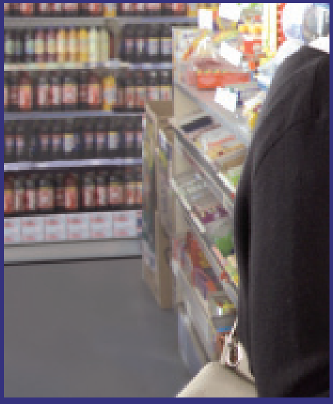
PayPoint

Annual Report

For the 52 weeks ended 29 March 2009



ABOUT PAYPOINT

PayPoint is the leading cash and internet payments company in the UK, with operations also in Ireland and Romania. We handle nearly £9 billion from over 540 million transactions annually for more than 6,000 clients and merchants. The company operates several businesses:

- The PayPoint branded retail network numbers nearly 22,000 terminals located in local shops (including Co-op, Spar, McColls, Costcutter, Sainsburys Local, One Stop, Londis and thousands of independents) in all parts of the UK and Ireland. Our terminals process gas and electricity 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, telecommunications suppliers and many consumer service companies;

- An ATM network which has over 2,200 'LINK' branded machines across the UK, typically in convenience stores;

- PayPoint.net, an internet payment service provider, delivers secure online credit and debit card payments for over 5,000 web merchants, linking into all major UK acquiring banks;

- Pay Store SRL, trading as PayPoint Romania, a mobile top-up operator with over 5,700 outlets equipped with electronic terminals. A bill payment service has been added to increase the breadth of PayPoint's offering in Romania, emulating the UK branded retail network; and

- Collect+, a joint venture with Home Delivery Network Limited, provides a parcel collection and drop off service at our retailers.

PayPoint floated on the London Stock Exchange in September 2004 and the company's market capitalisation at 29 March 2009 was £254 million. PayPoint is widely recognised for its leadership in prepayment systems, smart technology and consumer service.

28 May 2009

OFFICERS AND PROFESSIONAL ADVISORS

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

* Non-executive directors
[1] Appointed 16 September 2008

Company Secretary
S C Court

Registered office
1 The Boulevard
Shire Park
Welwyn Garden City
Hertfordshire, AL7 1EL
United Kingdom
Registered in England and Wales
number 3581541

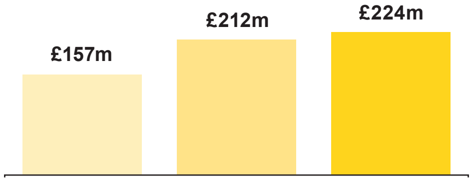
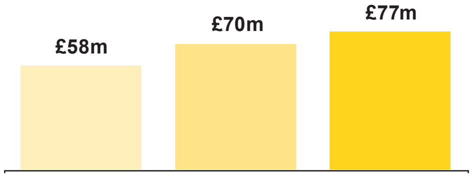
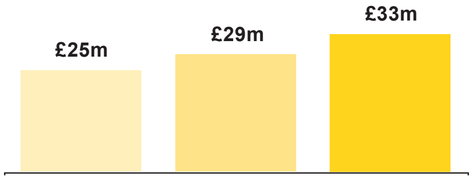
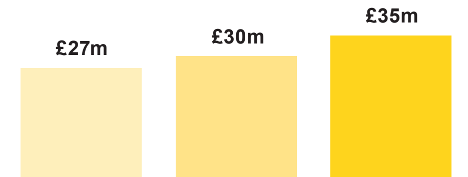
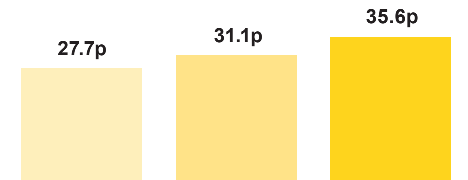
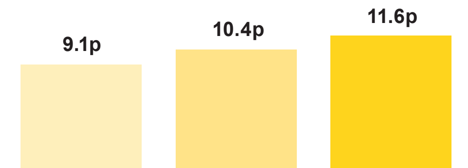
Independent auditors
Deloitte LLP
2 New Street Square
London, EC4A 3BZ
United Kingdom

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent, BR3 4TU
United Kingdom

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

CONTENTS

FINANCIAL HIGHLIGHTS

	52 weeks ended 29 March 2009	Like-for-like[2] increase	52 weeks 06/07	53 weeks 07/08	52 weeks 08/09
Revenue	**£224m**	**7%**			
Net revenue [1,2]	**£77m**	**13%**			
Operating profit	**£33m**	**20%**			
Profit before tax	**£35m**	**19%**			
Basic earnings per share	**35.6p**	**14%**			
Proposed final dividend per share	**11.6p**	**12%**			

1. Net revenue is revenue less commissions paid to retail agents, the cost of mobile top-ups where PayPoint is the principal and acquiring bank charges. This is a measure which the directors believe provides a better understanding of the underlying performance of the group. The reconciliation of revenue to net revenue can be found in note 2
2. Like-for-like basis adjusts the comparative period to 52 weeks and excludes Collect +

OPERATIONAL HIGHLIGHTS

Revenue and operating profit growth driven by an 8% increase in transaction volumes (10% on a like-for-like basis[1])

- Operating margin[2] 43% up from 42% last year
- UK and Ireland network expanded by 11% to 21,990 terminal sites
- Bill payment service launched in Romania
- Romanian terminal sites increased to 5,702 including 2,000 fully branded PayPoint sites
- PayCash launched allowing internet customers to pay in cash
- Announced Collect+ parcel delivery and collection joint venture with Home Delivery Network
- Consumer satisfaction[3] 98% (84% very satisfied)

CHAIRMAN'S STATEMENT

David Newlands, Chairman of PayPoint, said "In 2009, PayPoint continued to grow and was strongly cash generative. Revenue, margins, profits and dividends increased. Plans announced this time last year to increase the UK terminal estate were exceeded. New terminals have continued to be rolled out in Romania, primarily for our bill payment service launched in August 2008 and for which we now have 14 clients contracted. In February 2009, we announced a joint venture with Home Delivery Network, leveraging our existing retail network, to provide consumers with a more convenient solution for parcel delivery and collection. This demonstrates the adaptability of our retail network to provide new services.

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

We expect further growth in the UK by increasing market share in bill and general payments, mobile top-ups, and ATMs. 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 a further 900 PayPoint terminals. These will complement the existing terminal base and provide further national coverage for our bill payment network. We expect losses in Romania in the first half of the year but the business should be trading profitably by the end of the financial year.

PayPoint.net, which is trading profitably, should see growth accelerate in the latter part of the year, as sales leads are converted into live merchants and PayCash starts to become more widely accepted.

Collect+, our parcels joint venture, will require investment during the year to brand the network, install electronic signature pads, develop the billing platform and market the service. Whilst the prospects for this new business are excellent, it is anticipated that it will be loss-making this year.

Cash generation should remain strong, although the decline in interest rates in the second half of last year to their current historically low levels, is likely to reduce severely interest income in the current year.

We are confident that further opportunities remain for future growth through market share gains, new initiatives and new products."

1. Like-for-like basis adjusts the comparative period to 52 weeks and excludes Collect +
2. Operating margin is calculated as operating profit as a percentage of net revenue
3. Source: Ipsos MORI

KEY PERFORMANCE INDICATORS (KPIs)

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

Measuring our performance

Strategic focus	KPI	Description	2009	2008
Shareholder return	Earnings per share (basic)	Profit after tax attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period	**35.6p**	31.1p
	Dividends per share	Proposed final dividend and interim paid dividend divided by called up, allotted and fully paid share capital at the end of the period	**17.6p**	15.7p
	Economic profit	Operating profit after tax and a charge for capital employed based upon the group's cost of capital	**£19.5 million**	£16.7 million
Growth	Terminal sites in the UK, Ireland and Romania	Number of live terminal sites at the end of the period	**27,692**	23,895
	Internet merchants	Number of live internet merchants at the end of the period	**5,160**	4,808
	ATMs deployed	Number of ATMs deployed at the end of the period	**2,249**	2,016
	Transactions in the UK, Ireland and Romania	Number of transactions processed in the period via terminal, retailer EPoS systems and sale of scratch cards	**494 million**	462 million
	Internet transactions	Number of transactions processed in the period by PayPoint.net	**36 million**	26 million
	ATM transactions	Number of ATM transactions processed in the period	**15 million**	15 million
	Throughput	The value of transactions processed via our terminals, retailer EPoS systems, internet merchants, ATMs and sale of scratch cards	**£8.9 billion**	£7.5 billion
	Net revenue	Revenue less: commissions paid to retail agents; the cost of mobile top-ups where PayPoint is principal; and acquiring bank charges	**£77 million**	£70 million
	Operating margin	Operating profit as a % of net revenue	**43%**	42%
Asset Optimisation	Return on capital employed	Total operating profit for the period divided by monthly average capital employed excluding cash	**115%**	95%
People	Labour turnover	Number of permanent employees who left during the period divided by average total permanent employees UK & Ireland Romania	 **23%** **56%**	 24% 51%
	Gender diversity	% of women % women managers employed by the group at the period end	**42%** **7%**	47% 6%

OPERATING AND FINANCIAL REVIEW

The operating and financial review complies with the guidance set out in the Accountancy Standards Board's Reporting Statement: Operating and Financial Review and is prepared solely to provide additional information to shareholders as a body to assess PayPoint's strategies and their potential to succeed. It should not be relied upon for any other purpose. It contains forward looking statements that have been made by the directors in good faith, based on the information available at the time of approval of the annual report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

Our key performance indicators are shown on page 5.

Operational review

The period under review had 52 weeks of trading compared to 53 weeks in the previous period. We have continued to grow, particularly in bill and general and internet payments. 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 optimise our network coverage.

During the period, PayPoint processed 545 million transactions (2008: 503 million), an increase of 8% (10% on a like-for-like[1] basis), with a value of £8.9 billion (2008: £7.5 billion), up 18%, driving revenue of £224 million (2008: £212 million). The gross profit margin of 28.5% is up on last year by 1.8ppts (2008: 26.7%) and the operating margin[2] has also increased by 1ppt. Commissions paid to agents of £84 million (2008: £83 million) increased slightly, reflecting fewer mobile top-up transactions which pay a higher rate of commission.

