PayPoint plc
Preliminary results
Period ended 30 March 2008

	53 weeks ended 30 March 2008	52 weeks ended 25 March 2007	Increase
	£m	£m	%
Revenue	**212**	157	35
Net revenue[1,2]	**70**	58	21
Operating profit	**29**	25	16
Profit before tax	**30**	27	14
Basic earnings per share	**31.1p**	27.7p	12
Proposed final dividend per share	**10.4p**	9.1p	14

- Strong growth in both revenues and operating profit driven by a 22% increase in transaction volumes
- Consumer satisfaction 98%[3]
- Like for like operating margin[2,4] of 46% against 44% last year
- Earnings per share 31.1p, up 12%
- Total dividend for the year 15.7p per share, up 15%
- UK and Ireland network expanded by 13% to 19,878 terminal sites
- First full year for our rapidly growing internet payment service business
- International expansion through the acquisition of Pay Store in Romania

David Newlands, Chairman of PayPoint, said "PayPoint has delivered another set of strong results with increases in both revenues and profits. We have expanded our UK terminal estate ahead of our targets and started to roll out new terminals in Romania. We have rationalised three data centres to one for our two internet service payment providers, now trading as PayPoint.net, and the balance of our integration work is approaching completion. The acquisition of Pay Store in Romania is the first step of our international strategy and the launch plans for our Romanian bill payment service are well advanced. There remain further opportunities for future growth through market share gains, new initiatives and new products."

The financial statements have been drawn up to the 30 March 2008, which covers 53 weeks (2007: 52 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 Net revenue and operating margin are measures which the directors believe assist with a better understanding of the underlying performance of the group. The reconciliation of net revenue to revenue can be found in note 2.

3 Source: Mori Ipsos

4 Operating margin is operating profit expressed as a percentage of net revenue. Like for like excludes the impact of acquisitions in the last two years and the additional week of trading in the period under review.

BUSINESS REVIEW

The business review is 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.

Our key performance indicators are transaction volumes, numbers of terminal and ATM sites, net revenue[1], operating margin[2] and economic profit[3]. We have met or exceeded all of our targets except for ATM site numbers.

Operational overview

We have continued to grow in all sectors and particularly in bill and general payments with the introduction in the prior year of the exclusive BBC TV Licensing contract. In addition, the year under review includes 53 weeks of trading. 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 503 million transactions (2007: 414 million), an increase of 22%, with a value of £7.5 billion (2007: £5.2 billion) up 44%, driving revenue of £212 million (2007: £157 million). Commissions paid to agents of £83 million (2007: £77 million) were up 8%, reflecting a lower than average increase in mobile top-ups which carry higher than average agent commission.

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

Transactions by sector	**53 weeks 2008 million**	52 weeks 2007 million	Increase %
Bill and general payments[(a)]	**311**	267	16
Mobile top-ups	**151**	130	16
ATMs	**15**	13	14
Internet payments	**26**	4	550
Total [(b)]	**503**	414	22

(a) Including debit/credit transactions

(b) Included in the total are 19 million international bill and general payments and mobile top-ups, for Ireland and Romania (2007: 8 million)

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 calculated as operating profit as a percentage of net revenue.

3 Economic profit is operating profit after tax and a charge for capital employed based upon the group's cost of capital.

Bill and general payments

PayPoint has continued to perform 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 as a result of its branch closure programme, the launch of the BBC TV licence payments which became exclusive to PayPoint from 1 August 2006 and the extra week of trading have contributed to growth in transactions.

Prepaid energy volumes have increased over the prior year despite reductions in domestic prices in the first half of the year. The increase results from our network growth and from our increasing sector share, particularly in the Midlands, where a competitor lost exclusivity. The more recently announced increases in domestic energy prices should have a beneficial effect on transaction volumes going forward.

PayPoint has also continued to achieve strong growth in the rest of the bill and general payments sector.

