PayPoint plc
Half year financial report
for the six months ended 25 September 2011

HIGHLIGHTS

	6 months ended 25 September 2011	**6 months ended 26 September 2010**	Increase
Transaction value	**£5,588m**	£4,831m	16 %
Revenue	**£95.9m**	£92.9m	3%
Net revenue[1]	**£41.9m**	£38.7m	8%
Gross margin	**37.5%**	35.3%	2 ppts
Operating profit	**£16.7m**	£15.3m	9%
Profit before tax	**£15.8m**	£14.6m	9%
Diluted earnings per share	**16.7p**	14.8p	13%
Interim dividend per share	**8.7p**	7.8p	12%

- 292 million transactions processed in the period, up 9%
- UK & Ireland transactions increased 5% with net revenue up 9%
- Internet payment transactions have grown by 34% and net revenue by 4%
- Romanian retail network moved into profit bill payment transactions increased to over 8 million in the period (2010: 5 million)
- PayByPhone increased transactions to over 8 million, up 23% with net revenue up by 18%
- Collect+ has processed over 1 million transactions, an increase of nearly five times and has won two national awards for its innovative parcel delivery and returns service
- Earnings per share increase helped by lower UK tax charge
- 8.7p dividend per share, up 12%

David Newlands, Chairman of PayPoint plc said:
"Our retail network continues to perform well, processing 5% more transactions overall in the period, despite there being 5 million fewer mobile top-ups. Internet payments contributed to overall growth in transactions of 8% in the established business (the UK and Ireland retail networks and internet payments). Net revenue in the established business increased by 7%.

Our developing business, consisting of our Romanian retail network, Collect+ parcel service and PayByPhone, also made good progress. In Romania, we made a small profit following 69% growth in bill payments and since the period end, we have introduced Western Union money transfer. Collect+, our award-winning parcels joint venture, has won 44 new merchants and processed nearly five times as many parcels as in the same period last year. PayByPhone has been selected by 33 new clients in the period, with a substantial number of tender decisions still awaited.

For the current financial year, trading is in line with the company's expectations. Our established business is strong. We will pursue further opportunities to enhance our retail yield by introducing new technology and services, while enhanced transaction management and information services should help our internet sales in the next financial year. Continuing progress is expected in our developing business. Our Romanian retail network will focus on improving market share and further modest network growth to improve yield. PayByPhone will continue to pursue new clients and enhance its technology to grow revenue and improve customer satisfaction. Collect+ will continue its intensive marketing to new clients, to extend deliveries to its existing returns clients and to promote its consumer-to-consumer proposition. We expect PayByPhone and the Collect+ parcel service to turn to profit in the next financial year.

I am pleased to announce an interim dividend of 8.7pence per share."

The condensed financial statements cover the six months from 28 March 2011 to 25 September 2011, the last Sunday in the month (2010: 6 months covering the period 29 March 2010 to 26 September 2010).

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

MANAGEMENT REPORT

The management report has been prepared solely to provide additional information to shareholders as a body to assess PayPoint's half year performance 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 underlying any such forecast, including both economic and business risk factors.

PayPoint is a payment service provider to retailers and consumer service companies and as such, has only one operating segment. However, reflection on various facets helps to explain the execution of our strategy as set out on page 3 of our annual report and accordingly, in addition to the analysis of the number and value of consumer transactions, revenue and net revenue, we have shown an analysis which separates our developing business (our retail network in Romania, Collect+ and PayByPhone), from our established business (the UK and Irish retail networks and internet payments).

The channel analysis is as follows:

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

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

PayByPhone (parking and bicycle rental transactions)

Other for revenue and net revenue only (software development and configuration)

Operational review

During the period, transactions have increased to 292 million (2010: 267 million) up 8% in the established business[1] and 37% in the developing business[2]. Transaction value increased to £5.6 billion (2010: £4.8 billion), and is up 14% in the established business and up 78% in the developing business.

Revenue has increased 3% overall, comprising 1% in the established business and 16% in the developing business. Net revenue[3] increased by 8% overall. In the established business, net revenue increased by 7% and in the developing business (including Collect+), by 52%.

Operating profit in the established business was £17.8 million, up 9% on last year. The operating loss in the developing business, including our share of the losses of Collect+, was £2.0 million (2010: £1.5 million). The Romanian retail network made a small profit in the period (2010: loss of £0.3m).