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

Transactions by sector	52 weeks 2009 million	53 weeks 2008 million	Increase %	Like-for-like[1] Increase %
Bill and general payments[(a)]	**351**	311	13	15
Online[(b)]	**143**	151	(6)	(4)
ATMs	**15**	15	-	2
Internet payments	**36**	26	34	36
Total[(c)]	**545**	503	8	10

(a) Including debit/credit transactions
(b) Online consists mainly of mobile top-ups but also includes prepay debit cards, e-money schemes and international calling cards
(c) Included in the total is 17 million international bill and general payments and mobile top-ups, for Ireland and Romania (2008: 19 million)

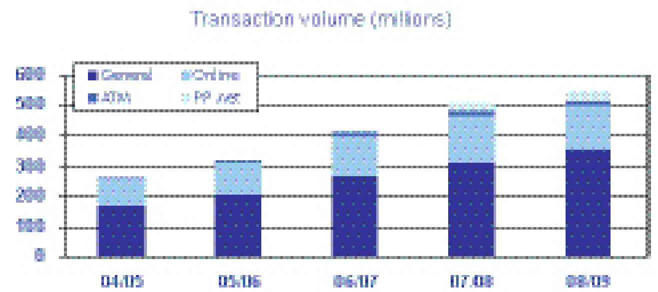
Bill and general payments

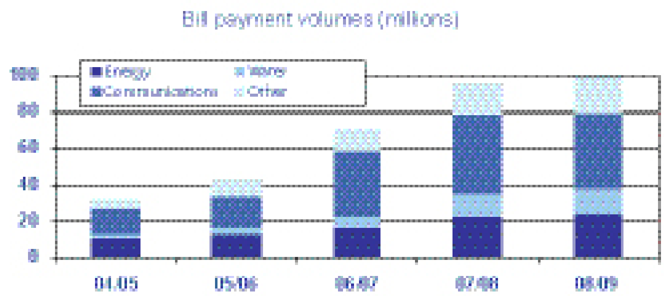
PayPoint continues to perform well in its largest sector, bill and general payments, with growth stimulated by increased agent numbers, client payment options, brand awareness and migration of market share away from the Post Office, helped by its branch closure programme.

Prepaid energy volumes have increased over the prior period despite there being one less week. Transaction volumes have increased, as a result of substantial rises in domestic gas and electricity prices, partially offset by moderate price reductions since January 2009. The coldest winter for a number of years also had a beneficial impact on volumes in the second half of the year.

PayPoint has continued to achieve growth in the rest of the bill and general payments sector, which includes water payments, energy bill payments, BBC TV licensing, transport ticketing and housing and council payments.

Net revenue for bill and general payments of £34.4 million (2008: £30.6 million) increased 12% on the prior period, reflecting higher transaction volumes.





1. Like-for-like basis adjusts the comparative period to 52 weeks and excludes Collect +
2. Operating margin is calculated as operating profit as a percentage of net revenue

Online product including mobile top-ups

This sector contains mobile top-ups in the UK, Ireland and Romania as well as other online products including international calling cards, e-currency, and pre-pay debit cards.

The mobile sector in the UK, Romania and Ireland has seen a reduction in transaction volumes as consumers reduce their spending and networks offer consumers more airtime for their money.

Our UK mobile transaction volumes are down 4% on a like-for-like basis[1]. This decrease is lower than the market decrease as we have installed over 2,000 new terminal sites.

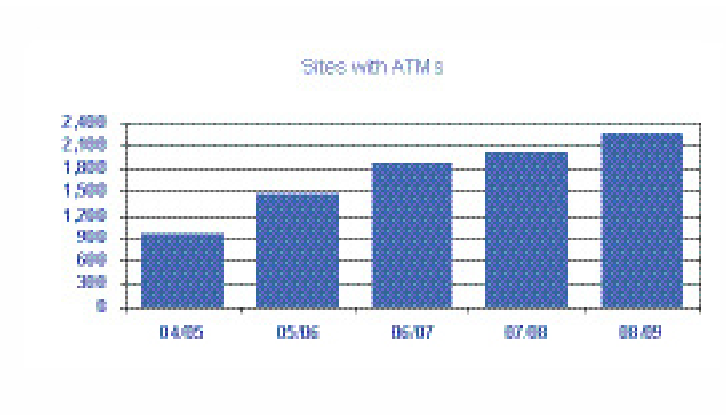
Romanian mobile top-ups have decreased 2% on last year, lower than the contraction in the overall market size as we have continued to roll out new terminals and gain market share.

In Ireland, the promotion of internet top-ups has exacerbated the volume reduction through market decline.

There has been strong growth in e-currency transactions, where we processed over 2 million transactions (2008: 1 million). Higher margins on e-currency transactions have resulted in an increase in online net revenue to £25.7 million (2008: £25.2 million), up 2%.

Automatic Teller Machines (ATMs)

New machines have been rolled out at an average rate of 35 per month (2008: 39 per month). The installed base of ATMs has grown to 2,249 at the year end (2008: 2,016). Lower churn has resulted in an increase in net installations to 19 per month (2008: 13). The number of transactions processed by self-fill Independent ATM Deployers (IAD's) increased by 1% compared to the same period last year. PayPoint's average transactions per site have decreased to 565 per month (2008: 620).



PayPoint.net – internet payments

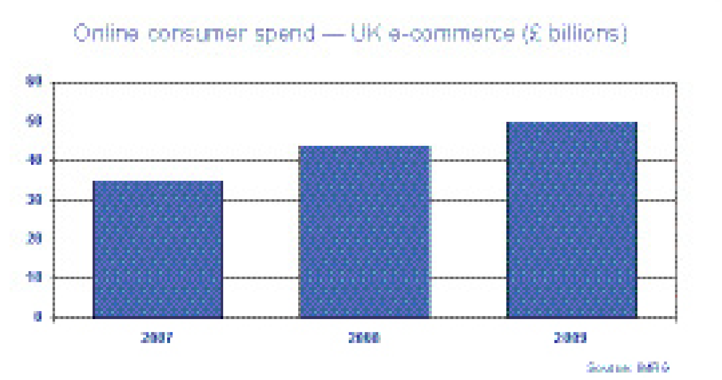
PayPoint.net is trading profitably and has added a net 352 merchants in the period. Merchant numbers at the end of the year were 5,160 (2008: 4,808). Transaction volumes were up 34% and consumer spend up 36%. Net revenues have increased to £8.1 million (2008: £4.9 million) up 63%.

The growth in the business has been mitigated by the impact of the migration of large merchants from the bureau business, where PayPoint.net takes a higher return for retaining the merchant credit risk, to PayPoint.net's gateway business, where the risk is transferred to the acquiring bank, with consequentially lower returns. The two remaining merchants will complete this transfer in the current financial period.

Our PayCash product launched in November 2008, allowing internet merchants' customers to pay for goods with cash at a PayPoint retailer, is attracting considerable interest.

The key to sustaining future growth is competitive differentiation which PayPoint.net seeks to achieve through the promotion of PayCash, Collect+ (PayPoint's new parcel service), PayPoint.net's added value fraud screening products and PayPal offering as well as the complementary product sets of the rest of the PayPoint group. A number of new initiatives are in development and these will not only bring additional revenue, but provide further differentiation.

PayPoint.net
ONLINE PAYMENTS



Collect+ parcels

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

At the end of the period we had 1,250 parcel sites within our existing retailer base. Initial volumes are encouraging and we plan to have c.4,000 sites live by the end of this year.

collect+

1. Like-for-like basis adjusts the comparative period to 52 weeks and excludes Collect +

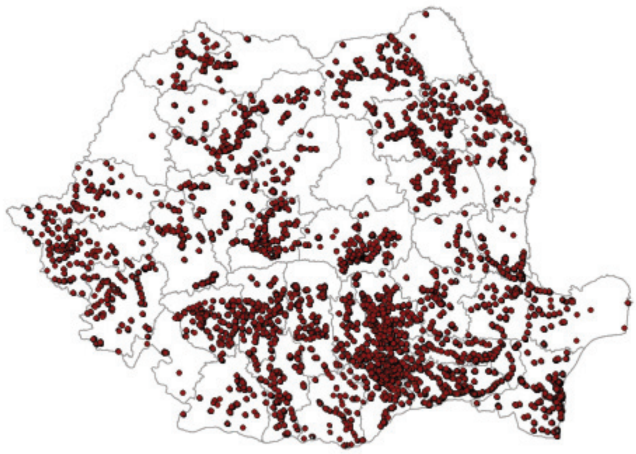
PayPoint Romania

We completed the transfer of transaction processing to our operations centre in the UK, which has allowed us to offer, for the first time, mobile top-ups for Cosmote, the third largest mobile operator in Romania.

Bill payment was launched in August 2008, initially with four clients, including the national telecoms provider Romtelecom and Distrigaz, one of the two leading gas suppliers. We now have 14 clients contracted and 2,000 PayPoint bill payment branded terminals installed. Bill pay volumes are growing and we have already processed over 1 million bill payment transactions since going live. Our current run rate is c.50,000 transactions per week.

Overall, our terminal network has grown to 5,702 sites (2008: 4,017 sites).

Distribution of sites in Romania

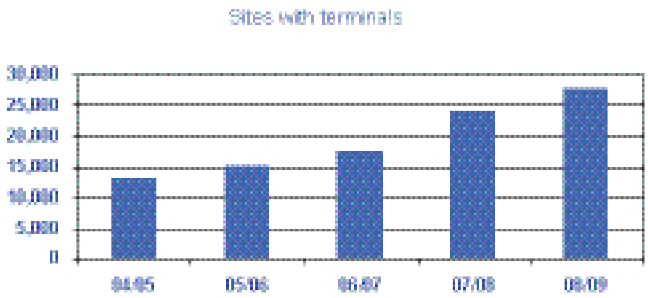


The delay in initiating processing from the UK, along with the launch of bill payments, arose from technical difficulties, which have now been resolved. These factors, together with the impact of the recession on mobile top-up volumes, have adversely affected the results in the period under review.

Network growth

Terminal sites have increased to 27,692 (2008: 23,895).

The retail network in the UK and Ireland has grown to 21,990 terminal sites compared to our target of 21,400, an increase of 11% on last year. Terminals in Romania have increased by 1,685 since last year as we start to build the PayPoint full service infrastructure for a national bill payment network.



A total of 3,285 sites in the UK (2008: 2,833) that are already equipped with our terminals also have Electronic Point of Sale (EPoS) connections, to allow mobile top-up transactions over the retailers' own till systems.