Mobile top-ups

Mobile top-up volumes have increased by 16% compared to last year (9% excluding Pay Store which was acquired on 15 May 2007). During the year, PayPoint processed £1.1 billion of mobile top-ups in the UK, equating to 26% of the sector (2007: 24%). The two most popular methods for topping up remain e-voucher and electronic top-up.

Automatic Teller Machines (ATMs)

New machines have been rolled out at an average rate of 39 per month (2007: 49 per month). We have continued to be proactive in churning poor performing sites for redeployment and this higher than expected level of churn has reduced the net increase to 13 per month. The estate has maintained a high number of transactions per site, averaging over 620 transactions per month (2007: 630 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 2,016 at the year end (2007: 1,860). We have reorganised the ATM team under new management to focus on sales. At 22 May 2008, we have 2,076 ATMs.

PayPoint.net

PayPoint.net, combining Metacharge and SECPay, has traded profitably. We have completed the first integration phase of these two businesses which involved the co-location of their hardware platforms at a hosted data centre (reducing the number of hosted data centres from three to one) and the provision of full disaster recovery from our Welwyn Garden City operations base. We have made good progress towards completion of a single billing platform, the first part of the second integration phase which will also encompass the development of new products and focus attention on sales to increase the merchant base. At the end of the current year, we will merge the trading companies into a single company to complete the integration.

PayPoint in Romania

Pay Store SRL was acquired, from the RTC group, on 15 May 2007 for £10.3 million. Pay Store is one of the largest independent mobile top-up providers in Romania, selling both electronic top-ups and paper scratch cards. The company has traded at a small loss as expected. We have invested in strengthening the management team, switched the processing from a local provider to our processing centre in Welwyn Garden City, built a new sales team, started branding of our agent outlets, upgraded systems to mirror the UK infrastructure and developed our bill payment offering. Nearly all of Romanians pay their bills in cash and are poorly served by existing payment channels. Further investment is expected as we expand the network in Romania beyond our original plans. Pay Store is well placed to benefit from the migration of paper scratch cards to electronic top-ups and following the launch of bill payments, to capture a significant share of the bill payment market as privatised utilities look to rationalise current inefficient and costly cash collection channels.

Network growth

Terminal sites have increased to 23,895 (2007: 17,537).

The retail network in the UK and Ireland has grown to 19,878 terminal sites against our target of 19,500, an increase of 13% on last year. Terminals in Romania have increased by 756 since acquisition as we start to build the infrastructure for a national bill payment network.

A total of 2,833 sites (2007: 2,488) that are already equipped with our terminals also have Epos connections to allow mobile top-up transactions over the retailers' own till systems.

Analysis of sites	**30 March 2008**	25 March 2007	Increase %
PP terminal only	**17,045**	15,049	13
PP terminal and Epos	**2,833**	2,488	14
PP terminal sites	**19,878**	17,537	13
Pay Store terminal sites	**4,017**	-	-
Total terminal sites	**23,895**	17,537	36
ATM sites	**2,016**	1,860	8
Internet merchants	**4,808**	4,249	13

New service initiatives

PayPoint has continued to introduce a wide range of new services to stimulate further transaction growth in both cash and new economy payments. We are well placed to benefit from the expected increases in transaction volumes in the electronic money sector from services such as gift cards, prepay debit cards, saving schemes, stored value cards and money transfer. We are established as a premier convenience loading channel for cash onto both prepay and stored value cards, which have developed into strong sectors in the USA and are now being marketed with increasing success in the UK.

We have launched new digital voucher schemes allowing consumers to redeem vouchers received on their mobile phone at participating PayPoint retailers.

