

PRESS RELEASE

PayPoint plc
Preliminary results
Year ended 25 March 2007

	Year ended 25 March 2007 £m	Year ended 31 March 2006 £m	Increase %
Revenue	157	120	31
Net revenue ^{1,3}	58	46	25
Operating profit	25	19	31
Profit before tax	27	20	31
Basic earnings per share	27.7p	25.0p	11
Proposed final dividend per share	9.1p	7.5p	21

HIGHLIGHTS

- Strong growth in both revenues and operating profit ahead 31% driven by 29% increase in transactions
- Operating margin^{2,3}, increased by 2 percentage points to 44%
- Earnings per share of 27.7p, up 11% notwithstanding an increase in the effective tax rate from 17% to 30% as prior year losses are fully utilized
- Total dividends for year 13.7p per share, up 30%
- Terminal network expanded by 15% to 17,537
- Bill and general payments transaction growth enhanced by exclusive BBC TV Licensing contract
- Entry into rapidly growing internet payment service market through acquisitions of Metacharge and SECPay
- International expansion through acquisition of Pay Store SRL in Romania since the year end
- Brand continuing to gain traction with prompted consumer awareness⁴ over 70%

David Newlands, Chairman of PayPoint, said "PayPoint continues to deliver strong increases in both revenues and profits, and has opportunities for further growth through market share gains and new initiatives. The Metacharge and SECPay acquisitions during the year are a positive step in generating transactions in new sectors and increasing the range of consumer payments processed by PayPoint. Since the year end we have also announced the acquisition of Pay Store SRL, the leading independent Romanian mobile top-up provider as the first step of our international strategy. Overall we look ahead with confidence for continuing growth supported by an encouraging performance at the start of the new financial year."

The financial statements have been drawn up to the year ended 25 March 2007 (the last Sunday in the month). The year ending 30 March 2008 will contain 53 weeks.

- 1 Net revenue is revenue less commissions paid to retail agents, the cost of mobile top-ups where PayPoint is the principal and external processing costs.
- 2 Operating margin is operating profit expressed as a percentage of net revenue.
- 3 Net revenue and operating margins² are measures which the directors believe assist with a better understanding of the underlying performance of the group. The reconciliation of net revenue to statutory amounts can be found in note 2.
- 4 BMRB Omnibus survey April 2007.

BUSINESS REVIEW

The business review has been prepared solely to provide additional information to shareholders as a body to assess PayPoint's strategies and their potential to succeed, and it should not be relied upon for any other purpose. It contains forward looking statements that have been made by the directors in good faith based on the information available at the time of approval of the annual report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

Operational overview

We have continued to grow in all sectors and particularly in bill and general payments with the introduction of the exclusive BBC TV licensing contract. This growth has been achieved through the success of our strategy to:

- broaden our customer service proposition and increase the range of payments through our network; and
- grow and optimize our network coverage.

During the financial year, PayPoint processed 414 million transactions (2006: 322 million), an increase of 29%, with a value of £5.2 billion (2006: £3.8 billion) up 38%. Commissions paid to agents of £77 million were up 21%, reflecting lower than average increase in mobile top-ups which carry higher than average agent commission. The average transaction value has increased to £13 (2006: £12) mainly as a result of the TV licence contract, rises in domestic gas and electricity prices, increased volumes in the housing rent and council tax sector and payments via the internet.

There has been strong growth in transaction volumes across all sectors:

Transactions by sector	2007 million	2006 million	Increase %
Bill and general payments*	267	205	30
Mobile top-ups	130	108	21
ATMs	13	9	44
Internet payments	4	-	-
Total	414	322	29

*Including debit/credit transactions

Bill and general payments

PayPoint has performed well in this sector with growth stimulated by increased agent numbers, client payment options and brand awareness. Migration of market share away from the Post Office, following its branch closure programme, and the launch of the BBC TV licence payments exclusively in PayPoint agents have contributed to growth in transactions. The major new contract with TV Licensing will continue to add to transaction volumes next year being its first full year of operation.

In prepaid energy, substantial energy consumer price increases have continued to have a beneficial effect on PayPoint's transaction volumes, offset by an increase in average transaction values. Gas and electricity price reductions have been announced which, in the absence of a reduction in transaction values, will have an adverse effect on volumes in the current year. This adverse impact will be partly mitigated by network growth and increasing market share.