Analysis of sites	29 March 2009	30 March 2008	Increase %
UK & Ireland			
Terminal only	18,705	17,045	10
Terminal and EPoS	3,285	2,833	16
	21,990	**19,878**	**11**
PayPoint Romania Terminal	5,702	4,017	42
Total terminal sites	**27,692**	**23,895**	**16**
ATM sites	2,249	2,016	12
Internet merchants	5,160	4,808	7

Distribution of sites in UK and Ireland

New service initiatives

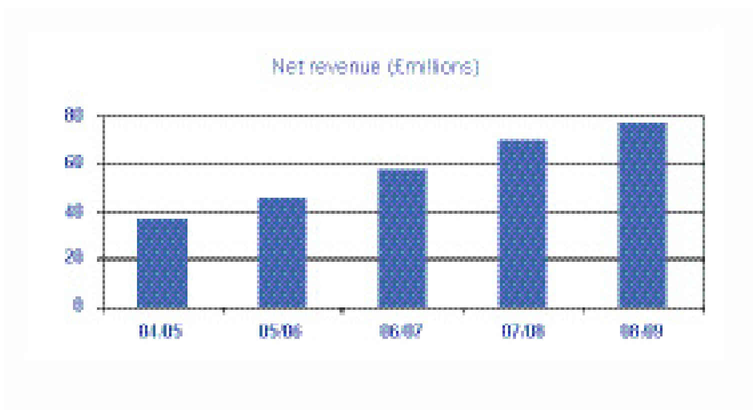
PayPoint has continued to introduce new services to stimulate transaction growth in both cash and new economy payments. We are well placed to benefit from the expected increases in transaction volumes in the electronic money sector from services such as gift cards, prepay debit cards, saving schemes, e-currencies, stored value cards and money transfer. We are established as the premier convenience loading channel for cash onto both prepay and stored value cards.

The launch of the Collect+ joint venture shows our ability to adapt our current terminal network to offer new products.

Financial review

Revenue for the period was 7% higher on a like-for-like[1] basis at £224 million (2008: £212 million), driven by a 10% like-for-like[1] increase in transaction volumes and the increase in revenue from the sale of mobile top-ups[2] in Romania. Cost of sales was £160 million (2008: £156 million), an increase of 5% on a like-for-like basis. 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 £84 million (2008: £83 million), mitigated by the impact of an extra week in the prior year and fewer mobile top-up transactions which pay a higher than average commission. The cost of mobile top-ups in Ireland and Romania has risen to £59 million (2008: £55 million).

Net revenue[3] of £77.4 million (2008: £69.9 million) was up 13% on a like-for-like[1] basis, driven primarily by volume growth. Operating margin[4] increased to 43% (2008: 42%). The increase in margin is primarily as a result of our operational gearing.



mobile top-ups[2] improved to 38.6% (2008: 36.1%).

Operating costs (administrative expenses) have risen to £30.5 million (2008: £27.4 million), an increase of 11% but include the operating loss of Collect+ which amounted to £0.3 million, and an increase of £2.8 million in the operating costs of PayPoint.net and PayPoint Romania.

Profit before tax was £35 million (2008: £30 million), an increase of 14%. The tax charge of £10.8 million (2008: £9.4 million) represents an effective rate of 31% (2008: 31%). The tax charge is higher than the UK nominal rate of 28% because of unrelieved losses in Romania and a deferred tax charge arising from the reduction in tax relief for share based payment schemes as a consequence of the reduction in the company's share price on 29 March 2009 to £3.75 (2008: £5.65).

Operating cash flow was £33 million (2008: £30 million), reflecting strong conversion of profit to cash. Capital expenditure of £9 million (2008: £6 million) reflected the purchase of the freehold of the company's operations base at Welwyn for £6 million (saving rental costs of £0.6 million per annum), spend on new terminals, ATMs and expenditure on infrastructure assets required to combine the two internet payment providers. The company purchased £2.5 million of its own shares during the year to satisfy the second tranche of the Long Term Incentive Plan (note 27). Net interest received was £1.2 million (2008: £1.3 million).

Equity dividends paid were £11.1 million (2008: £9.7 million).

Cash and cash equivalents were £36.3 million (including client cash of £7.5 million), up from £27.7 million (including client cash of £8.0 million) last year.

Economic profit

PayPoint's economic profit (operating profit less tax and capital charge) was £19.5 million (2008: £16.7 million). Operating profit was £33.4 million (2008: £29.2 million), tax was £10.8 million (2008: £9.4 million), and the capital charge was £3.1 million (2008: £3.1 million).

Dividend

We propose to pay a final dividend of 11.6p per share on 10 July 2009 (2008: 10.4p) to shareholders on the register on 12 June 2009, subject to the approval of the shareholders at the annual general meeting. An interim dividend of 6.0p (2008: 5.3p) per share was paid on 22 December 2008 making a total dividend for the year of 17.6p (2008: 15.7p).

1. Like-for-like basis adjusts the comparative period to 52 weeks and excludes Collect+
2. 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
3. Net revenue is revenue less commissions paid to retail agents, the cost of mobile top-ups where PayPoint is the principal and acquiring bank charges
4. Operating margin is calculated as operating profit as a percentage of net revenue

Liquidity and going concern

The group has cash of £36 million, no debt and an unsecured loan facility of £35 million with a remaining term of over two years. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group taking account of any risks (see page 11). The financial statements have therefore been prepared on a going concern basis.

Financing and treasury policy

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

Charitable donations

During the year, the group made charitable donations of £31,000 (2008: £26,000) to charities serving the communities in which the group operates. We encourage employees to raise funds for charity, and the company matches funds raised by the employees, subject to certain limits.

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.

Strategy, risks and corporate social responsibility

Details of the company's strategy, an analysis of risks facing the company and the company's approach to corporate social responsibility are set out in separate statements on pages 11 and 12, respectively.

Economic climate

The company's bill and general payments sector, which accounts for 44% of our net revenue, continues to be robust in recession as consumers' discretion in expenditure is limited for essential services. Utility providers continue to install new prepay gas and electric meters, which will have a beneficial impact on our transaction volumes. The internet payment market continues to grow although it is now forecast to do so at lower rates. There has been an adverse impact on our mobile top-ups and in ATM cash withdrawal rates.

PayPoint's exposure to retailer bad debt is limited as most of the group's clients in the UK, other than mobile operators, bear the risk of retailer bad debt. Credit granted to retailers is restricted by daily direct debiting for all UK and Irish transactions via a terminal and weekly for EPoS mobile top-ups. In Romania, the risk of the bad debt lies with PayPoint Romania. In PayPoint.net, exposure is limited to receivables from merchants for fees, except in the case of bureau internet merchants, where PayPoint.net retains credit risk on merchant default for charge backs. This risk is mitigated to some extent by withholding settlement of funds to merchants.

Outlook

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

We expect further growth in the UK by increasing market share in bill and general payments, mobile top-ups, and ATMs. 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 a further 900 PayPoint terminals. These will complement the existing terminal base and provide further national coverage for our bill payment network. We expect losses in Romania in the first half of the year but the business should be trading profitably by the end of the financial year.

PayPoint.net, which is trading profitably, should see growth accelerate in the latter part of the year, as sales leads are converted into live merchants and PayCash starts to become more widely accepted.

Collect+, our parcels joint venture, will require investment during the year to brand the network, install electronic signature pads, develop the billing platform and market the service. Whilst the prospects for this new business are excellent, it is anticipated that it will be loss-making this year.

Cash generation should remain strong, although the decline in interest rates in the second half of last year to their current historically low levels is likely to reduce severely interest income in the current year.

We are confident that further opportunities remain for future growth through market share gains, new initiatives and new products.

David Newlands
Chairman

Dominic Taylor
Chief Executive

28 May 2009

STRATEGY

PayPoint aims to create economic value for its shareholders through profitable expansion in:

- Cash payments (bill and general payments, online and ATMs);
- New payment technologies (internet payments, mobile functionality and solutions, debit and credit card payments, ticketing, online verification); and
- International markets (in cash payments and new payment technologies).

Cash payments

PayPoint aims to continue to grow profits and market share and enhance its competitive positioning through generating greater economies of scale from a central infrastructure that has a substantially fixed cost. Fundamental to this proposition is the fact that marginal revenue is transaction driven, but that marginal costs are largely driven by retail agent numbers. As a result, the strategy focuses on optimising the combination of retail agent numbers and transaction volumes.

The key strategic objectives focus on growing the retail agent network penetration and coverage, increasing transaction volumes of existing services, improving the range of payments provided by the PayPoint terminal and enhancing customer convenience. Specifically, PayPoint plans to:

- selectively extend coverage to prospective retail agents and continually optimise the retail agent network, facilitated by the use of the PayPoint terminal, which allows PayPoint to target agents currently using inferior solutions;
- work with clients to increase PayPoint's share of their volumes, notably in the light of closures by the Post Office;
- add new clients in existing and new sectors to increase the range of payments that can be made by consumers; and
- continue to improve service quality to maintain and extend competitive differentiation by investing in technology solutions.

New payment technologies

PayPoint's existing skills in transaction processing, retail and client management, and developing technology to create new propositions can be leveraged in new payment technologies, which complement the existing cash payment business and allow us to offer clients a broader range of services to meet their needs.

International

PayPoint has identified key markets overseas which provide opportunities to leverage its existing business capability to roll out cash payment services and, in time, new payment technologies into new geographic locations.

RISKS

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

Risk	Future prospects depend on our ability to:
Managing growth of the business	manage growth through the employment of adequate skilled resources, whilst maintaining financial controls
Major contract loss or renewal at unattractive margins	renew contracts at expiry on attractive terms
Dependence on key executives	retain and recruit key staff through a mixture of basic salary, plus short and long-term incentive schemes
Failure of systems	maintain financial controls, defend against natural disasters, terrorist attacks, sabotage, and hacking
Competition	hold and gain market share,
Insolvency of a major multiple retail agent	mitigate the consequences of insolvency both in terms of the bad debt risk any and the impact of such insolvency on our network coverage
Technological changes	keep pace with technological changes and introduce new developments to compete effectively
Reliance on intellectual property	stop third parties from using our products and defend the use of our products from any challenge
The need to raise capital in future	access any future capital on sufficiently attractive terms, particularly in view of prevailing economic conditions and the availability of credit
Economic, political, legislative, taxation or regulatory changes	to deal with the impact of any changes without affecting the growth or profitability of the business
Taxation	ensure the impact of any adverse changes is mitigated by enhanced performance
Fraudulent or criminal activity	avoid loss of client money by the rigorous application of controls
Consumers reduce number or value of payments via the PayPoint network	establish new products and services and keep abreast of technological and market changes

CORPORATE SOCIAL RESPONSIBILITY

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

Clients

PayPoint's focus is on providing a high standard of service to our clients and open communication. Our client contracts contain service level agreements, which are set to a high standard. Specific performance is measured for key elements, including system availability and file delivery. Major clients have regular review meetings with dedicated sector managers.

Retailers, merchants and consumers

We seek to provide an unparalleled service to our retailers. In the UK, terminal availability is at over 99% and when a terminal needs to be swapped, it is achieved within four hours across the UK in over 95% of cases. The breadth of products offered by PayPoint is greater than any other network. Independent research indicates that the average PayPoint consumer's shopping basket in convenience retailers is 70% more than other consumers and consumer satisfaction levels are high.

Community

PayPoint has adopted a charitable giving policy, which supports the local communities in which its employees live and work. During the year, PayPoint donated £31,000 to local and national charities, which was supplemented by employees who also donate to some of these charities through various schemes. The group does not make any political donations in any country.