	Established business[1]	Developing business[2]	Total	Adjust Collect+[4]	As reported
Transactions (million)					
6 months 2011	**273**	**19**	**292**	**-**	**292**
6 months 2010	253	14	267	-	267
Year ended 2011	559	31	590	-	590
Transaction value £million					
6 months 2011	**5,395**	**193**	**5,588**	**-**	**5,588**
6 months 2010	4,723	108	4,831	-	4,831
Year ended 2011	10,316	285	10,601	-	10,601
Revenue £000					
6 months 2011	**81,365**	**15,939**	**97,304**	**(1,381)**	**95,923**
6 months 2010	80,337	12,835	93,172	(274)	92,898
Year ended 2011	167,700	26,535	194,235	(1,002)	193,233
Net revenue[3] £000					
6 months 2011	**38,544**	**4,521**	**43,065**	**(1,135)**	**41,930**
6 months 2010	35,977	2,973	38,950	(222)	38,728
Year ended 2011	76,811	6,539	83,350	(627)	82,723

In the established business, following our tender success announced in March 2011, the UK retail network duly signed a contract with Citibank to be the retail network for the DWP's replacement for giro-cheques. The service is expected to go live next financial year and is unlikely to affect the current financial year's profit to any material extent. The internet channel growth was constrained by the impact of one large merchant changing its business model. We have re-started processing for this merchant since the period end.

In the developing business, our Romanian retail network has turned from loss to a small profit in the first half of the year and will introduce money transfer with Western Union in the second half. PayByPhone has made substantial progress, winning 33 new clients, including London Borough of Lambeth, Ottawa in Canada and Coral Gables in Florida, USA. PayByPhone parking is due to go live in San Francisco across 22,000 spaces this year. Cash payments for parking have been introduced in Barnet and Islington. Collect+ has extended its consumer proposition by introducing two resellers, Parcel2Go and myParcelDelivery and has also won 44 new merchants for returns, including JD Sports, Monsoon and Accessorize, Asda Direct, Argos Outlet, Aurora (Karen Millen and Oasis) and Wiggle. Collect+ has been recognised with prestigious industry awards for logistics and innovation. Since the period end, Collect+ has started processing deliveries for on-line clothing retailer, M and M Direct.

1 The established business includes the UK and Irish retail networks and internet payments.
2 The developing business includes the Romanian retail network, Collect+ and PayByPhone.
3 Net revenue is revenue less the cost of mobile top-ups and SIM cards where PayPoint is principal and costs incurred by PayPoint, which are recharged to clients and merchants. These costs include retail agent commission, merchant service charges levied by card scheme sponsors and costs for the provision of call centres for PayByPhone clients. Net revenue is a measure, which the directors believe assists with a better understanding of the underlying performance of the group.
4 Collect+ revenue and net revenue is included in the developing business revenue and net revenue, but as Collect+ is reported in the Consolidated Income Statement on a profit after tax only basis, revenue and net revenue needs to be eliminated to reconcile to reported revenue and net revenue.

Analysis of transactions

There has been growth in transaction volumes across all payments types except UK and Ireland mobile top-ups, which have decreased as a result of market decline.

	6 months ended 25 September 2011 thousands	6 months ended 26 September 2010 thousands	Increase / (decrease) %	Year ended 27 March 2011 thousands
Retail networks				
Bill and general payments	**165,419**	152,286	9	350,970
Top-ups	**55,496**	60,597	(8)	117,670
Retail services	**29,108**	22,658	28	48,425
Internet payments	**33,914**	25,326	34	58,544
PayByPhone	**8,068**	6,557	23	14,059
Total	**292,005**	267,424	9	589,668

Bill and general payment transactions were ahead of the same period last year as a result of an 11% increase in prepaid energy volumes. There was strong growth in Romania, where we processed over 8 million transactions (2010: 5 million).

In the UK and Ireland, mobile top-up volumes were down 9%. In Romania, mobile top-up volumes increased 8% although the net revenue per transaction fell. E-currency volumes in the UK continue to grow and were up 9% on the same period last year, with over 3 million transactions processed.

Retail services volumes have increased across most products. ATM transactions increased by 14%, credit and debit transactions by 29%, SIM card sales by 56% and parcels by five times over the same period last year.