In transport, we have extended our geographical coverage by signing new contracts with, amongst others, regional Go Ahead companies, Ipswich Buses, Reading Transport, Northampton Buzz and Stagecoach Northampton, in addition to our existing contracts with Arriva, National Express, Lothian, First and Greater Manchester Travelcards. Whilst current volumes in transport ticketing are relatively modest, there is considerable potential for long-term growth if transport authorities take steps to move ticket purchasing off buses. We are also discussing contracts with other operators and transport executives.

PayPoint has also achieved strong growth in the rest of the sector (energy bill payments, communications including TV Licensing, water, local authorities, and others).

Mobile top-ups

PayPoint's share of the UK mobile top-up market is c.30% (2006: c.27%) as a result of extending the retail network and improved outlet branding. Growth in Epos transactions is higher than for mobile top-ups on PayPoint's terminals, partly as a result of the migration of transactions from terminals to two multiple retailers' till systems on which Epos transactions are performed and partly on the higher growth in Epos sites than terminal sites.

The re-branding programme has contributed to an improvement in prompted consumer awareness¹ of 34ppts to 70% from 36% last year.

Automatic Teller Machines (ATMs)

New machines have continued to be rolled out, albeit at a slower rate of 34 per month (2006: 41 per month). The quality of the installed estate has been maintained and average transaction volumes and revenues are higher than last year, with sites averaging over 630 transactions per month (2006: 600 per month), split between cash withdrawals and balance enquiries with the latter representing slightly more than half of the transactions. Installed ATMs have grown to 1,860 at the year end (2006: 1,451).

1. BMRB Omnibus survey April 2007.

Network growth

Demand remains strong for new PayPoint terminal outlets and the retail network has grown to 17,537 sites at 25 March 2007, a net increase of over 2,200 or 15% on 2006.

2,488 sites (2006: 2,300) with our terminals also have Epos connections, to allow mobile top-up transactions over the retailers' own till systems and there are a further 3,855 Epos only sites (2006: 2,780).

Analysis of sites	2007	2006	Increase %
PP terminal only	15,049	12,996	16
PP terminal and Epos	2,488	2,300	8
PP terminal sites	17,537	15,296	15
ATM sites	1,860	1,451	28.
Internet merchants	4,249	-	-

Financial overview

Revenue for the financial year was 31% up at £157 million (2006: £120 million), driven by a 29% increase in transaction volumes and the increase in revenue from the sale of mobile top-ups in Ireland². Cost of sales was £111 million (2006: £83 million), an increase of 33%. Cost of sales comprises commission paid to agents, the cost of mobile top-ups in Ireland, depreciation and other items including telecommunications costs. Agents' commission increased to £77 million (2006: £64 million), up 21%, lower than volume growth as a result of lower than average growth of mobile top-ups which carry higher than average agent commissions. The cost of mobile top-ups in Ireland has risen to £21 million (2006: £10m). Depreciation and amortisation have increased to £3.8 million (2006: £2.3 million) as a result of the new terminal and ATM deployment and the refurbishment of the operations base at Welwyn Garden City.

Net revenue³ of £58 million (2006: £46 million) was up 25%, driven primarily by volume growth. Operating margins⁴ were 44% (2006: 42%), ahead of last year despite the step change in operating costs resulting from the expansion of the operations base.

Gross profit improved to £46 million (2006: £37 million), 26% ahead of last year, with a gross margin of 29% (2006: 30%). The rate of increase in mobile top-ups, where PayPoint acts as principal, which is greater than the rate of increase from other sources, tends to depress gross margin, mitigated by lower rates of increase in other costs. Gross margin, excluding the cost of mobile top-ups where PayPoint is the principal from both revenue and cost of sales, improved to 34% (2006: 33%).

2 In Ireland, PayPoint is principal in the sale of mobile top-ups and accordingly the face value of the top-up is included in sales and the corresponding costs in cost of sales.

3 Net revenue is revenue less commissions paid to retail agents and the cost of mobile top-ups where PayPoint is the principal.

4 Operating margins are calculated as operating profit as a percentage of net revenue³.

Operating costs (administrative expenses) have risen to £21 million (2006: £17 million), an increase of 21%. The inclusion of Metacharge and SECPay since acquisition has accounted for a 5% increase and the remainder results from the increase in leased space at our operations base, merger and acquisition activity, promotional activity and the expansion of the senior management team. Operating profit was £25 million (2006: £19 million). The operating margin⁵ improved to 44% (2006: 42%).