Environment

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

The main source of PayPoint's carbon emissions is the consumption of electricity for its offices. The largest office is our Welwyn operations base which houses over 80% of the UK staff. This building was refurbished in 2006 with energy efficient lighting, air conditioning and heating units. The refurbishment has resulted in the building receiving an energy performance certificate rating of 'C' (a typical building of the same age would normally obtain a rating of 'E').

We aim to recycle waste wherever possible and we currently recycle paper, cans, plastic cups and cardboard. In the current year, individual waste bins will be removed from our operations base at Welwyn and will be replaced with recycling bins with the aim of reducing our general waste and recycling more.

The board has approved an environmental policy and steps are being taken to ensure that systems are put in place to collect the information necessary to report on environmental issues, and to take action, where practicable, to improve our environmental impact.

Impact area	Estimated usage 52 weeks ended 29 March 2009	Estimated consumption measure 52 weeks ended 29 March 2009
Energy('000 Kwh)	2.2 million	4,700 Kwh per employee
Water (m^3)	0.5 million	1,068m^3 per employee
Total waste (tonnes)	24.6	0.05 tonnes per employee
Waste to landfill (tonnes)	19.2	0.04 tonnes per employee
Waste recycled (tonnes)	5.4	0.01 tonnes recycled
Car (miles)	3.9 million	8,383 miles per employee
Rail (miles)	0.1 million	303 miles per employee
Air (miles)	0.4 million	901 miles per employee

Employees

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

Employees in the UK and Ireland are asked annually to complete an anonymous annual employment engagement survey which covers a wide range of subjects, including health and safety, work environment, training and staff behaviour. 96% of employees completed the survey in the last period. This survey is used to agree with employees the actions necessary for improvement. Written appraisals are completed for all employees twice a year. We plan to extend the employee engagement survey to PayPoint Romania employees in the current period.

PayPoint has the following policies in place:

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

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

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

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

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

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

PayPoint's employees

	UK & Ireland		Romania	
	52 weeks ended 29 March 2009	53 weeks ended 30 March 2008	**52 weeks ended 29 March 2009**	53 weeks ended 30 March 2008
General				
Average number of staff employed during the period.	**303**	297	**165**	118
Average length of service	**4 years**	4.5 years	**1 year**	0.75 years
Average staff turnover during period	**23%**	25%	**56%**	51%
Sickness absence rate	**2.9%**	2.6%	**1.4%**	0.6%
% working part-time *	**13%**	13%	**2%**	1%
Women				
Number of women employed *	**161**	169	**51**	44
% of women employed *	**50%**	56%	**29%**	29%
% of management grades *	**8%**	7%	**5%**	5%
Ethnic minorities				
% of all employees *	**10%**	n/a	**1%**	n/a
% of management grades *	**1%**	n/a	**0%**	n/a
Disabled employees				
% of all employees *	**2%**	3%	**0%**	0%
Age profile				
employees under 25 *	**49**	45	**42**	33
employees 25 to 29 *	**57**	55	**67**	54
employees 30 to 49 *	**176**	156	**67**	63
employees 50 and over *	**41**	43	**1**	1

* Numbers based on employees employed at the end of the relevant period.

n/a – data not available

GOVERNANCE

The directors recognise the importance of sound corporate governance, whilst taking into account the size and nature of the company. The company has fully complied with the provisions set out in Section 1 of the Combined Code on Corporate Governance (Combined Code) for the period ended 29 March 2009.

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

The board

The board comprises nine directors: David Newlands, the non-executive Chairman, three executive directors, Dominic Taylor, George Earle and Tim Watkin-Rees, and five non-executive directors, Eric Anstee, David Morrison, Andrew Robb, Stephen Rowley and Roger Wood. Eric Anstee and Stephen Rowley were appointed as non-executive directors during the year. Eric Anstee and Stephen Rowley's appointments were made following a formal and rigorous recruitment process. When considering the appointment, the Nomination Committee met, with David Newlands chairing the proceedings. Kenneth Minton retired as a non-executive director on 9 July 2008. Following Kenneth Minton's retirement, Andrew Robb was appointed as the Senior Independent Director.

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

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

Biographical details of each of the directors are set out on page 16. Procedures exist to allow the directors to seek independent professional advice in respect of their duties at the company's expense where the circumstances are appropriate. All directors have access to the Company Secretary for advice and are subject to re-election at intervals of not more than three years.

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

The Chairman, David Newlands, chairs board meetings and regularly consults with the executive directors regarding ongoing business. His other significant commitments are disclosed in his biography on page 16. The board considers that these commitments do not hinder his ability to discharge his responsibilities to the company and its subsidiaries (the group) effectively.

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

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

Following the appointment of new directors, a full, formal and tailored induction programme is arranged.

The board met ten times during the year and all members were in attendance with the exception of Roger Wood and the Chairman each of whom were unable to attend one of the meetings. The Senior Independent Director, having discussed the Chairman's input with him beforehand, chaired the meeting which the Chairman was unable to attend. Where a director is unable to attend, he provides input through discussion with the Chairman in advance of the meeting.

A formal performance evaluation of the board, its committees and individual directors took place during the year. The evaluation confirmed that the members of the board were satisfied with the board's overall performance and there were no material changes recommended.

The various committees carried out self-assessments to assess whether their terms of reference had been satisfactorily fulfilled and how their processes could be improved. The non-executive and executive directors' performance was reviewed by the Chairman and Chief Executive respectively, taking into account the views of other directors. The performance of the Chairman was reviewed by the non-executive directors led by Andrew Robb, the Senior Independent Director, also taking into account the views of the executive directors. Directors' and officers' liability insurance is maintained to provide cover should a legal action against the company's directors occur.

Committees of the board

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

Audit Committee

The Audit Committee comprises Eric Anstee, Andrew Robb, Stephen Rowley and Roger Wood. It met six times during the year. Eric Anstee was appointed Chairman of the Audit Committee on 16 September 2008, taking over from Andrew Robb who now chairs the Remuneration Committee. Following his appointment, all meetings were chaired by Eric Anstee, whom the board considers to have recent and relevant financial experience. All members were in attendance with the exception of Roger Wood who was unable to attend one of the meetings.

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

The committee considered the level of non-audit fees for services provided by the auditors in order to satisfy itself that the auditors' independence is safeguarded. The group has a policy which prohibits the auditors providing certain services which might impair their independence. Proposals to use the auditors for non-audit services are approved by the Audit Committee Chairman. The Audit Committee regularly meets the external auditors without the executive directors being present and procedures are in place which allows access at any time of both external and internal auditors to the Audit Committee. The Chairman of the committee reports the outcome of each meeting to the board, which is provided with the minutes of all meetings.

Remuneration Committee

The role, composition and activities of the Remuneration Committee and details of how the company applies the principles of the Combined Code in respect of directors' remuneration are set out in the Remuneration Committee Report on pages 19 to 24.

Nomination Committee

The Nomination Committee comprises Eric Anstee, Andrew Robb, Stephen Rowley, David Morrison, Roger Wood and David Newlands, who is its Chairman. It met twice during the year and all members were in attendance.

The Nomination Committee is responsible for considering and making recommendations on the appointment of additional directors, the retirement of existing directors and for reviewing the size, structure and composition of the board and membership of board committees. The Nomination Committee will be undertaking a succession planning exercise during the current financial year.

Conflicts of interest

The company's articles of association were amended at the 2008 annual general meeting, in line with the Companies Act 2006. The board has the power to authorise any potential conflicts of interest that may arise and impose such limits or conditions as it thinks fit. A comprehensive exercise was undertaken to identify the potential and actual conflicts of interest of the directors and their connected persons. The board then reviewed these conflicts and approved them (excluding the director to whom the potential conflict related). A register of conflicts is maintained and will be reviewed at least annually to ensure all details are kept up to date. In the future, appropriate authorisation will be sought prior to the appointment of any new director or if any new conflicts arise.

Risk management and internal control

The directors are responsible for establishing and maintaining the group's system of internal control, and for regularly reviewing its effectiveness. Procedures have been designed to meet the particular needs of the group and its risks, safeguarding shareholders' investments and the company's assets. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. There is an ongoing process of identifying, evaluating and managing the significant risks faced by the group. All procedures necessary to comply with Internal Control: Guidance for Directors on the Combined Code have been in place throughout the year under review and up to the date of approval of the annual report and accounts. The directors have conducted a formal review of the effectiveness of the group's system of internal control during the year. No significant failings or weaknesses were identified during the review; however, had there been, the board confirms that necessary actions would have been taken to remedy them. The operational management of the group is delegated to senior managers who are appointed by the Chief Executive. The responsibilities of the senior management group include the regular review of the main business risks to the group.

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

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

Shareholder relations

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

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

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

BOARD OF DIRECTORS

David Newlands, non-executive Chairman (aged 62), appointed 4 August 1998
David has been Chairman of PayPoint since 1998. He was previously Finance Director of The General Electric Company, p.l.c. (GEC) and non-executive Chairman of Britax International plc and deputy Chairman of The Standard Life Assurance Company plc. David is currently non-executive Chairman of Tomkins plc and Kesa Electricals plc, and a non-executive director of a number of other companies.

Dominic Taylor, Chief Executive (aged 50), appointed 4 August 1998
Dominic joined PayPoint in 1997 as Retail Director and was appointed to his current role in August 1998. He was a Royal Naval officer for 12 years, following which he completed an MBA at the Cranfield School of Management. In 1991, Dominic joined the Vodafone Group where he led a number of initiatives including the development of its SMS service and a bid for the National Lottery, before becoming Sales and Marketing Director for the indirect sales of mobile phones to retailers. In 1996, Dominic joined Granada plc as a director of Granada Technology Group and Managing Director of Granada Business Technology, supplying film and telecommunications products into the hotel and leisure sectors.

George Earle, ACA, Finance Director (aged 55), appointed 20 September 2004
George joined PayPoint in September 2004 and is responsible for the financial affairs of the group. George qualified as a chartered accountant with Touche Ross & Co (now Deloitte LLP) in 1979, where he served in the corporate finance and audit groups, becoming a partner in 1984. In 1987, George moved to Saatchi & Saatchi plc, serving as Deputy Finance Director. George subsequently moved to GEC in 1989, where, until 2001, he fulfilled the role of Financial Services Director. George left Marconi (formerly GEC) in 2001 to work as Group Director, Chief Executive's Office at Centrica plc, and in 2003 was appointed as Director of Financial Control.

Tim Watkin-Rees, Business Development Director (aged 46), appointed 22 September 1998
Tim was the founder Sales and Marketing Director of PayPoint in 1996. Since 2000, he has been responsible for strategic business development. Prior to PayPoint, he was a specialist in retail banking and payment systems, starting with Lloyds Bank in 1984, then as a Senior Consultant with KPMG Management Consultants in 1998 and Head of Business Planning and Director of Consulting with Nexus (later Sligos and now Atos Origin) from 1989. He is an Associate of the Chartered Institute of Bankers.