Financial overview

Revenue for the financial year was 35% higher at £212 million (2007: £157 million), driven by a 22% increase in transaction volumes and the increase in revenue from the sale of mobile top-ups[1] in Ireland and Romania. Cost of sales was £156 million (2007: £111 million), an increase of 40%. Cost of sales comprises commission paid to agents, the cost of mobile top-ups in Ireland and Romania where PayPoint is principal, depreciation and other items including telecommunications costs. Agents' commission increased to £83 million (2007: £77 million), up 8%, lower than the growth in volume 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 and Romania has risen to £55 million (2007: £21m), which drives the disproportionate increase in cost of sales compared to revenue. Depreciation has increased to £4.8 million (2007: £3.6 million) as a result of new terminals, ATM deployments and acquisitions. Amortisation of intangibles has increased to £0.9 million (2007: £0.2 million) as a result of the acquisition of Pay Store and a full year's charge for the internet payments businesses.

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

Financial overview continued

Net revenue[1] of £70 million (2007: £58 million) was up 21%, driven primarily by volume growth. Operating margin[2] was 42% (2007: 44%) down 2 percentage points as a result of Pay Store's loss. Operating margin[2] on a like for like basis (excluding acquisitions in the last two years and the additional week of trading in the year under review) was 46% (2007: 44%).

Gross profit improved to £57 million (2007: £46 million), 23% ahead of last year, with a gross margin of 27% (2007: 29%). The rate of increase in mobile top-ups in Ireland and Romania[3] is greater than the rate of revenue increases from other sources, which reduces gross margin, but this effect has been mitigated by lower rates of increase in other costs. Gross margin, excluding the cost of Irish and Romanian mobile top-ups[3], improved to 36% (2007: 34%).

Operating costs (administrative expenses) have risen to £27 million (2007: £21 million), an increase of 32%. The inclusion of PayPoint.net for a full 12 months and Pay Store since acquisition accounts for 23% out of the 32% increase. Operating profit was £29 million (2007: £25 million).

Profit before tax was £30 million (2007: £27 million), an increase of 14%. The tax charge of £9 million (2007: £8 million) represents an effective rate of 31% (2007: 30%). The increase in the effective rate of tax results from the disallowance of the charge for amortisation of intangible assets.

Operating cash flow was £30 million (2007: £28 million), reflecting strong conversion of profit to cash. Capital expenditure of £6 million (2007: £7 million) reflected spend on new terminals, ATMs and infrastructure assets required to combine the two internet payment providers and £2 million on the acquisition of the fixed assets in Pay Store. The company purchased £3.5 million of its own shares during the year to satisfy the first tranche of the Long Term Incentive Plan. Net interest received was £1 million (2007: £1 million). Equity dividends paid were £10 million (2007: £8 million).

Cash and cash equivalents were £28 million (including client cash of £8 million), up from £24 million (including client cash of £7 million) last year.

Economic profit

PayPoint's economic profit (operating profit less tax and capital charge) was £17 million (2007: £16 million). Operating profits were £29 million (2007: £25 million), up 16%, tax was £9 million (2007: £8 million), and the capital charge was £3 million (2007: £1 million), which increased as a result of the acquisition of Pay Store, the funding of working capital in Romania and the capital invested in new terminal sites and ATMs.

Dividend

We propose to pay, on 14 July 2008, a final dividend of 10.4p per share to shareholders on the register on 27 June 2008, subject to the approval by our shareholders at the annual general meeting. An interim dividend of 5.3p per share was paid on 21 December 2007 making a total dividend for the year of 15.7p (2007:13.7p), up 15%.

Liquidity

The group has cash of £28 million and an unsecured loan facility of £15 million with a remaining term of 3 years. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group.

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

2 Operating margin is calculated as operating profit as a percentage of net revenue.

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

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 £26,000 (2007: £33,000) 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

We expect further growth in revenues in the UK by increasing market share in bill and general payments, mobile top-ups, ATMs and from Post Office closures and we plan to add a further 1,500 terminals, during the course of the current financial year, to continue to capitalise on these opportunities.

In Romania, we plan to install 1,500 PayPoint terminals this year. These will complement the existing terminal base and provide initial coverage for a national bill payment network. This investment will result in losses in Romania in the first half. In PayPoint.net, which is currently trading profitably, growth should accelerate in the latter part of the year, following the introduction of the new single company branding, website and product set in the first half.