Profit before tax was £27 million (2006: £20 million). The tax charge of £8 million (2006: £3 million) represents an increase in the effective rate to 30% (2006: 17%), mainly as a result of the use last year of the previously unrecognized tax losses from prior years.

Operating cash flow was £28 million (2006: £14 million), reflecting strong conversion of profit to cash and a beneficial timing impact of drawing up the year end to 25 March 2007. Net capital expenditure of £6 million (2006: £7 million) reflected spend on new terminals, ATMs and infrastructure assets and the refurbishment of the operations base. Net interest received was £1 million (2006: £1 million). Equity dividends paid were £8 million (2006: £6 million).

Cash and cash equivalents were £24 million (including client cash of £7 million), down £5 million from £29 million (including client cash of £6 million) at 31 March 2006 following the net cash outflow of £20 million for the acquisitions of Metacharge and SECPay during the financial year.

Economic profit

PayPoint has made an economic profit (operating profit less tax and capital charge) of £16 million (2006: £13 million). Operating profits were £25million (2006: £19 million), up 31%, tax was £8 million (2006: £3 million), sharply increased as a result of the low tax charge last year when the remaining tax losses from prior years were used, and the capital charge of £1 million (2006: £0.5 million), increased as a result of the investment in Metacharge and SECPay, the refurbishment of the operations base and the capital invested in new terminal sites and ATMs.

Dividend

We propose to pay, on 22 June 2007, a final dividend of 9.1p per share to shareholders on the register on 25 May 2007, subject to approval of the shareholders at the annual general meeting. An interim dividend of 4.6p per share was paid on 21 December 2006.

PayPoint Internet Payment Services

Metacharge was acquired on 1 November 2006 for £8 million and SECPay for £12 million on 26 February 2007 to form PayPoint Internet Payment Services (PPIPS). Both companies are internet payment service providers (PSP) which contract with small and medium size enterprises to provide a secure payment service for internet shoppers. PPIPS earns revenue from transaction fees or monthly management fees. Both companies are Payment Card Industry (PCI) accredited for both Visa and MasterCard. PayPoint's network of agents will be offered as a cash payment solution for online purchases, in addition to the debit and credit card payments currently offered by these companies, and the PSP solution is being offered to some of PayPoint's existing clients.

⁵ Operating margins are calculated as operating profit as a percentage of net revenue⁶

⁶ Net revenue is revenue less commissions paid to retail agents and the cost of mobile top-ups where PayPoint is the principal.

PayPoint is combining the two businesses creating synergies and economies of scale. The first phase of this integration will deliver a single billing platform, a single extranet and both businesses will share SECPay's hosted hardware platforms. The second phase will permit Metacharge products to be delivered to SECPay's merchant base and vice versa, opening SECPay's electronic interfaces with its wider acquiring bank base to Metacharge. This will enable the introduction of merchants by PPIPS to banks.

Pay Store SRL

Pay Store SRL was acquired on 15 May 2007 for €16 million from the RTC group with potential for a further €1 million payable or recoverable, on the performance of the business in the first year after acquisition. Pay Store is a mobile top-up provider, the largest independent provider in Romania, selling both electronic top-ups and scratch cards, with over 6,000 retail agents, 4,000 of which have electronic terminals provided by Pay Store. Some 97% of Romanians pay bills in cash and are poorly served by a wide variety of payment methods. There is no single branded payment service. We plan to roll out a branded bill payment service using the Pay Store infrastructure, PayPoint terminals, and processing from Welwyn Garden City. Pay Store is well placed to benefit from the migration from scratch cards to electronic top-ups, and to capture a significant share of the bill payment market as privatized utilities look to rationalize current inefficient and costly cash collection channels.

Liquidity

The group has cash of £24 million and an unsecured loan facility of £35 million with a remaining term of 4 years. Cash and borrowing capacity are adequate to meet the foreseeable needs of the group.

Financing and treasury policy

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

Charitable donations

During the year the group made charitable donations of £33,300. including the sponsorship of MacMillan Cancer Relief of £25,000. All other payments were to charities serving the communities in which the group operates.