David Morrison, non-executive director (aged 50), appointed 12 January 1999
David has been Chief Executive of Prospect Investment Management since 1999, when he started the company. He became a director of PayPoint in 1999 following an investment in the company by clients of Prospect. Prior to establishing Prospect, he had worked in the venture capital sector with 3i, Abingworth Management and Botts & Company. He is currently a director of a number of public and private companies in the UK.

Andrew Robb, non-executive director (aged 66), appointed 18 August 2004
Andrew worked for P&O Steam Navigation Co. from 1971 to 1989, initially as Financial Controller and, from 1983, as Group Finance Director. From 1989 to 2001 he was Group Finance Director of Pilkington plc. Andrew has also served on the board of Alfred McAlpine plc as a non-executive director and Chairman of the Audit Committee. Andrew is a Fellow of the Chartered Institute of Cost and Management Accountants and is currently a non-executive director and Chairman of the Audit Committee of Kesa Electricals plc and the Laird Group. He is also a non-executive director of Tata Steel Limited and a number of private companies.

Roger Wood, non-executive director (aged 66), appointed 9 September 2004
Roger began his career at International Computers Limited (ICL) becoming Managing Director of STC/Northern Telecom Limited and then Vice President of Nortel Europe SA. In 1993, he became Director General for Matra Marconi Space NV. Roger joined the board of Centrica plc in 1997, initially as Managing Director of British Gas Services Limited, then Managing Director of the Automobile Association in 1999, after Centrica's acquisition of the business, until he retired in 2004. Roger is a non-executive director of Reliance Security Group Limited.

Eric Anstee, non-executive director (aged 58), appointed 16 September 2008
Eric Anstee is currently a non-executive director of The Financial Reporting Council, Insight Asset Management (HBOS plc investment management) and Vision Media Group (International) plc and a member of the Takeover Panel appeals board. His former non-executive appointments include: Chairman of Mansell plc, non-executive director of SSL International, Garland Appeal and Severn Trent, where he was Chairman of the Treasury and Audit Committees. His former executive appointments include: Chief Executive Officer of the Institute of Chartered Accountants in England and Wales, Chief Executive at Old Mutual Financial Services, Group Finance Director at Old Mutual plc and Finance Director of The Energy Group plc.

Stephen Rowley, non-executive director (aged 50), appointed 16 September 2008
Steve Rowley is currently Chief Executive of Torex and was formerly CEO of Anite plc, Senior Vice President and General Manager of PeopleSoft Europe and Senior Vice President Corporate Business Development for 3Com Corporation, where he also held a variety of other positions.

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company and of the group, together with the financial statements and independent auditors' report, for the 52 weeks ended 29 March 2009.

Principal activity

The company is a holding company and its subsidiaries are engaged in developing and operating electronic payment collection systems for clients. PayPoint processes transactions and collects payments on behalf of the UK and Ireland's leading utility and customer service organisations, and there are almost 22,000 convenience retail outlets using PayPoint's terminals. On average, over 10 million consumer transactions are processed weekly by PayPoint. At a PayPoint outlet, consumers are provided with a one stop shop for making cash payments for the wide range of PayPoint's clients. In addition, PayPoint provides ATMs to retail outlets and processes ATM transactions.

PayPoint.net provides secure credit and debit card payments for web merchants. PayPoint Romania provides electronic mobile top-ups and scratch cards and successfully launched a bill payment service during the period.

Substantial shareholdings

On 12 May 2009, the company had been notified of the following disclosable interests in the voting rights of the company as required by provision 5.1.2 of the FSA Disclosure and Transparency Rules:

Name of holder	No. of ordinary shares	Percentage of issued capital
Invesco Limited	17,626,819	26.03%
Troy Asset Management (UK)	6,909,008	10.20%
Lansdowne Partners Limited (UK)	6,244,603	9.22%
RIT Capital Partners plc	6,121,057	9.04%
AXA Financial SA	5,688,884	8.40%
Legal & General Investment Management Limited (UK)	2,852,957	4.21%
Standard Life Investments Limited	2,286,658	3.38%

As at the date of this report, 67,730,463 ordinary shares of 1/3p each have been issued and fully paid up and are quoted on the London Stock Exchange. During the year ended 29 March 2009, 24,592 ordinary shares were issued pursuant to the company's share schemes. The rights and obligations attaching to the company's ordinary shares, as well as the powers of the company's directors are set out in the company's articles of association, copies of which can be obtained from Companies House or by writing to the Company Secretary.

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

At the annual general meeting on 9 July 2008, the directors were given authority to purchase 14.99% of its issued share capital, allot relevant securities up to an aggregate nominal amount of £75,223 and to disapply pre-emption rights in respect of allotments of relevant securities up to an aggregate nominal amount of £11,283. Resolutions to renew these authorities will be proposed at the 2009 annual general meeting, details of which are set out in the Notice of Meeting on pages 45 to 46.

The company's authorised and issued share capital as at 29 March 2009, together with details of purchases of own shares during the period, are set out in note 21.

Directors

The names of the directors at the date of this report and their biographical details are given on page 16 and their interests in the ordinary shares of the company are given on page 24. Kenneth Minton, who was a director, retired on 9 July 2008 and Eric Anstee and Stephen Rowley were appointed on 16 September 2008.

Results for the period

The consolidated income statement, balance sheet and cash flow statement for the 52 weeks ended 29 March 2009 are set out in pages 27 to 29. The business review of the group for the 52 weeks ended 29 March 2009, which complies with the Accounting Standards Board's 2006 Statement on Operating and Financial Reviews, including an analysis of the group's key performance indicators and financing and treasury policy, is set out on pages 5 to 10. An analysis of risk is set out on page 11 and of risk management on page 15. The balance sheet and cash flow statement of the holding company for the 52 weeks ended 29 March 2009 are set out on pages 30 and 31.

Qualifying third party indemnity provisions for the benefits of directors

Under the Companies Act (Audit, Investigations and Community Enterprise) 2004 (which amends the Companies Act 1985), companies are under an obligation to disclose any indemnities which are in force in favour of their directors. The current articles of association of the company contain an indemnity in favour of the directors of the company which indemnifies them in respect of certain liabilities and costs that they might incur in the execution of duties as directors. Copies of the articles of association can be obtained from Companies House or by writing to the Company Secretary.

Change of Control

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

The company has secured a revolving term credit facility for £35,000,000 with a remaining term of over two years. The terms of the facility allow for termination on a change of control, subject to certain conditions.

There are no other significant contracts in place that would take effect, alter or terminate on the change of control of the company.

Suppliers' payment policy
The group aims to pay its creditors promptly, in accordance with terms agreed for payment. The group had 16 days' purchases outstanding at 29 March 2009 (2008: 20 days), based on the average daily amount invoiced by suppliers during the period.

Charitable and political donations
The group made no political donations during the period (2008: nil). Details of the charitable donations policy can be found within the Operating and Financial Review on page 10.

Employee matters and environmental issues
Employee matters and environmental issues are discussed in the Corporate Social Responsibility report on pages 12 and 13.

Future developments
Future developments are discussed in the Operating and Financial Review on pages 6 to 10.

Dividends
The directors recommend the payment of a final dividend of 11.6p (2008: 10.4p) per ordinary share amounting to £7,840,000 (2008: £7,040,000) to be paid on 10 July 2009 to members on the register on 12 June 2009. An interim dividend was declared and paid during the year of 6.0p per share (2008: 5.3p per share) amounting to £4,054,000 (2008: £3,579,000).

Related party transactions
Related party transactions that took place during the year can be found in note 27.

Going concern
The group has cash of £36 million, no debt and an unsecured loan facility of £35 million with a remaining term of over two years. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group. The directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Therefore, the financial statements have been prepared on a going concern basis.

The group's liquidity review and commentary on the current economic climate are shown on page 10 of the Operating and Finance Review and commentary on financial risk management is shown in note 26.

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

Directors' report
Pages 17 to 18, inclusive, of this annual report comprise a report of the directors that has been drawn up and presented in accordance with English company law and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

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

Statement as to disclosure of information to auditors
Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
2. the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s.234ZA of the Companies Act 1985.

Annual general meeting
The annual general meeting will be held at JP Morgan Cazenove offices, 20 Moorgate London EC2R 6DA, on Wednesday 8 July 2009 at 12 p.m. The notice of meeting and explanatory information on the resolutions to be passed at the annual general meeting can be found on pages 45 to 46, inclusive, of the annual report.

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

Susan Court
Company Secretary
28 May 2009

REMUNERATION COMMITTEE REPORT

Introduction

This report has been prepared in accordance with The Directors' Report Regulations 2002. The auditors are required to report on the auditable part of this report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985. The report is therefore divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration Committee

The Remuneration Committee is responsible for developing policy on remuneration for executive directors and senior management and for determining specific remuneration packages for each of the executive directors. Andrew Robb took over as a Chairman of the committee, following Kenneth Minton's retirement, with Eric Anstee, Stephen Rowley and Roger Wood acting as committee members.

The Remuneration Committee received wholly independent advice on executive compensation and incentives from Watson Wyatt during the year. No other services were provided to the company by Watson Wyatt during the year. The Remuneration Committee is formally constituted with written terms of reference which set out the full remit of the committee. A copy of the terms of reference is available to shareholders by writing to the Company Secretary whose contact details are set out on page 1. The terms of reference are also available on the company's website at www.paypoint.com. The Remuneration Committee met four times during the year and all members were in attendance with the exception of Roger Wood who was unable to attend one of the meetings.

Remuneration policy overview

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

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

The company's comparator group for the purposes of benchmarking comparative total shareholder return (TSR) performance under the PayPoint Long-Term Incentive Plan (the LTIP) for awards granted to the end of the year under review is set out in the next paragraph.

Acal plc	DI com plc
Alphameric plc	Diploma plc
Autonomy Corporation plc	Fibernet Group plc
BATM Advanced Communications plc	Gresham Computing plc
	Intec Telecom Systems plc
Big Yellow Group plc	Ricardo plc
BPP Holdings plc	Spring Group plc
BTG plc	Surfcontrol plc
Detica Group plc	Tribal Group plc

It is proposed to replace this group with the FTSE 250 constituents (excluding investment trusts). The rationale for this change is dealt with later in this report.

Basic salary

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

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

During the period, Watson Wyatt carried out a review of salary levels, finding that the then salary level of the executive directors was significantly below the company's stated median policy. Accordingly, the Remuneration Committee decided to adjust executive director salaries to bring them close to median levels over a two year period.

Annual performance-related bonus

The annual bonus plan for the period ended 29 March 2009 provided for a maximum cash bonus of 50% of salary. Executive directors were also eligible to participate in the PayPoint plc Deferred Share Bonus Plan (DSB). Under the DSB, they are able to choose to defer up to 50% of the bonus awarded (i.e., up to 25% of salary) for the acquisition of shares (Bonus Shares), with the opportunity of an additional award of shares (Matching Shares) of an equivalent value to the gross bonus deferred (i.e., up to 25% of salary), which equates to a maximum bonus potential of 75% of salary.