Internet transactions were up 34% to 34 million as we continue to add large merchants and through organic growth in our existing merchants.

PayByPhone transactions have increased 23% as we have started to implement PayByPhone in new parking authorities and some existing authorities have removed other payment options.

Transaction value

There has been growth in the transaction value paid by consumers, primarily in bill and general, and internet payments.

	6 months ended 25 September 2011 £000	6 months ended 26 September 2010 £000	Increase / (decrease) %	Year ended 27 March 2011 £000
Retail networks				
Bill and general	**3,005,334**	2,759,418	9	6,198,171
Top-ups	**549,448**	573,689	(4)	1,114,809
Retail services	**211,005**	194,174	9	394,727
Internet payments	**1,790,612**	1,277,867	40	2,838,147
PayByPhone	**31,916**	26,252	22	55,020
Transaction value	**5,588,315**	4,831,400	16	10,600,874

The increase in bill and general transaction value results from higher transaction volumes with broadly similar average values.

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

The increase in retail services is accounted for by ATM cash withdrawals. The transaction value in other retail services is relatively small as SIM sales are low value transactions and for credit and debit card transactions (where merchants are settled by the card sponsor, not PayPoint), receipt advertising and parcels, there is no transaction value.

Internet consumer spending has increased by 40% over the same period last year and the average transaction value has increased 5% to £52.80 (2010: £50.46).

PayByPhone transaction values have increased by 22%. The average value of a transaction has remained broadly the same.

Revenue

	6 months ended 25 September 2011 £000	6 months ended 26 September 2010 £000	Increase / (Decrease) %	Year ended 27 March 2011 £000
Retail networks				
Bill and general	**28,032**	25,429	10	57,889
Top-ups	**47,066**	50,177	(6)	98,843
Retail services	**11,693**	9,437	24	19,602
Internet payments	**4,372**	4,190	4	8,939
PayByPhone	**2,560**	2,183	17	4,501
Other	**2,200**	1,482	48	3,459
Revenue	**95,923**	92,898	3	193,233

Bill and general payment revenue is higher than the same period last year mainly as a result of growth in prepaid energy and local authority housing transactions in the UK and 70% growth in Romanian bill payment transactions.

The reduction in mobile top-up revenue is driven by the migration of prepaid consumers to contract in the UK and greater value for money offered by mobile operators.

Retail services revenue has increased as a result of an increase in both the number of retailers taking the services and increased volumes of SIM, parcel, debit and credit card, and ATM transactions.

Internet payment revenue growth has been explained on page 3.

PayByPhone revenues are up 17% against the same period last year. Although PayByPhone has won a good share of tenders as a consequence of the increased resources we have put in, client delays in implementations have delayed revenue growth into the second half of the year.

Other revenue includes one-off set-up fees and the recharge of development costs, but is not expected to continue at the same rate for the second half of the current year.

Net revenue

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

	6 months ended 25 September 2011 £000	6 months ended 26 September 2010 £000	Increase / (decrease) %	Year ended 27 March 2011 £000
Retail networks				
Bill and general	**16,179**	14,892	9	33,806
Top-ups	**10,747**	11,539	(7)	22,683
Retail services	**6,671**	5,137	30	10,827
Internet payments	**4,372**	4,190	4	8,939
PayByPhone	**1,761**	1,488	18	3,009
Other	**2,200**	1,482	48	3,459
Net revenue	**41,930**	38,728	8	82,723

Net revenue on bill and general payments has increased from volume growth in energy prepayment and local authority housing in the UK and bill payment in Romania, offset by some UK clients migrating bill payments to direct debit. Net revenue is in line with transaction growth.

Top-up net revenue has decreased slightly more than revenue because margins in Romania and Ireland have reduced, offset by the positive impact of mix in the UK where the reduction in top-ups in independents is less severe than in multiple retailers. Retail services net revenue has a larger percentage increase than revenue, as credit and debit card transactions and receipt advertising do not attract retail agent commission.

Growth in net revenue from internet transactions has been explained on page 3.

PayByPhone net revenue was up 18%, lower than the growth in transactions as margin in the UK has reduced.