Trading since the period end is in line with the company's expectations. In the first half, the growth in the core business will be offset by the continuing losses in Pay Store and the shorter trading period of 26 weeks (2007: 27 weeks).

The directors are confident of continuing growth for the year overall, although the impact of the increase in revenue from the introduction of the exclusive TV licence contract will not recur in the current year.

David Newlands
Chairman

Dominic Taylor
Chief Executive

22 May 2008

CONSOLIDATED INCOME STATEMENT

Continuing operations	Note	**53 weeks ended 30 March 2008 £000**	52 weeks ended 25 March 2007 £000
Revenue	2	**212,145**	157,068
Cost of sales	2	**(155,591)**	(111,068)
Gross profit		**56,554**	46,000
Administrative expenses		**(27,354)**	(20,798)
Operating profit		**29,200**	25,202
Investment income		**1,262**	1,470
Finance costs		**(58)**	(75)
Profit before tax		**30,404**	26,597
Tax	3	**(9,424)**	(7,859)
Profit for the financial year attributable to equity holders of the parent	9	**20,980**	18,738
Earnings per share			
Basic	5	**31.1p**	27.7p
Diluted	5	**30.8p**	27.3p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Note	**53 weeks ended 30 March 2008 £000**	52 weeks ended 25 March 2007 £000
Exchange differences on translation of foreign operations	9	**318**	**-**
Net income recognised directly in equity		**318**	**-**
Profit for the period		**20,980**	18,738
Total recognised income and expenses for the period		**21,298**	18,738

CONSOLIDATED BALANCE SHEET

	Note	As at **30 March 2008 £000**	25 March 2007 £000
Non current assets			
Goodwill	6	**27,428**	18,207
Other intangible assets		**2,742**	2,839
Property, plant and equipment		**13,114**	11,844
Deferred tax asset		**1,571**	1,572
Investment	11	**375**	-
		45,230	34,462
Current assets			
Inventories		**1,250**	1,651
Trade and other receivables		**28,285**	20,671
Cash and cash equivalents	8	**27,727**	24,324
		57,262	46,646
Total assets		**102,492**	81,108
Current liabilities			
Trade and other payables		**45,275**	36,228
Current tax liabilities		**7,226**	4,115
Obligations under finance leases		**70**	-
		52,571	40,343
Non-current liabilities			
Other liabilities		**334**	392
		334	392
Total liabilities		**52,905**	**40,735**
Net assets		**49,587**	**40,373**
Equity			
Share capital	9	**226**	226
Investment in own shares	9	**(935)**	(1)
Share option and SIP reserve	9	**2,281**	1,712
Hedging and translation reserve	9	**318**	-
Retained earnings	9	**47,697**	38,436
Total equity attributable to equity holders of the parent company	10	**49,587**	**40,373**

The financial information in this preliminary announcement was approved by the board of directors on 22 May 2008.
Signed on behalf of the board of directors

Dominic Taylor
Director
22 May 2008

CONSOLIDATED CASH FLOW STATEMENT

	Note	**53 weeks ended 30 March 2008 £000**	52 weeks ended 25 March 2007 £000
Net cash flow from operating activities	12	**29,618**	28,181
Investing activities			
Investment income		**1,252**	1,310
Purchases of property, plant and equipment		**(5,519)**	(6,646)
Proceeds from disposal of property, plant and equipment		**110**	194
Acquisition of subsidiaries	7	**(8,227)**	(19,754)
Investment	11	**(375)**	-
Purchase of own shares	11	**(3,467)**	-
Net cash used in investing activities		**(16,226)**	**(24,896)**
Financing activities			
Repayments of obligations under finance leases		**(246)**	(67)
Dividends paid		**(9,738)**	(8,189)
Net cash used in financing activities		**(9,984)**	(8,256)
Net increase / (decrease) in cash and cash equivalents		**3,408**	(4,971)
Cash and cash equivalents at beginning of year		**24,324**	29,295
Effect of foreign exchange rate changes		**(5)**	-
Cash and cash equivalents at end of year		**27,727**	**24,324**

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

While the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. The company expects to publish full financial statements that comply with IFRS in May 2008.