The company's bonus plan for the period ended 29 March 2009 was based on the achievement of growth of economic profit (operating profit after tax and a charge for capital employed based on the company's cost of capital). Based upon the actual results for the period, 94.2% of the maximum bonus is payable.

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

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

The results are set out below:

	80% payment threshold for on plan delivery £000	100% payment threshold for 110% of plan delivery £000	Actual results £000
Economic profit	18,216	20,038	19,512

Deferred Share Bonus Plan (DSB)

The DSB was approved by shareholders prior to admission and was adopted by the company on admission. Executive directors and senior managers of the company are able to participate in the DSB. The maximum individual limit under the DSB is such that the maximum value of cash bonus, Bonus Shares and Matching Shares in any bonus year shall not exceed 100% of a participant's salary.

The release of Matching Shares is subject to:

- minimum earnings per share growth of the company of RPI + 3% p.a. over a three year period; and

- the participant still being employed by the company at the end of the three year deferral period from the award date.

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

The executive directors elected to defer 50% of their cash bonus received in respect of the period ending 29 March 2009. During the year, Bonus Shares were purchased and Matching Shares awarded under the DSB based on the value of bonus deferred. Details of the awards made under the DSB during the year are set out on page 23.

The current DSB plan expires during the next financial year and it is proposed to adopt a new plan at the forthcoming annual general meeting. Under the existing plan, the annual limit on the maximum value of bonus, bonus shares and matching shares is 100% of salary. Under the new plan the committee intends (as a matter of policy) to retain this overall limit for participation in 2009 and subsequently to increase this overall limit to 150% of basic salary for participation from 2010 onwards. This will allow for potential increase in bonus opportunity although no such increase is currently proposed. Under the new plan, the committee will retain the discretion to operate the annual bonus and deferred plan by applying a greater or lower overall limit, taking into account the appropriate level of total compensation for executives of the company.

Long Term Incentives Plan (LTIP)

The LTIP was approved by shareholders prior to admission and adopted by the company on admission.

Executive directors and senior executives are eligible to participate in the LTIP. Under the rules, the maximum annual award that can be made to an individual is 150% of salary. Eligible executives are awarded rights to acquire a maximum number of shares at the beginning of a three year period, a proportion of which they will be entitled to acquire at the end of that period depending on the extent to which (if at all) the performance conditions set by the Remuneration Committee at the time of the allocation is made are satisfied.

During the period, Dominic Taylor received an LTIP award equivalent to 120% of salary and George Earle and Tim Watkin-Rees received LTIP awards equivalent to 100% of salary. Awards made in the period were granted as conditional awards of shares. Details of the LTIP awards made during the period are set out on page 22. During the period, the second tranche of the LTIP awards were released in full and exercised by the executive directors; details are on page 22.

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

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

*There is proportionate vesting between points.

In addition to the above comparative TSR performance of the company, the Remuneration Committee will, in any event, satisfy itself that the recorded TSR is a genuine reflection of the underlying financial performance of the company before the release of any share awards under the LTIP in accordance with the ABI guidelines, e.g. growth in earnings per share or economic profit.

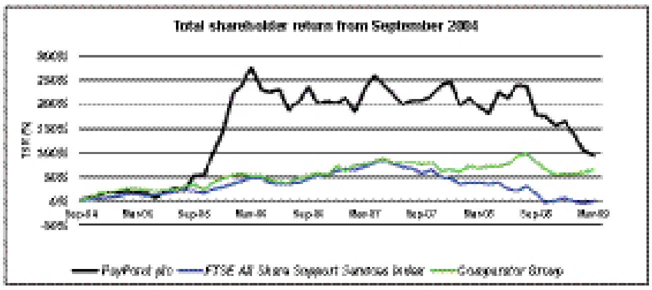
Comparative TSR was selected as the performance condition for LTIP awards by the Remuneration Committee as it ensures that the executives have outperformed their peers in the comparator group over the measurement period in delivering shareholder value before being entitled to receive any of their awards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

Performance measurement

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

Total Shareholder Return (TSR) performance graph

The graph shows the company's performance, measured by TSR, compared with the constituents of the FTSE All Share Support Services Index and the company's comparator group since admission.



The current LTIP plan will expire in September 2009 and it is proposed to adopt a new plan at the forthcoming annual general meeting. The new plan is intended to be a renewal of the existing plan, with no major changes in its operation, although the opportunity has been taken to bring the plan rules into line with current best practice and legislation. The comparator group for the purposes of benchmarking TSR performance will be changed to be the constituents of the FTSE 250 (excluding investment trusts) index as at the date of grant. This larger group is regarded as a more appropriate than the existing group.

PayPoint plc Share Incentive Plan (SIP)

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

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

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

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

Details of shares held in the SIP by executive directors are set out on page 23. Approximately 70% of eligible group employees currently participate in the purchase and matching element of the plan.

Dilution

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

Pension

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

Executive directors' contracts

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

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

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

In addition, the Remuneration Committee ensures that there have been no unjustified payments for failure.

Non-executive directors

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

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

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

Compliance

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

Audited information

Directors' emoluments

	Salary[1]		Bonus		Benefits in kind[2]		Total		Pension[3]		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Executive												
D Taylor	**366**	284	**164**	123	**10**	12	**540**	419	**42**	32	**582**	451
G Earle	**283**	232	**128**	100	**14**	6	**425**	338	**55**	61	**480**	399
T Watkin-Rees	**242**	196	**108**	84	**8**	8	**358**	288	**27**	22	**385**	310
Non-executive												
D Newlands	**100**	75	**–**	–	**–**	–	**100**	75	**–**	–	**100**	75
A Robb	**43**	42	**–**	–	**–**	–	**43**	42	**–**	–	**43**	42
D Morrison	**36**	35	**–**	–	**–**	–	**36**	35	**–**	–	**36**	35
R Wood	**36**	35	**–**	–	**–**	–	**36**	35	**–**	–	**36**	35
K Minton [4]	**12**	42	**–**	–	**–**	–	**12**	42	**–**	–	**12**	42
E Anstee[4]	**23**	–	**–**	–	**–**	–	**23**	–	**–**	–	**23**	–
S Rowley[4]	**19**	–	**–**	–	**–**	–	**19**	–	**–**	–	**19**	–
Total	**1,160**	941	**400**	307	**32**	26	**1,592**	1,274	**124**	115	**1,716**	1,389

1. Salary is the total salary paid during the year and includes payment of a car allowance as part of the contract of employment. Salaries, including car allowances, for the executive directors with effect from 1 April 2009 were:
   D Taylor £394,000, G Earle £300,000, T Watkin-Rees £258,000.
2. Benefits include the following elements: private medical cover, permanent health insurance and life assurance.
3. Defined contribution pension scheme, of which two current directors are members. For G Earle the Remuneration Committee has agreed that G Earle's pension contributions will be paid direct to him (grossed up for tax) and the 2008 figure includes a back dating of the gross up for 2007.
4. K Minton retired on 9 July 2008 and E Anstee and S Rowley were appointed on the 16 September 2008.

Long Term Incentive Plan[1]

	Number of shares at 31 March 2008	Number of shares awarded during the period	Number of shares released/ during the period	Number of shares at 29 March 2009	Value of shares awarded	Date of grant	Release date
D Taylor	103,407[3]		103,407[4]	-	£258,000	13.06.05	13.06.08
	43,720[3]			43,720	£281,994	05.06.06	05.06.09
	51,266[3]			51,266	£324,000	10.06.07	10.06.10
		55,512[2]		55,512	£336,958	04.06.08	04.06.11
G Earle	73,747[3]		73,747[4]	-	£184,000	13.06.05	13.06.08
	31,008[3]			31,008	£199,995	05.06.06	05.06.09
	34,810[3]			34,810	£220,000	10.06.07	10.06.10
		37,693[2]		37,693	£228,797	04.06.08	04.06.11
T Watkin-Rees	61,723[3]		61,723[4]	-	£154,000	13.06.05	13.06.08
	25,891[3]			25,891	£167,000	05.06.09	05.06.09
	29,066[3]			29,066	£183,700	10.06.07	10.06.10
		31,474[2]		31,474	£191,047	04.06.08	04.06.11

1. Awards under the LTIP will only vest if the company's comparative TSR performance is equal to or greater than the median level of performance over the three year holding period, at which point 30% of awards will vest, with full vesting occurring for upper quartile performance (proportionate vesting between points).
2. Awards were granted at a price of £6.07 per share (the closing price on the preceding dealing day).
3. Granted as a conditional award of shares.
4. At the date of exercise, the market value was £6.02 per share.

Deferred Share Bonus Plan

	Number of Bonus Shares purchased at 30 March 2008[2]	Number of Matching Shares awarded at 30 March 2008[3]	Number of Bonus Shares purchased/ (released) during the period	Number of Matching Shares awarded/ (released) during the period	Number of Bonus Shares purchased at 29 March 2009	Number of Matching Shares awarded at 29 March 2009	Value of Matching Shares awarded	Date of grant	Release date[4]
D Taylor	11,944	20,243	(11,944)	(20,243)	-	-	£50,000	13.06.05	13.06.08
	4,841	8,206			4,841	8,206	£53,749	05.06.06	05.06.09
	5,600	9,491			5,600	9,491	£34,663	13.06.07	13.06.10
			5,865[1]	9,942[1]	5,865	9,942	£61,626	10.06.08	10.06.11
	22,385	37,940	(6,079)	(10,301)	16,306	27,639			
G Earle	10,451	17,713	(10,451)	(17,713)	-	-	£43,750	13.06.05	13.06.08
	4,143	7,023			4,143	7,023	£46,000	05.06.06	05.06.09
	4,765	8,077			4,765	8,077	£29,494	13.06.07	13.06.10
			4,779[1]	8,101[1]	4,779	8,101	£50,215	10.06.08	10.06.11
	19,359	32,813	(5,672)	(9,612)	13,687	23,201			
T Watkin-Rees	8,361	14,170	(8,361)	(14,170)	-	-	£35,000	13.06.05	13.06.08
	3,467	5,878			3,467	5,878	£38,500	05.06.06	05.06.09
	3,979	6,744			3,979	6,744	£24,629	13.06.07	13.06.10
			3,990[1]	6,764[1]	3,990	6,764	£41,927	10.06.08	10.06.11
	15,807	26,792	(4,371)	(7,406)	11,436	19,386			

1. The Bonus Shares were purchased and the Matching Shares awarded at a share price of £6.19859.
2. Bonus Shares are purchased with the bonus deferred after the deduction of tax.
3. Matching Shares are awarded based on the value of the gross bonus deferred.
4. No Matching Shares will be released unless the company's earnings per share growth is 3% p.a. in excess of the Retail Prices Index over the three year holding period.