Employees

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

Outlook

There is further potential to expand the business in the UK. Whilst previous growth in energy prepayment attributed to energy price rises will not be sustained as energy prices fall, bill payment including the full year impact of the BBC TV licensing contract offers substantial opportunities for increase both in market share of existing business and through new initiatives. The planned installation of a further 2,000 terminal sites will also bring more market share in mobile top-up volumes and other transactions. We will continue to roll out ATMs, taking care to match the existing high quality outlets comprising our estate and this is expected to build total ATM transaction volumes. Our acquisitions, Metacharge, SECPay and more recently Pay Store, although small, are sound platforms for expansion in markets which are increasing rapidly. We are confident of continuing growth and trading in the current year has started well.

David Newlands
Chairman

Dominic Taylor
Chief Executive

17 May 2007

CONSOLIDATED INCOME STATEMENT

		Year ended	
		25 March	31 March
Continuing operations	Note	2007	2006
		£000	£000
Revenue	2	157,068	119,968
Cost of sales		(111,068)	(83,409)
Gross profit		46,000	36,559
Administrative expenses		(20,798)	(17,248)
Operating profit		25,202	19,311
Investment income		1,470	1,051
Finance costs		(75)	(15)
Profit before tax		26,597	20,347
Tax	3	(7,859)	(3,440)
Profit for the financial year attributable to equity holders of the parent		18,738	16,907

Earnings per share

Basic	5	27.7p	25.0p
Diluted	5	27.3p	24.7p

There have been no gains or losses attributable to the shareholders other than the profit for the current and preceding financial year, and accordingly no Statement of Total Recognised Income and Expense is presented.

CONSOLIDATED BALANCE SHEET

		As at	
		25 March	31 March
	Note	2007 £000	2006 £000
Non current assets			
Goodwill	6	18,207	-
Other intangible assets	7	2,839	-
Property, plant and equipment	8	11,844	8,894
Deferred tax asset	9	1,572	1,184
		34,462	10,078
Current assets			
Inventories		1,651	1,119
Trade and other receivables		20,671	12,112
Cash and cash equivalents	11	24,324	29,295
		46,646	42,526
Total assets		81,108	52,604
Current liabilities			
Trade and other payables		36,228	21,371
Current tax liabilities		4,115	1,972
Obligations under finance leases		-	67
		40,343	23,410
Non-current liabilities			
Other liabilities		392	344
		392	344
Total liabilities		40,735	23,754
Net assets		40,373	28,850
Equity			
Share capital	12	226	226
Share premium account	12	-	23,976
Capital redemption reserve	12	-	14,193
Investment in own shares	12	(1)	(1)
Share option and SIP reserve	12	1,712	738
Retained earnings	12	38,436	(10,282)
Total equity attributable to equity holders of the parent company	13	40,373	28,850

CONSOLIDATED CASH FLOW STATEMENT

		Year ended	
		25 March	31 March
	Note	2007 £000	2006 £000
Net cash flow from operating activities	15	28,181	14,318
Investing activities			
Investment income		1,310	1,051
Purchases of property, plant and equipment		(6,646)	(6,504)
Proceeds on disposal of property, plant and equipment		194	196
Acquisition of subsidiaries	10	(19,754)	-
Net cash used in investing activities		(24,896)	(5,257)
Financing activities			
Repayments of obligations under finance leases		(67)	(213)
Dividends paid		(8,189)	(5,503)
Net cash used in financing activities		(8,256)	(5,716)
Net (decrease)/increase in cash and cash equivalents		(4,971)	3,345
Cash and cash equivalents at beginning of year		29,295	25,950
Cash and cash equivalents at end of year		24,324	29,295

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

While the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in May 2006.

The financial information set out above does not constitute the company's statutory accounts for the years ended March 2007 or 2006, but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies and those for 2007 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under s. 237(2) or (3) Companies Act 1985

The audited preliminary consolidated financial statements comply with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), and with the accounting policies of the group which were set out on pages 41 to 44 of the 2006 annual report and accounts. No changes have been made to the group's accounting policies since this time, however the following additional accounting policies regarding the treatment of goodwill and other intangible assets recognised in relation to contracts with merchants and technology will be included in the group's statutory accounts:

Goodwill

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

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets

Contracts with merchants and technology

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

Contracts with merchants are amortised on a straight line basis generally between 1 and 5 years and technology is amortised over its estimated useful economic life of 10 years.