The financial information set out above does not constitute the company's statutory accounts for the years ended March 2008 or 2007, but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 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 financial information complies 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 37 to 41 of the 2007 annual report and accounts. No subsequent changes have been made to the group's accounting policies.

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

(i) Segmental information

(a) Geographical segments

The group operates in the UK, the Republic of Ireland and Romania 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 net revenues by sector, cost of sales and gross throughput

Revenue comprises the value of sales (excluding VAT) of services in the normal course of business and includes amounts billed to customers to be passed on to retail agents as commission payable, the face value of mobile top-ups where PayPoint acts as principal and for Metacharge, it includes acquiring bank 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 revenue 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.

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.

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

	53 weeks ended 30 March 2008 £000	52 weeks ended 25 March 2007 £000
Revenue - transaction processing	**210,528**	155,659
- lease rental of ATMs	**1,617**	1,409
	212,145	157,068
less:		
Commission payable to retail agents	**(83,439)**	(76,986)
Cost of mobile top-ups as principal	**(55,468)**	(21,050)
Acquiring bank charges	**(3,378)**	(1,333)
Net revenue	**69,860**	57,699
Net revenue by market sector		
Bill and general payments	**30,652**	25,737
Mobile top-ups	**25,153**	22,633
ATMs	**6,561**	5,751
Internet payments	**4,927**	1,623
Other	**2,567**	1,955
Net revenue	**69,860**	57,699
UK	**66,507**	56,757
International [(1)]	**3,353**	942
Net revenue	**69,860**	57,699

[1] International consists of bill and general payment and mobile top-up revenue from Ireland and Romania.

	53 weeks ended 30 March 2008 £000	52 weeks ended 25 March 2007 £000
Cost of sales		
Commission payable to retail agents	**(83,439)**	(76,986)
Cost of mobile top-ups as principal	**(55,468)**	(21,050)
Acquiring bank charges	**(3,378)**	(1,333)
Depreciation and amortisation	**(5,719)**	(3,815)
Other	**(7,587)**	(7,884)
Total cost of sales	**(155,591)**	(111,068)

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

Gross throughput

	53 weeks ended 30 March 2008 £000	52 weeks ended 25 March 2007 £000
Transactions via PayPoint terminals, retailer Epos systems and sale of scratch cards	**5,931,224**	4,826,632
ATM transactions	**328,237**	293,287
Internet transactions	**1,286,887**	117,180
Gross throughput	**7,546,348**	5,237,099

3. Tax

The charge for the year can be reconciled to the profit per the income statement as follows:

	53 weeks ended 30 March 2008 £000	52 weeks ended 25 March 2007 £000
Current tax	**9,423**	7,935
Deferred tax	**1**	(76)
	9,424	7,859
The charge for the year can be reconciled to the profit before tax as set out in the consolidated income statement		
Profit before tax	**30,404**	26,597
Tax at the UK Corporation tax rate of 30% (2007: 30%)	**9,121**	7,979
Tax effects of:		
Profits / (losses) in countries where the rate is different to the UK	**47**	(40)
Disallowable expenses	**359**	52
Utilisation of tax losses not previously recognised	**(103)**	-
Losses in companies where deferred tax asset not recognised	**116**	-
Adjustments in respect of prior years	**(88)**	(132)
Revaluation of the deferred tax balance from 30% to 28%	**(28)**	-
Actual amount of tax charge	**9,424**	7,859