Network growth

Outlets have increased to 30,545 (March 2011: 29,508), an increase of 1,037. In the UK and Ireland, outlets increased by 649, more than expected, as a consequence of unfulfilled orders at last year end and lower churn. Our new virtual terminal, a software variant which can be loaded onto retailers' till systems, has been rolled out to 1,400 outlets. Our focus in the UK since the year end remains on increasing retail agent yield. In Romania, we have installed 388 outlets.

In our internet payments channel, we have added over 250 new merchants during the period, focussing on winning higher volume merchants, rather than start-ups that process little volume.

We introduced Collect+ to 584 of our retail outlets, bringing the total to 4,252.

	At 25 September 2011	At 26 September 2010	Increase / (decrease)[1] %	At 27 March 2011
UK and Ireland	**24,162**	23,021	3	23,513
Romania	**6,383**	5,012	6	5,995
Total	**30,545**	28,033	4	29,508
Internet merchants	**5,464**	5,522	5	5,213
Collect+ outlets	**4,252**	3,350	16	3,668

[1] Increase/(decrease) measured against position at 27 March 2011

Financial review

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

Gross profit was £36.0 million (2010: £32.8 million), up 9.7% and the gross profit margin improved to 37.5% (2010: 35.3%) as a result of the reduction in agent commission, due to lower mobile top-ups.

Operating costs (administrative expenses) were £19.3 million (2010: £17.5 million), up 10.3%, due to some initial costs relating our new benefits contract, signage for Collect+ sites and our continuing investment in increased resources for PayByPhone.

Operating profit was £16.7 million (2010: £15.3 million), up 9.0%, excluding PayPoint's share of losses in Collect+. The operating margin[1] increased slightly to 39.8% (2010: 39.5%), mainly as result of improved performance in the UK retail network.

Our share, in the period, of the loss in our parcels joint venture, Collect+, increased to £0.9 million (2010: £0.7 million) as it continues to invest in resources to grow the business.

Profit before tax was £15.8 million (2010: £14.6 million), up 8.7% on the same period last year. The tax charge was £4.5 million (2010: £4.5 million) and the estimated effective tax rate for the current financial year is 28.5% (year ended 27 March 2011: 30.9%). The reduction in tax rates reflects the decrease in the UK corporate tax rate.

Operating cash flow was £8.1 million (2010: £9.4 million) after corporation tax payments of £5.3 million (2010: £5.9 million). Capital expenditure of £1.7 million (2010: £1.1 million) comprised expenditure on new terminals, software development and ATMs. Collect+ funding was £0.8m (2010: £0.4 million). Equity dividends paid were £10.6 million (2010: £9.8 million). Net cash and cash equivalents at the period end were £21.5 million (27 March 2011 £26.5 million), including client cash of £3.0 million, down from £6.1 million at 27 March 2011. The reduction in client cash results from a change in practice in respect of ATM monies, which LINK recommended be held in trust for the benefit of retailers, which at the period end were £3.1 million (27 March 2011 £3.3 million).

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

Related party transactions

Related party transactions are disclosed in note 5.

Risks

Risks to PayPoint's business, financial condition and operations are disclosed on pages 22 and 23.

Dividend

We have declared an interim dividend of 8.7p per share (2010: 7.8p) which will be paid on 21 December 2011 to shareholders on the register at 2 December 2011.

Liquidity and going concern

The group is profitable, cash generative, had cash of £21.5 million at the period end and an undrawn £35 million revolving term credit facility with an unexpired term of over four years. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group, taking account of any risks (pages 22 and 23). The financial statements have therefore been prepared on a going concern basis.

Economic climate

Bill and general payments which account for 39% (2010: 38%) of our net revenue, have 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. 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. Mobile top-ups account for 23% of our net revenue (2010: 27%). The internet payment market continues to grow substantially. PayByPhone is able to offer parking authorities a more cost effective collection system for parking compared to pay and display machines, which should continue to make PayByPhone's services attractive. The convenient service for users of the fast growing online market provided by Collect+ offers opportunity for substantial growth in parcel volumes.

Outlook

For the current financial year, trading is in line with the company's expectations. Our established business is strong. We will pursue further opportunities to enhance UK retail yield by introducing new technology and services, while enhanced transaction management and information services should help our internet sales in the next financial year. Continuing progress is expected in our developing business. Our Romanian retail network will focus on improving market share with modest network growth to improve yield. PayByPhone will continue to pursue new clients and the development of technology to grow revenue and improve customer satisfaction. Collect+ will continue its intensive marketing to new clients, to extend deliveries to its existing returns clients and promote its consumer to consumer proposition. We expect PayByPhone and the Collect+ parcel service to turn to profit next financial year.