Software development expenditure

The group develops computer software for internal use. Software development expenditure on large projects is recognised as an intangible asset if it is probable that the asset will generate future economic benefits. The costs that are capitalised are the directly attributable costs necessary to create and prepare the asset for operations. Other software costs are recognised in administrative expenses when incurred. Software development costs recognised as an intangible asset are amortised on a straight line basis over the useful life, generally not more than three years.

2. Segmental reporting, net revenue analysis and gross throughput

(i) Segmental information

(a) Geographical segments

The group operates in both the UK and Republic of Ireland but the group has only one reportable geographical segment as defined in International Accounting Standard 14 Segment Reporting due to the fact that principally all operations occur in the UK.

(b) Classes of business

The group has one class of business, being payment collection and distribution services.

(ii) Analysis of revenues by market

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

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

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

	2007 £000	2006 £000
Revenue - transaction processing	155,659	118,909
- lease rental of ATMs	1,409	1,059
	157,068	119,968
less:		
Commission payable to retail agents	(76,986)	(63,558)
Cost of mobile top-ups as principal	(21,050)	(10,297)
External processing charges	(1,333)	-
Net revenue	57,699	46,113
Net revenue by market sector		
Bill payments	25,737	21,428
Mobile top-ups	22,633	18,966
ATMs	5,751	4,124
Internet payments	1,623	-
Other	1,955	1,595
Net revenue	57,699	46,113

Commission payable is included within cost of sales as shown below

	2007 £000	2006 £000
Revenue	157,068	119,968
Cost of sales		
Commission payable to retail agents	(76,986)	(63,558)
Cost of mobile top-ups as principal	(21,050)	(10,297)
External processing charges	(1,333)	-
Other	(11,699)	(9,554)
Total cost of sales	(111,068)	(83,409)
Gross profit	46,000	36,559

2. Segmental reporting, net revenue analysis and gross throughput (continued)

(iii) Gross throughput

	2007 £000	2006 £000
Collected by PayPoint terminals / Epos	4,826,632	3,581,194
Withdrawals via ATMs	293,287	203,630
Internet transactions	117,180	-
Total throughput	5,237,099	3,784,824

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

3. Tax

	2007 £000	2006 £000
Current tax	7,935	3,239
Deferred tax	(76)	201
	7,859	3,440
The charge for the year can be reconciled to the profit before tax as set out in the consolidated income statement		
Profit before tax	26,597	20,347
Tax at the UK Corporation tax rate of 30% (2006: 30%)	7,979	6,104
Tax effects of:		
Expenses not deductible in determining taxable profit	344	181
Capital allowances in excess of depreciation	54	(55)
Utilisation of tax losses not previously recognised	-	(2,392)
Timing differences	(309)	(237)
Prior year adjustments	(167)	-
Other	(42)	(161)
Actual amount of tax charge	7,859	3,440

4. Dividends on equity shares

	2007 £000	2006 £000
Equity dividends on ordinary shares		
Interim dividend paid of 4.6p per share (2006: 3.0p)	3,113	2,030
Proposed final dividend of 9.1p per share (2006: paid 7.5p per share)	6,159	5,076
Total dividends paid and recommended 13.7p per share (2006: 10.5p per share)	9,272	7,106
Amounts distributed to equity holders in the year		
Final dividend for the prior year	5,076	3,473
Interim dividend for the current year	3,113	2,030
	8,189	5,503

5. Earnings per share**Basic earnings per share**

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

	2007 £000	2006 £000
Profit for the purposes of basic earnings per share being net profit attributable to equity holders of the parent and for diluted earnings per share	18,738	16,907

	2007 Number of shares	2006 Number of shares
Weighted average number of ordinary shares in issue (for basic earnings per share)	67,678,187	67,671,307
Potential dilutive ordinary shares:		
Long-term incentive plan	974,116	733,347
Deferred share bonus	80,336	51,518
Diluted basis	68,732,639	68,456,172

6. Goodwill

	Total £000
Cost	
At 1 April 2006	-
Recognised on acquisition of subsidiaries	18,207
At 25 March 2007	18,207
Accumulated impairment losses	
At 1 April 2006	-
Impairment losses for the year	-
At 25 March 2007	-
Carrying amount	
At 25 March 2007	18,207
At 31 March 2006	-

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

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

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

The post tax rate used to discount the forecast cash flows is 14 per cent.