4. Dividends on equity shares

	53 weeks ended 30 March 2008 £000	52 weeks ended 25 March 2007 £000
Equity dividends on ordinary shares		
Interim dividend paid of 5.3p per share (2007: 4.6p)	**3,579**	3,113
Proposed final dividend of 10.4p per share (2007: paid 9.1p per share)	**7,040**	6,159
Total dividends paid and recommended 15.7p per share (2007: 13.7p per share)	**10,619**	9,272
Amounts distributed to equity holders in the period		
Final dividend for the prior period	**6,159**	5,076
Interim dividend for the current period	**3,579**	3,113
	9,738	8,189

5. Earnings per share

Basic earnings per share

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

	53 weeks ended 30 March 2008 £000	52 weeks ended 25 March 2007 £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	**20,980**	18,738

	2008 Number of shares	2007 Number of shares
Weighted average number of ordinary shares in issue (for basic earnings per share)	**67,369,600**	67,678,187
Potential dilutive ordinary shares:		
Long-term incentive plan	**669,449**	974,116
Deferred share bonus	**119,903**	80,336
Diluted basis	**68,158,952**	68,732,639

6. Goodwill

	£000
Cost	
At 26 March 2007	18,207
Recognised on acquisition of subsidiaries	9,085
Exchange difference	136
At 30 March 2008	**27,428**
Accumulated impairment losses	
At 26 March 2007	-
Impairment losses for the year	-
At 30 March 2008	-
Carrying amount	
At 30 March 2008	**27,428**
At 25 March 2007	18,207

	£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 10 per cent.

7. Acquisition of subsidiary

On 15 May 2007, the company acquired 100% of the issued share capital of Pay Store for cash consideration of £10.3 million of which £2.2 million was payable 12 months after acquisition.

This has been accounted for by the purchase method of accounting.

	Pay Store	
	Book value £000	Fair value £000
Net assets acquired		
Property, plant and equipment	2,046	2,046
Trade and other receivables	2,310	2,310
Overdraft	(93)	(93)
Trade and other payables	(3,866)	(3,866)
Intangible assets	-	801
	397	1,198
Goodwill		9,085
Total consideration		10,283
Satisfied by:		
Cash		8,134
Deferred consideration		2,149
		10,283
Net cash outflow arising on acquisition		
Cash consideration		8,134
Overdraft		93
		8,227

The goodwill arising on the acquisition of Pay Store is attributable to the anticipated profitability of the distribution of the group's products in the new markets.

Pay Store contributed £30.8 million revenue and £1.0 million loss (including amortisation of intangible assets of £0.3 million) to the group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of Pay Store had been completed on the first day of the financial year, the group's results would have been revenue of £216 million and £21 million profit attributable to equity holders of the parent.

8. Cash and cash equivalents

Included within group cash and cash equivalents is £8,001,000 (2007: £7,290,000) 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 30 March 2008 the group's overall cash position was £27,727,000 (2007: £24,324,000) in credit.

9. Equity

	2008 £000	2007 £000
Authorised share capital		
4,365,352,200 ordinary shares of 1/3 p each (2007 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		
67,697,228 ordinary shares of 1/3p each (2007: 67,678,702 ordinary shares of 1/3p each)	**226**	226
	226	226

Called up share capital		
At start of period	**226**	226
At end of period	**226**	226

Investment in own shares		
At start of the period	**(1)**	(1)
Acquired in period	**(2,533)**	-
Used on share scheme vesting	**1,599**	-
At end of period	**(935)**	(1)

Hedging and translation reserve		
At start of the period	**-**	-
Movement during the period	**318**	-
At end of period	**318**	-

Share option and SIP reserve		
At start of period	**1,712**	738
Additions in period	**1,121**	974
Options exercised in period	**(552)**	-
At end of period	**2,281**	1,712

Retained earnings		
At start of period	**38,436**	(10,282)
Profit for the period	**20,980**	18,738
Capital reduction	**-**	38,046
Undistributable reserves	**-**	123
Dividends paid	**(9,738)**	(8,189)
Adjustment on share scheme vesting	**(1,981)**	-
At end of period	**47,697**	38,436