David Newlands
Chairman

Dominic Taylor
Chief Executive

24 November 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

Continuing operations	Note	**Unaudited 6 months ended 25 September 2011 £000**	Unaudited 6 months ended 26 September 2010 £000	Audited Year ended 27 March 2011 £000
Revenue	2	**95,923**	92,898	193,233
Cost of sales	2	**(59,913)**	(60,079)	(122,567)
Gross profit		**36,010**	32,819	70,666
Administrative expenses		**(19,316)**	(17,510)	(34,614)
Operating profit		**16,694**	15,309	36,502
Share of loss of joint venture		**(935)**	(726)	(1,541)
Investment income		**87**	38	88
Finance costs		**(23)**	(64)	(143)
Profit before tax		**15,823**	14,557	34,456
Tax	3	**(4,510)**	(4,496)	(10,614)
Profit for the period		**11,313**	10,061	23,842
Attributable to:				
Equity holders of the parent		**11,329**	10,061	23,883
Non-controlling interest		**(16)**	-	(41)
		11,313	10,061	23,842
Earnings per share				
Basic	4	**16.7p**	14.9p	35.2p
Diluted	4	**16.7p**	14.8p	35.1p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Unaudited 6 months ended 25 September 2011 £000**	Unaudited 6 months ended 26 September 2010 £000	Audited Year ended 27 March 2011 £000
Exchange differences on translation of foreign operations	8	**655**	(837)	(72)
Other comprehensive income / (loss) for the period		**655**	(837)	(72)
Profit for the period		**11,313**	10,061	23,842
Total comprehensive income for the period		**11,968**	9,224	23,770
Attributable to:				
Equity holders of the parent		**11,984**	9,224	23,811
Non-controlling interest		**(16)**	-	(41)
		11,968	9,224	23,770

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 25 September 2011 £000	Unaudited 26 September 2010 £000	Audited 27 March 2011 £000
Non-current assets				
Goodwill		**56,744**	56,058	57,133
Other intangible assets		**1,344**	1,277	1,329
Property, plant and equipment		**14,566**	13,851	14,520
Investment in joint venture		**-**	-	135
Deferred tax asset		**1,079**	904	1,116
Investment		**435**	405	435
	2	**74,168**	72,495	74,668
Current assets				
Inventories		**1,412**	1,582	915
Trade and other receivables		**19,006**	18,470	17,103
Cash and cash equivalents	7	**21,511**	22,928	26,464
		41,929	42,980	44,482
Total assets		**116,097**	115,475	119,150
Current liabilities				
Trade and other payables		**28,834**	30,563	32,996
Current tax liabilities		**4,491**	3,930	5,287
Short-term borrowings		**-**	10,000	-
Obligations under finance leases		**9**	11	32
		33,334	44,504	38,315
Non-current liabilities				
Other liabilities		**225**	175	240
		225	175	240
Total liabilities		**33,559**	44,679	38,555
Net assets		**82,538**	70,796	80,595
Equity				
Share capital	8	**226**	226	226
Investment in own shares	8	**(216)**	(216)	(216)
Share premium	8	**25**	25	25
Share based payment reserve	8	**2,566**	2,476	3,005
Translation reserve	8	**1,126**	(294)	471
Retained earnings	8	**78,868**	68,579	77,125
Total equity attributable to equity holders of the parent company		**82,595**	70,796	80,636
Non-controlling interest		**(57)**	-	(41)
Total equity		**82,538**	70,796	80,595

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	**Unaudited 6 months ended 25 September 2011 £000**	Unaudited 6 months ended 26 September 2010 £000	Audited Year ended 27 March 2011 £000
Opening equity		**80,595**	70,744	70,744
Profit for the period		**11,313**	10,061	23,842
Dividends paid		**(10,565)**	(9,765)	(15,041)
Movement in own shares	5	**-**	154	154
Exchange differences on translation of foreign operations		**655**	(837)	(72)
Movement in share based payment reserve		**(439)**	(208)	321
Adjustment on share schemes vesting		**979**	647	647
Closing equity		**82,538**	70,796	80,595