Share Incentive Plan

	Number of Partnership Shares[1] purchased at 31 March 2008	Number of Matching Shares[2] awarded at 31 March 2008	Number of Free Shares[3] awarded at 31 March 2008	Dividend Shares[4] acquired at 31 March 2008	Total shares at 31 March 2008	Number of Partnership Shares purchased during the period	Matching Shares awarded during the period	Dividend Shares acquired during the period	Dates of release of Matching and Free Dividend Shares	Total shares at 29 March 2009
D Taylor	1,171	1,171	1,562	215	4,119	285	285	126	13.04.09 – 17.03.12	4,815
G Earle	1,195	1,195	-	102	2,492	284	284	79	13.04.09 – 17.03.12	3,130
T Watkin-Rees	1,195	1,195	1,562	211	4,163	284	284	127	13.04.09 – 17.03.12	4,858

1. Partnership Shares are ordinary shares of the company purchased on a monthly basis during the year (at prices from £4.2485 to £6.1962).
2. Matching Shares are ordinary shares of the company awarded conditionally on a monthly basis during the year (at prices from £4.2485 to £6.1962) in conjunction with two share purchases.
3. Free Shares are ordinary shares of the company awarded conditionally on 24 September 2004 based on the share price on admission of £1.92.
4. Dividend shares are ordinary shares of the company purchased with the value of dividends paid in respect of all other shares held in the plan.

Directors' shareholdings

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

	Ordinary shares of 1/3p each 29 March 2009	Ordinary shares of 1/3p each 30 March 2008
E Anstee[1]	1,700	0
G Earle	168,577	104,166
D Newlands[2]	180,100	180,100
A Robb	10,417	10,417
K Minton[3]	130,208	130,208
D Taylor	1,602,710	1,517,813
T Watkin-Rees	693,317	640,180
R Wood	52,083	52,083

1. E Anstee was appointed as a director on 16 September 2008
2. D Newlands holds a non-beneficial interest in a further 900,000 shares held in various trusts of which he is a trustee (2008: 900,000).
3. K Minton retired on 9 July 2008

Between the end of the period and 12 May 2009, D Taylor, G Earle and T Watkin-Rees each acquired 28 Partnership Shares and 28 Matching Shares under the Share Incentive Plan.

The market price of the company's shares on 29 March 2009 was £3.75 (30 March 2008: £5.65) per share and the low and high share prices during the year were £3.66 and £6.72 respectively.

This report has been approved by the Remuneration Committee.

Andrew Robb
Chairman, Remuneration Committee

28 May 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the group financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRS as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's Framework for the preparation and presentation of financial statements. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' responsibility statement

We confirm to the best of our knowledge:

1. the financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation as a whole; and

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

By order of the Board.

Dominic Taylor
Director
28 May 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAYPOINT PLC

We have audited the group and parent company financial statements (the financial statements) of PayPoint plc for the 52 weeks ended 29 March 2009 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated and parent company balance sheets, the consolidated and parent company cash flow statements and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Committee Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the Remuneration Committee Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Committee Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Committee Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the results for the period section of the Directors' Report.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Committee Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Committee Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Committee Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the group's affairs as at 29 March 2009 and of its profit for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 29 March 2009;
- the financial statements and the part of the Remuneration Committee Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
London, UK

28 May 2009

CONSOLIDATED INCOME STATEMENT

Continuing operations	Note	52 weeks ended 29 March 2009 £000	53 weeks ended 30 March 2008 £000
Revenue	2	**224,351**	212,145
Cost of sales	2	**(160,496)**	(155,591)
Gross profit		**63,855**	56,554
Administrative expenses		**(30,494)**	(27,354)
Operating profit	5	**33,361**	29,200
Investment income	6	**1,275**	1,262
Finance costs	6	**(34)**	(58)
Profit before tax		**34,602**	30,404
Tax	7	**(10,818)**	(9,424)
Profit for the financial period attributable to equity holders of the parent	21	**23,784**	20,980
Earnings per share			
Basic	9	**35.6p**	31.1p
Diluted	9	**35.3p**	30.8p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Note	52 weeks ended 29 March 2009 £000	53 weeks ended 30 March 2008 £000
Exchange differences on translation of foreign operations	21	**190**	318
Net income recognised directly in equity		**190**	318
Profit for the period		**23,784**	20,980
Total recognised income and expenses for the period		**23,974**	21,298

CONSOLIDATED BALANCE SHEET

	Note	29 March 2009 £000	30 March 2008 £000
Non current assets			
Goodwill	10	**27,628**	27,428
Other intangible assets	11	**1,973**	2,742
Property, plant and equipment	12	**16,161**	13,114
Investment in joint venture	13	**177**	-
Deferred tax asset	14	**1,128**	1,571
Investment	15	**375**	375
		47,442	45,230
Current assets			
Inventories	16	**1,213**	1,250
Trade and other receivables	17	**26,260**	28,285
Cash and cash equivalents	18	**36,345**	27,727
		63,818	57,262
Total assets		**111,260**	102,492
Current liabilities			
Trade and other payables	19	**40,853**	45,275
Current tax liabilities		**9,153**	7,226
Obligations under finance leases		**9**	70
		50,015	52,571
Non-current liabilities			
Other liabilities	20	**278**	334
		278	334
Total liabilities		**50,293**	52,905
Net assets		**60,967**	49,587
Equity			
Share capital	21	**226**	226
Investment in own shares	21	**(926)**	(935)
Share premium	21	**25**	-
Share based payment reserve	21	**2,489**	2,281
Translation reserve	21	**508**	318
Retained earnings	21	**58,645**	47,697
Total equity attributable to equity holders of the parent company	22	**60,967**	49,587

These financial statements were approved by the board of directors on 28 May 2009.
Signed on behalf of the board of directors.

Dominic Taylor
Director 28 May 2009

CONSOLIDATED CASH FLOW STATEMENT

	Note	52 weeks ended 29 March 2009 £000	53 weeks ended 30 March 2008 £000
Net cash flow from operating activities	29	**32,619**	29,618
Investing activities			
Investment income		**1,192**	1,252
Purchases of property, plant and equipment		**(9,158)**	(5,519)
Proceeds from disposal of property, plant and equipment		**40**	110
Acquisition of subsidiaries	28	**(2,108)**	(8,227)
Investment	13	**(500)**	(375)
Purchase of own shares	27	**(2,489)**	(3,467)
Net cash used in investing activities		**(13,023)**	(16,226)
Financing activities			
Repayments of obligations under finance leases		**(61)**	(246)
Dividends paid		**(11,077)**	(9,738)
Net cash used in financing activities		**(11,138)**	(9,984)
Net increase in cash and cash equivalents		**8,458**	3,408
Cash and cash equivalents at beginning of period		**27,727**	24,324
Effect of foreign exchange rate changes		**160**	(5)
Cash and cash equivalents at end of period		**36,345**	27,727

COMPANY BALANCE SHEET

	Note	29 March 2009 £000	30 March 2008 £000
Non current assets			
Investments	15	**73,670**	70,474
		73,670	70,474
Current assets			
Trade and other receivables	17	**1,058**	7,168
Cash and cash equivalents		**72**	12
		1,130	7,180
Total assets		**74,800**	77,654
Current liabilities			
Trade and other payables	19	**396**	2,172
Non-current liabilities			
Other liabilities	20	**48,301**	35,855
Total liabilities		**48,697**	38,027
Net assets		**26,103**	39,627
Equity			
Share capital	21	**226**	226
Share premium	21	**25**	-
Investment in own shares	21	**(926)**	(935)
Share based payment reserve	21	**2,489**	2,281
Retained earnings	21	**24,289**	38,055
Total equity	22	**26,103**	39,627

These financial statements were approved by the board of directors on 28 May 2009.

Signed on behalf of the board of directors.

Dominic Taylor
Director
28 May 2009

COMPANY CASH FLOW STATEMENT

	Note	**52 weeks ended 29 March 2009 £000**	53 weeks ended 30 March 2008 £000
Net cash flow from operating activities	29	**18,929**	23,993
Investing activities			
Interest received		**1**	1
Investment	13	**(500)**	(375)
Investment in group company	15	**(2,696)**	(2,169)
Purchase of own shares	27	**(2,489)**	(3,467)
Acquisition of subsidiaries	28	**(2,108)**	(8,134)
Net cash used in investing activities		**(7,792)**	(14,144)
Financing activities			
Dividends paid		**(11,077)**	(9,738)
Net cash used in financing activities		**(11,077)**	(9,738)
Net increase in cash and cash equivalents		**60**	111
Cash and cash equivalents at beginning of period		**12**	(99)
Cash and cash equivalents at end of period		**72**	12

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

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

Basis of preparation

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

The directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. The group's liquidity review can be found in the Operating and Financial Review on page 10. The group's going concern position is further discussed in the 'Directors' Report on page 18.

The group has adopted with effect from 31 March 2008, IFRIC 11 IFRS2 – Group and Treasury Share Transactions. The adoption of this interpretation has not led to any changes in the group's accounting policies.

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

IFRS 1 (amended) / IAS 27 (amended)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (amended)	Share-based Payment – Vesting Conditions and Cancellations
IFRS 3 (revised 2008)	Business Combinations
IFRS 8	Operating Segments
IAS 1 (revised 2007)	Presentation of Financial Statements
IAS 23 (revised 2007)	Borrowing Costs
IAS 27 (revised 2008)	Consolidated and Separate Financial Statements
IAS 32 (amended) and IAS 1 (amended)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRIC 10	Interim reporting and impairments
IFRIC 11	IFRS2 Group and Treasury share transactions
IFRIC 12	Service Concession Arrangements
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 39	Financial Instruments recognition and measurement: Eligible hedged items

The group does not consider that these Standards and Interpretations will have a material impact on the financial statements of the group when the respective standards or interpretations come into effect except for treatment of acquisition of subsidiaries when IFRS 3 comes into effect for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009.

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

The principal accounting policies adopted are set out below.

Basis of consolidation

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

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

Goodwill

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

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

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

Revenue

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

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

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

Cost of sales

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

Pension costs

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

Share-based payments

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

Interest income

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

Taxation

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

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

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

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

Foreign currency

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

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

Intangible assets

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

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

Software development expenditure

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

Property, plant and equipment

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

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

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

Inventories

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

Joint ventures

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

Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as property, plant and equipment and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the remaining balance of liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used. Rentals received for ATMs from retail agents under operating leases are credited to income on a straight line basis over the lease term.

Dividends

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

Own shares

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

Cash and cash equivalents

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

Critical accounting judgements

The critical accounting judgements and key sources of estimation uncertainty in the business are the valuation of goodwill £27.6 million (2008: £27.4 million) and other intangible assets £2.0 million (2008: £2.7 million). Management reviews goodwill for any impairment on an annual basis, see note 10. Intangible assets are amortised over their economic useful life, see note 11. The accounting policies for goodwill and intangible assets are included above in this note 1.