7. Other intangible assets

	Technology £000	Contracts with merchants £000	Total £000
Cost			
At 1 April 2006	-	-	-
Acquired on acquisition of subsidiaries	1,800	1,251	3,051
At 25 March 2007	1,800	1,251	3,051
Amortisation			
At 1 April 2006	-	-	-
Charge for the year	65	147	212
At 25 March 2007	65	147	212
Carrying amount			
At 25 March 2007	1,735	1,104	2,839
At 31 March 2006	-	-	-

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

8. Property plant and equipment

Group	Terminals and ATMs £000	Fixtures, fittings and equipment £000	Total £000
Cost			
At 1 April 2006	20,617	868	21,485
Acquisition of subsidiary	-	144	144
Additions	6,024	641	6,665
Disposals	(312)	-	(312)
At 25 March 2007	26,329	1,653	27,982
Accumulated depreciation			
At 1 April 2006	11,815	776	12,591
Acquisition of subsidiary	-	69	69
Charge for the year	3,355	248	3,603
Disposals	(125)	-	(125)
At 25 March 2007	15,045	1,093	16,138
Net book value			
At 25 March 2007	11,284	560	11,844
At 31 March 2006	8,802	92	8,894

9. Deferred tax asset

	2007 £000	2006 £000
Movement on deferred tax asset		
Opening balance	1,184	1,385
Acquisition of subsidiary (note 10)	312	-
Charge/(credit) to income statement	76	(201)
Deferred tax asset	1,572	1,184
Analysis of deferred tax asset		
Capital allowances in excess of depreciation	807	947
Share based payments	546	237
Short term timing differences	89	-
Losses	130	-
	1,572	1,184

At the balance sheet date:

(i) the group has further unused tax losses of £2,262,600 (2006: £1,792,000) available for offset against future profits in the subsidiaries in which the losses reside. No deferred tax assets have been recognised in respect of these losses due to the unpredictability of future profit streams. All losses may be carried forward indefinitely.

(ii) there were timing differences associated with undistributed earnings of subsidiaries for which a deferred tax liability has not been recognised. No liability has been recognised in respect of these differences because the group is in a position to control their reversal and it is probable that such differences will not reverse in the foreseeable future.

10. Acquisition of subsidiaries

On 1 November 2006, the company acquired 100% of the issued share capital of Metacharge for cash consideration of £8.2 million.

On 26 February 2007, the company acquired 100% of the issued share capital of SECPay for cash consideration of £12.4 million.

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

	Metacharge		SECPay		Total
	Book value £000	Fair value £000	Book value £000	Fair value £000	Fair value £000
Net assets acquired					
Property, plant and equipment	242	54	13	21	75
Deferred tax assets	312	312	-	-	312
Trade and other receivables	9,155	9,155	192	192	9,347
Cash and cash equivalents	611	611	733	733	1,344
Trade and other payables	(10,604)	(10,794)	(294)	(444)	(11,238)
Intangible assets (note 7)	-	2,123	-	928	3,051
	(284)	1,461	644	1,430	2,891
Goodwill		6,981		11,226	18,207
Total consideration		8,442		12,656	21,098
Satisfied by:					
Cash		8,251		12,459	20,710
Directly attributable costs		191		197	388
		8,442		12,656	21,098
Net cash outflow arising on acquisition					
Cash consideration		8,442		12,656	21,098
Cash and cash equivalents acquired		(611)		(733)	(1,344)
		7,831		11,923	19,754

11. Cash and cash equivalents

Included within group cash and cash equivalents is £7,290,000 (2006: £5,575,000) relating to monies collected on behalf of clients where the group has title to the funds (client cash). An equivalent balance is included within trade payables.

The group operates cash pooling amongst its various bank accounts and therefore individual accounts can be overdrawn without penalties being incurred so long as the overall gross position is in credit. At the 25 March 2007 the company's bank account was overdrawn by £99,000 (2006: credit £4,008,000), but the group's overall cash position was £24,324,000 (2006: £29,295,000) in credit.