10. Statement of changes in equity

	2008 £000	2007 £000
Opening equity	**40,373**	28,850
Profit for the period	**20,980**	18,738
Dividends paid	**(9,738)**	(8,189)
Investment in own shares	**(2,533)**	-
Adjustment on share scheme vesting	**(934)**	-
Increase in hedging and translation reserve	**318**	-
Increase in share option and SIP reserve	**1,121**	974
Closing equity	**49,587**	40,373

11. Related party transactions

During the year the company invested £375,000 for 1.05% of the ordinary share capital of OB10 Limited, a company that specialises in electronic invoicing. David Newlands, Chairman of PayPoint plc, is also Chairman of OB10 and a shareholder with direct and indirect holdings of 4.10% of the issued share capital and both Dominic Taylor and George Earle are directly or indirectly interested in 0.42% each.

On 24 September 2007, the company released in full the first tranche of its Long Term Incentive Plan awards to the three executive directors and six senior managers. In order to satisfy the company's obligations, Paypoint Network Limited Employee Investment Trust (The Trust) acquired 424,052 ordinary shares at the mid market closing price of 597.5 pence per share, in aggregate £2,533,000, from RIT Capital Partners and the Weinstock Estate (both of which are connected to David Morrison, a non-executive director of the company). 156,348 shares were sold at 597.5 pence per share, in aggregate £934,000, by participating directors and managers to the Trust. Accordingly, the company has funded £3,467,000 (excluding £22,000 deal costs) for the purchase of its own shares. The excess of the market value of the shares acquired over their fair value at the date of grant of £1,981,000 has been charged to reserves.

12. Notes to the cash flow statement

	53 weeks ended 30 March 2008 £000	52 weeks ended 25 March 2007 £000
Operating Profit	**29,200**	25,202
Adjustments for:		
Depreciation of property, plant and equipment	**4,812**	3,603
Amortisation of intangible assets	**907**	212
Increase in share option and SIP reserve	**1,121**	974
Operating cash flows before movements in working capital	**36,040**	29,991
Decrease / (increase) in inventories	**580**	(532)
(Increase) / decrease in receivables	**(10,528)**	788
Increase in payables		
- client cash	**711**	1,105
- other payables	**9,196**	2,866
Cash generated by operations	**35,999**	34,218
Corporation tax paid	**(6,362)**	(6,007)
Interest and bank charges paid	**(19)**	(30)
Net cash from operating activities	**29,618**	28,181

ABOUT PAYPOINT

PayPoint is the leading cash and internet payments company in the UK also with operations in Ireland and Romania. We handle in excess of £7 billion from over 503 million transactions annually for more than 5,000 clients and merchants. The company operates several payment networks:

- The PayPoint branded retail network numbers over 19,800 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 most leading utilities, telecommunications suppliers and many consumer service companies. This network is used by consumers, free of charge, over 8 million times a week. The network has 99% population cover on a 1 mile urban or 5 miles rural measure;

- Multiple retailer connections into the electronic till systems of over 4,300 outlets in addition to the branded terminal outlets, including BP, Somerfield and Superdrug for mobile top-ups and selected payments from the PayPoint range;

- An ATM network which has 2,016 'LINK' branded machines across the UK, also typically in convenience stores;

- PayPoint.net, an internet payment service provider, provides secure online credit and debit card payments for over 4,800 web merchants linking into all the major UK acquiring banks; and

- Pay Store, a Romanian mobile top-up operator with over 4,000 outlets equipped with electronic terminals and 2,000 other retail outlets. A bill payment service has been added to increase the breadth of PayPoint's offering in Romania, in line with the UK branded retail network.

PayPoint floated on the London Stock Exchange in September 2004 and the company's market capitalisation at 30 March 2008 was £380 million. PayPoint is widely recognised for its leadership in prepayment systems, smart technology and consumer service.

22 May 2008

Enquiries

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A presentation for analysts is being held at 11.45 am today at Finsbury, Tenter House, Moorfields, London, EC2.

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