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	**Unaudited 6 months ended 25 September 2011 £000**	Unaudited 6 months ended 26 September 2010 £000	Audited Year ended 27 March 2011 £000
Net cash flow from operating activities	9	**8,098**	**9,444**	31,137
Investing activities				
Investment income		**69**	**30**	70
Purchase of property, plant and equipment		**(1,670)**	**(1,051)**	(3,160)
Proceeds from disposal of property, plant and equipment		**23**	**-**	61
Investment		**-**	**-**	(30)
Loan to joint venture	5	**(800)**	**(400)**	(1,350)
Net cash used in investing activities		**(2,378)**	**(1,421)**	(4,409)
Financing activities				
Repayments of obligations under finance leases		**(23)**	**(3)**	(22)
Receipt / (repayment) of short-term borrowings		**-**	**4,000**	(6,000)
Dividends paid		**(10,565)**	**(9,765)**	(15,041)
Net cash used in financing activities		**(10,588)**	**(5,768)**	(21,063)
Net (decrease)/increase in cash and cash equivalents		**(4,868)**	**2,255**	5,665
Cash and cash equivalents at beginning of period		**26,464**	**20,769**	20,769
Effect of foreign exchange rate changes		**(85)**	**(96)**	30
Cash and cash equivalents at end of period		**21,511**	**22,928**	26,464

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Accounting policies

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

Basis of preparation

The condensed financial statements contained in this report are unaudited, but have been formally reviewed by the auditors and their report to the company is set out on page 24. The information shown for the year ended 27 March 2011, which is prepared under International Financial Reporting Standards (IFRS), does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The report of the auditors on the statutory accounts for the year ended 27 March 2011, 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 9.

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

(i) Segmental information

PayPoint is a service provider for consumer payment transactions (payments and receipts) through various distribution channels, involving the processing of high volume transactions, the management of retail agents, 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 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 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 payment service provider for consumer payment transactions.

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

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

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

Net revenue

	6 months ended 25 September 2011 £000	6 months ended 26 September 2010 £000	Year ended 27 March 2011 £000
Revenue - transaction processing	**95,240**	92,135	191,742
- rental income of ATMs	**683**	763	1,491
Revenue	**95,923**	92,898	193,233
less:			
Commission payable to retail agents	**(33,120)**	(34,579)	(71,322)
Cost of mobile top-ups and SIM cards as principal	**(20,076)**	(18,896)	(37,696)
Card scheme sponsors' charges and call centre charges	**(797)**	(695)	(1,492)
Net revenue	**41,930**	38,728	82,723

Cost of sales

	6 months ended 25 September 2011 £000	6 months ended 26 September 2010 £000	Year ended 27 March 2011 £000
Cost of sales			
Commission payable to retail agents	**33,120**	34,579	71,322
Cost of mobile top-ups and SIM cards as principal	**20,076**	18,896	37,696
Card scheme sponsors' charges and call centre charges	**797**	695	1,492
Depreciation and amortisation	**1,652**	1,912	3,612
Other	**4,268**	3,997	8,445
Total cost of sales	**59,913**	60,079	122,567

Geographical information:

	6 months ended 25 September 2011 £000	6 months ended 26 September 2010 £000	Year ended 27 March 2011 £000
Revenue			
UK	**72,136**	71,675	148,737
Ireland	**11,006**	11,204	22,475
Romania	**11,998**	9,559	21,036
North America	**783**	460	985
Total	**95,923**	92,898	193,233
Non-current assets			
UK	**71,642**	70,486	71,850
Ireland	**-**	44	-
Romania	**2,108**	1,711	2,329
North America	**418**	254	489
Total	**74,168**	72,495	74,668

3. Tax on profit of ordinary activities

	6 months ended 25 September 2011 £000	6 months ended 26 September 2010 £000	Year ended 27 March 2011 £000
Current tax	**4,473**	4,233	10,565
Deferred tax	**37**	263	49
Total	**4,510**	4,496	10,614

