiring banks in the UK, Europe and North America delivering secure online credit and debit card payments for over 5,600 web merchants, including Stan James, 32Red, Sportingbet, PKR, Betsson, Moonpig, WHSmith, Moneysupermarket.com, Hungryhouse and British Gas Home Vend. We offer a comprehensive set of products ranging from a bureau service, in which we take the merchant credit risk and manage settlement for the merchants, to a transaction gateway. We offer real-time reporting for merchant transactions and FraudGuard, an advanced service to mitigate the risk of fraud for card not present transactions. We are introducing real time transaction reporting and optimisation products for sale to our merchants.

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

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

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