12. Equity

	Group	
	2007 £000	2006 £000
Authorised share capital		
4,365,352,200 ordinary shares of 1/3 p each (2006: 4,365,352,200 ordinary shares of 1/3 p each)	14,551	14,551
	14,551	14,551
Called up, allotted and fully paid share capital		
67,678,702 ordinary shares of 1/3p each (2006: 67,653,358 ordinary shares of 1/3p each)	226	226
	226	226
Called up share capital		
At start of year	226	226
At end of year	226	226
Share premium		
At start of year	23,976	23,976
Capital reduction (see below)	(23,976)	-
At end of year	-	23,976
Capital redemption reserve		
At start of year	14,193	14,193
Deferred shares purchased and cancelled	(14,193)	-
At end of year	-	14,193
Investment in own shares		
At start of year	(1)	(1)
At end of year	(1)	(1)
Share option and SIP reserve		
At start of year	738	219
Movement	974	519
At end of year	1,712	738
Retained earnings		
At start of year	(10,282)	(21,686)
Profit for the year	18,738	16,907
Capital reduction (see over)	38,046	-
Undistributable reserves (see below)	123	-
Dividends paid	(8,189)	(5,503)
At end of year	38,436	(10,282)

On 8 November 2006 the company held an extraordinary general meeting to approve a resolution to cancel the entire amount standing to the credit of each of its share premium account and capital redemption reserve. This was approved by the courts in December 2006. At 25 March 2007,

£0.1 million of the retained earnings is not distributable as it relates to trade creditors at 8 November 2006 which remained unpaid at 25 March 2007.

13. Statement of changes in equity

	Group	
	2007	2006
	£000	£000
Opening equity	28,850	16,927
Profit for the year	18,738	16,907
Dividends paid	(8,189)	(5,503)
Share option and SIP reserve	974	519
Closing equity	40,373	28,850

14. Events after the balance sheet date

On the 15 May 2007 PayPoint acquired Pay Store SRL for €16 million. Pay Store is a company incorporated in Romania and is a mobile top-up provider, selling both electronic top-ups and scratch cards, with over 6,000 retail agents of which 4,000 have electronic terminals.

15. Notes to the cash flow statement

	Group	
	2007 £000	2006 £000
Operating Profit	25,202	19,311
Adjustments for:		
Depreciation on property, plant and equipment	3,603	2,320
Amortisation of intangible assets	212	-
Increase in share option and SIP reserve	974	519
Operating cash flows before movements in working capital	29,991	22,150
Increase in inventories	(532)	(647)
Decrease/(increase) in receivables	788	(4,238)
Increase/(decrease) in payables		
- client cash	1,105	(5,524)
- other payables	2,866	4,008
Cash generated by operations	34,218	15,749
Corporation tax paid	(6,007)	(1,416)
Interest and bank charges paid	(30)	(15)
Net cash from operating activities	28,181	14,318

ABOUT PAYPOINT

PayPoint is the leading cash and internet payments company in the UK and Ireland, handling in excess of £5 billion in over 400 million transactions annually for more than 5,000 clients and merchants. The company operates with several significant payment streams:

- The PayPoint branded retail network numbers over 17,500 terminals located in local shops (including Co-op, Spar, Costcutter, Sainsburys Local, One Stop, Londis and thousands of independents) in all parts of the UK and Ireland. Terminals handle gas and electricity meter prepayments, cash bill payments, mobile phone top-ups, transport tickets, London Congestion Charges, BBC TV licences and a wide variety of other payment types for all of the leading utilities, telecommunications suppliers and many consumer service companies. This network is used by consumers, free of charge, over 7 million times a week. The network has 97.3% population cover on a 1 mile urban or 5 miles rural measure;
- Additional multiple retailer connections into the electronic till systems of nearly 4,000 outlets including BP, Somerfield and Superdrug for mobile top-ups and selected payments from the PayPoint range;
- The PayPoint ATM network has 1,860 'LINK' branded machines across the UK, also typically in convenience stores;
- PayPoint Internet Payment Services (PPIPS), trading as Metacharge and SECPay, provides secure credit and debit card payments for over 4,000 web merchants linking into all the major UK acquiring banks; and
- PayPoint International has recently acquired a Romanian mobile top-up operator to which a bill payment service will be added, emulating the UK branded retail network. PayPoint International also operates Irish bill payment and top-up services.

PayPoint floated on the London Stock Exchange in September 2004.. The company's market capitalisation at 25 March 2007 was £464 million. PayPoint has been awarded the Queen's Award for Enterprise and is widely recognised for its leadership in prepayment systems, smart technology and consumer service.

17 May 2007

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A presentation for analysts is being held at 11.30am today at Finsbury, Tenter House, Moorfields, London EC2.

This announcement is available on the PayPoint plc website: <http://www.paypoint.com>