4. Earnings per share

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

	6 months ended 25 September 2011 £000	6 months ended 26 September 2010 £000	Year ended 27 March 2011 £000
Profit for the period attributable to equity holders of the parent	**11,329**	10,061	23,883
	Number of shares	Number of shares	Number of shares
Weighted average number of shares (for basic earnings per share)	**67,772,332**	67,675,017	67,721,190
Potential dilutive ordinary shares: Deferred share bonus	**157,996**	117,565	157,914
Diluted basis	**67,930,328**	67,792,582	67,879,104
Earnings per share			
Basic	**16.7p**	14.9p	35.2p
Diluted	**16.7p**	14.8p	35.1p

5. Related party transactions

PayByPhone

During the period, the company subscribed for additional share capital in Verrus Mobile Technology Inc for £1,756,000 and Verrus UK Limited has subscribed for additional share capital in Mobile Payment Services SAS for £133,000.

Collect+

During the period, PayPoint has lent Drop and Collect Limited (its 50/50 joint venture with Yodel, which trades as Collect+) £800,000, bringing the total amount of the loan outstanding to £3,900,000 (27 March 2011: £3,100,000). This has been treated as part of the investment in the joint venture.

At 25 September 2011, there were £28,000 of unrecognised losses in Collect+ (27 March 2011: £Nil).

Investment in OB10

OB10 specialises in electronic invoicing. PayPoint's shareholding at 25 September 2011 represented 1.02% of the issued capital of OB10 (27 March 2011: 1.02%).

	6 months ended 25 September 2011 £000	6 months ended 26 September 2010 £000	Year ended 27 March 2011 £000
Investment at cost	**435**	405	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, who is also Chairman of OB10, Dominic Taylor, George Earle, Eric Anstee and Nick Wiles hold shareholdings in OB10 as follows:

Directors' shareholding in OB10	**6 months ended 25 September 2011 %**	6 months ended 26 September 2010 %	Year ended 27 March 2011 %
David Newlands	2.87	4.73	2.87
Dominic Taylor	1.44	1.42	1.44
George Earle	0.40	0.42	0.4
Nick Wiles	1.02	1.04	1.02
Eric Anstee	0.08	0.08	0.08

Share based payments

During the period, the Deferred Share Bonus plan (DSB) and long term incentive plan (LTIP) did not vest and, as a result, no treasury shares were released to the relevant executive directors and senior managers.

6. Dividend

The interim dividend of 8.7p (2010: 7.8p) was declared on 24 November 2011 and, accordingly, has not been recorded as a liability as at 25 September 2011. The total dividend in respect of the year ended 27 March 2011 was 23.4p per share.

7. Cash and cash equivalents

Included within cash and cash equivalents is £3.0 million (25 September 2010: £6.7 million, 27 March 2011: £6.1 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 decrease in client cash results from of a change in the practice in respect of ATM monies, where LINK recommended that monies owed to retailers be held in trust accounts. Accordingly, the balance held in trade creditors has decreased by the same amount. At 25 September, amounts held in trust, owed to retailers in respect of ATM monies amounted to £3.1 million (held by PayPoint, not in trust at 27 March 2011: £3.3 million).

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 25 September 2011, the group's cash was £21.5 million (27 March 2011: £26.5 million).

8. Share capital and reserves

	6 months ended 25 September 2011 £000	6 months ended 26 September 2010 £000	Year ended 27 March 2011 £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			
67,806,973 ordinary shares of 1/3p each	**226**	226	226
Investment in own shares			
At start of period	**(216)**	(370)	(370)
Used on share scheme vesting	**-**	154	154
At end of period	**(216)**	(216)	(216)
Share premium			
At start of period	**25**	25	25
At end of period	**25**	25	25
Share based payment reserve			
At start of period	**3,005**	2,684	2,684
Additions in period	**540**	558	1,088
Released in period	**(979)**	(801)	(801)
Other adjustments	**-**	35	34
At end of period	**2,566**	2,476	3,005
Translation reserve			
At start of period	**471**	543	543
Movement in the period	**655**	(837)	(72)
At end of period	**1,126**	(294)	471
Retained earnings			
At start of period	**77,125**	67,636	67,636
Profit for the period	**11,313**	10,061	23,842
Non-controlling interest in loss for year included in above	**16**	-	41
Dividends paid	**(10,565)**	(9,765)	(15,041)
Adjustment on share scheme vesting	**979**	647	647
At end of period	**78,868**	68,579	77,125

9. Notes to the cash flow statement

	6 months ended 25 September 2011 £000	6 months ended 26 September 2010 £000	Year ended 27 March 2011 £000
Profit before tax	**15,823**	14,557	34,456
Adjustments for items that do not affect cash:			
Depreciation on property, plant and equipment	**1,494**	1,753	3,295
Amortisation of intangible assets	**158**	159	317
Share of losses in joint venture	**935**	726	1,541
Net interest (income) / expense	**(64)**	26	55
Share based payment expense	**540**	593	1,088
Operating cash flows before movements in working capital	**18,886**	17,814	40,752
Increase in inventories	**(497)**	(15)	209
(Increase) / decrease in receivables	**(1,706)**	4,732	6,337
(Decrease) / increase in payables			
- client cash	**(3,128)**	224	(686)
- other payables	**(152)**	(7,389)	(4,476)
Cash generated by operations	**13,403**	15,366	42,136
Corporation tax paid	**(5,289)**	(5,886)	(10,950)
Interest and bank charges paid	**(16)**	(36)	(49)
Net cash from operating activities	**8,098**	9,444	31,137

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

By order of the board.

David Newlands	Dominic Taylor
Chairman	**Chief Executive**

24 November 2011

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. 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 policies, 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 based on criteria such as delivery assurance and reliability. Single points of failure are avoided, where practicable and economically feasible.
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, regulation, 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, data and call centres, as well as maintaining sufficient staffing levels. System or network interruptions, 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 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.	Effective recruitment programmes are ongoing 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 failure to meet contractual obligations and materially adverse litigation	The group contracts with a number of large service organisations and governments for which it provides services essential to consumers. Failure to perform in accordance with contractual terms could give rise to material penalties and litigation.	The group seeks to limit exposure in its contracts but such limits can be high and in some cases, obligations are unlimited. 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 in order to protect itself 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. In addition, the group continues to expand in its developing businesses and in cash out (reversing the flow of money through its retail networks).
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 it 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 or 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, 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. 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.

INDEPENDENT REVIEW REPORT TO PAYPOINT PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the period ended 25 September 2011, 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 IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting,” as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the period ended 25 September 2011 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
24 November 2011

DIRECTORS & KEY CONTACTS

Directors	Dominic Taylor (Chief Executive) George Earle (Finance Director) Tim Watkin-Rees (Business Development Director) Eric Anstee* David Morrison* David Newlands* (Chairman) Andrew Robb* Stephen Rowley* Nick Wiles * * non-executive directors
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ABOUT PAYPOINT

PayPoint is a leading international provider of convenient payments and value added services to major consumer service organisations in the utility, telecoms, media, financial services, transport, retail, gaming and public sectors. We handle over £11 billion from over 600 million transactions annually for more than 5,000 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 23,000 local shops with our terminals, or the terminal software on retailers' till systems, (including Co-op, Spar, McColls, Costcutter, Sainsburys Local, One Stop, Londis and thousands of independents) in all parts of the UK. These outlets 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 6,500 outlets across Romania and is expanding. These outlets process cash bill payments for utilities and mobile phone top-ups. In the Republic of Ireland, we have over 500 outlets in shops and Credit Unions processing mobile top-ups and bill payments.

We also supply added value services to our retail agents to improve the yield from our network. In the UK, we offer a consumer parcel drop-off and collection service using PayPoint's retail network through Collect+, a joint venture with Yodel This service is already available in 4,200 of our convenience retail agents. Clients include ASOS, Littlewoods, New Look, Dorothy Perkins, Very, Virgin Media, Asda Direct, Argos Outlet, JD Sports Monsoon & Accessorize. In addition, in the UK, we have over 2,500 LINK branded ATMs.

Internet channel
PayPoint.net is an internet payment service provider, linking into all major UK acquiring banks to deliver secure online credit and debit card payments for over 5,000 web merchants, including PKR, Betsson, Moneysupermarket.com, Severn Trent Water, Ann Summers and British Gas Home Vend. We offer a comprehensive set of products ranging from a transaction gateway through to a bureau service, in which we take the merchant credit risk and manage settlement for the merchants. We offer real-time reporting for merchant transactions and FraudGuard, an advanced service to mitigate the risk of fraud for card not present transactions.

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

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

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

24 November 2011

Enquiries:

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