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

(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, gross throughput and cost of sales

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

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

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.

Sales revenue performance of the business is measured by net revenue, which is calculated as the total revenue from clients less commission payable to retail agents' the cost of mobile top-ups where PayPoint is the principal in the supply chain; and acquiring bank charges.

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, online transactions, cash withdrawals from ATMs and the value of transactions via the internet.

Gross throughput

	52 weeks ended 29 March 2009 £000	53 weeks ended 30 March 2008 £000
Terminals, retailer EPoS systems and sale of scratch cards	**6,783,614**	5,931,224
ATM	**343,238**	328,237
Internet	**1,754,285**	1,286,887
Total	**8,881,137**	7,546,348

Net revenue

Revenue – transaction processing	**222,693**	210,528
– lease rental of ATMs	**1,658**	1,617
	224,351	212,145
less:		
Commission payable to retail agents	**(83,891)**	(83,439)
Cost of mobile top-ups as principal	**(59,317)**	(55,468)
Acquiring bank charges	**(3,745)**	(3,378)
Net revenue	**77,398**	69,860

Bill and general payments	**34,388**	30,652
Online (i)	**25,692**	25,153
ATMs	**6,641**	6,561
Internet payments	**8,053**	4,927
Other	**2,624**	2,567
Net revenue	**77,398**	69,860

UK	**73,877**	66,507
International (ii)	**3,521**	3,353
Net revenue	**77,398**	69,860

(i) Online consists mainly of mobile top-ups but also includes prepay debit cards, e-money schemes and international calling cards.
(ii) International consists of bill and general payment and mobile top-up revenue from Ireland and Romania.

Cost of sales

	52 weeks ended 29 March 2009 £000	53 weeks ended 30 March 2008 £000
Cost of sales		
Commission payable to retail agents	**83,891**	83,439
Cost of mobile top-ups as principal	**59,317**	55,468
Acquiring bank charges	**3,745**	3,378
Depreciation and amortisation	**5,698**	5,719
Other	**7,845**	7,587
Total cost of sales	**160,496**	155,591

3. Employee information

	Group		Company	
	2009	2008	**2009**	2008
Average number of persons employed				
Sales, distribution and marketing	**140**	106	**-**	-
Operations and administration	**328**	305	**5**	5
	468	411	**5**	5
Staff costs during the year (including directors)	**£000**	£000	**£000**	£000
Wages and salaries	**13,931**	13,486	**269**	229
Social security costs	**1,461**	1,552	**34**	24
Pension costs (note 23)	**667**	622	-	-
	16,059	15,660	**303**	253

Directors' emoluments, pension contributions and share options are disclosed in the Remuneration Committee Report on pages 19 to 24. Included within staff costs is a share based payment charge (note 21) of £759,000 (2008: £1,121,000).

4. Profit of parent company

The company has taken advantage of the exemption under section 230 of the Companies Act 1985 and consequently the income statement of the parent company is not presented as part of these financial statements. The loss of the parent company for the financial year amounted to £930,000 (2008: £9,038,000 profit).

5. Operating profit

	Group	
	52 weeks ended 29 March 2009 £000	53 weeks ended 30 March 2008 £000
Operating profit is after charging/ (crediting):		
Inventory expensed – cost of mobile top-ups as principal	**59,317**	55,468
Depreciation on owned assets	**4,907**	4,812
Gain/(loss) on disposal of property, plant and equipment	**45**	(29)
Amortisation of intangible assets	**791**	907
Rentals under operating leases:		
– other operating leases	**760**	655
– income from rental of ATM's	**(1,658)**	(1,617)
Auditors' remuneration (see note below)	**219**	175
Share of loss of joint venture	**323**	-
Staff costs	**16,059**	15,660

	2009 £000	2008 £000
Auditors' remuneration		
Fees payable to the company's auditors for the audit of the company's annual accounts	10	10
Fees payable to the group's auditors for the audit of the company's subsidiaries	126	109
Total audit fees	136	119
Fees payable to the group's auditors and their associates for other services to the group		
Tax	78	56
Corporate finance services	-	10
Other	5	-
Total non-audit fees	83	66
Total auditors' remuneration	219	175

Fees payable to Deloitte LLP and its associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis. A description of the work of the Audit Committee is set out on pages 14 to 15 and includes an explanation of how auditor independence is safeguarded where non-audit services are provided by the auditors.

6. Investment income and finance costs Investment income

Investment income comprises interest on current and deposit accounts.

	52 weeks ended 29 March 2009 £000	53 weeks ended 30 March 2008 £000
Interest revenue:		
Bank deposits	**1,275**	1,262

6. Investment income and finance costs Investment income (continued)

Finance costs

	52 weeks ended 29 March 2009 £000	53 weeks ended 30 March 2008 £000
Bank charges	**27**	49
Finance charges	**7**	9
	34	58

7. Tax

	52 weeks ended 29 March 2009 £000	53 weeks ended 30 March 2008 £000
Current tax		
Charge for current period	**10,503**	9,511
Adjustment in respect of prior periods	**(148)**	(88)
Current tax charge	**10,355**	9,423
Deferred tax		
Charge for current period	**(94)**	29
Impact on changes in statutory tax rates	**-**	(28)
Adjustment in respect of prior periods	**557**	-
Deferred tax charge	**463**	1
Total income tax		
Income tax charge	**10,818**	9,424
The income tax charge is based on the effective United Kingdom statutory rate of corporation tax for the period of 28% (2008: 30%).		
The charge for the year can be reconciled to the profit before tax as set out in the consolidated income statement		
Profit before tax	**34,602**	30,404
Tax at the UK Corporation tax rate of 28% (2008: 30%) Tax effects of:	**9,689**	9,121
Profit in countries where the tax rate is different to the UK	**313**	47
Disallowable expenses	**54**	359
Utilisation of tax losses not previously recognised	**(379)**	(103)
Losses in companies where a deferred tax asset is not recognised	**339**	116
Adjustments in respect of prior periods	**409**	(88)
Deferred tax on share based payments	**393**	-
Revaluation of the deferred tax balance from 30% to 28%	**-**	(28)
Actual amount of tax charge	**10,818**	9,424

8. Dividends on equity shares

	52 weeks ended 29 March 2009 £000	53 weeks ended 30 March 2008 £000
Equity dividends on ordinary shares		
Interim dividend paid of 6.0p per share (2008: 5.3p)	**4,054**	3,579
Proposed final dividend of 11.6p per share (2008: paid 10.4p per share)	**7,840**	7,040
Total dividends paid and recommended 17.6p per share (2008: 15.7p per share)	**11,894**	10,619
Amounts distributed to equity holders in the period		
Final dividend for the prior period	**7,023**	6,159
Interim dividend for the current period	**4,054**	3,579
	11,077	9,738

9. Earnings per share

Basic earnings per share

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

	52 weeks ended 29 March 2009 £000	53 weeks ended 30 March 2008 £000
Profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**23,784**	20,980

	29 March 2009 Number of shares	30 March 2008 Number of shares
Weighted average number of ordinary shares in issue (for basic earnings per share)	**66,754,486**	67,369,600
Potential dilutive ordinary shares:		
Long-term incentive plan	**515,410**	669,449
Deferred share bonus	**111,828**	119,903
Diluted basis	**67,381,724**	68,158,952

10. Goodwill

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

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

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

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

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

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

Goodwill arising on acquisition:

	29 March 2009 £000	30 March 2008 £000
PayPoint.net	18,207	18,207
PayPoint Romania	9,421	9,221
	27,628	**27,428**

11. Other intangible assets

	Technology £000	Contracts with merchants £000	Total £000
Cost			
At 31 March 2008	1,800	2,068	3,868
Exchange rate adjustment	-	23	23
At 29 March 2009	1,800	2,091	3,891
Amortisation			
At 31 March 2008	245	881	1,126
Charge for the period	180	611	791
Exchange rate adjustment	-	1	1
At 29 March 2009	425	1,493	1,918
Carrying amount			
At 29 March 2009	**1,375**	**598**	**1,973**
At 30 March 2008	1,555	1,187	2,742

	Technology £000	Contracts with merchants £000	Total £000
Cost			
At 26 March 2007	1,800	1,251	3,051
Acquisition of subsidiaries	-	801	801
Exchange rate adjustment	-	16	16
At 30 March 2008	1,800	2,068	3,868
Amortisation			
At 26 March 2007	65	147	212
Charge for the period	180	727	907
Exchange rate adjustment	-	7	7
At 30 March 2008	245	881	1,126
Carrying amount			
At 30 March 2008	1,555	1,187	2,742
At 25 March 2007	1,735	1,104	2,839

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

12. Property, plant and equipment

Group	Terminals and ATMs £000	Fixtures, fittings and equipment £000	Land and buildings £000	Total £000
Cost				
At 31 March 2008	30,382	3,614	-	33,996
Additions	2,873	105	6,412	9,390
Disposals	(111)	(276)	-	(387)
Exchange rate adjustment	77	39	-	116
Other [(a)]	-	(1,203)	-	(1,203)
At 29 March 2009	33,221	2,279	6,412	41,912
Accumulated depreciation				
At 31 March 2008	19,174	1,708	-	20,882
Charge for the period	4,493	392	22	4,907
Exchange rate adjustment	37	9	-	46
Disposals	(74)	(10)	-	(84)
At 29 March 2009	23,630	2,099	22	25,751
Net book value				
At 29 March 2009	**9,591**	**180**	**6,390**	**16,161**
At 30 March 2008	11,208	1,906	-	13,114

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

The net book value of assets held under finance leases is £nil (2008: £178,000). The cost for ATMs rented out under operating leases is £6,080,000 (2008: £5,455,000) and the accumulated depreciation is £4,636,000 (2008: £3,548,000). At 29 March 2009, the group had entered into contractual commitments for the acquisition of terminals and ATMs amounting to £537,000 (2008: £658,000).

Group	Terminals and ATMs £000	Fixtures, fittings and equipment £000	Land and buildings £000	Total £000
Cost				
At 26 March 2007	26,329	1,653	-	27,982
Acquisition of subsidiaries	1,112	934	-	2,046
Additions	3,086	1,031	-	4,117
Disposals	(145)	(4)	-	(149)
At 30 March 2008	30,382	3,614	-	33,996
Accumulated depreciation				
At 26 March 2007	15,045	1,093	-	16,138
Charge for the period	4,197	615	-	4,812
Disposals	(68)	-	-	(68)
At 30 March 2008	19,174	1,708	-	20,882
Net book value				
At 30 March 2008	11,208	1,906	-	13,114
At 25 March 2007	11,284	560	-	11,844

13. Investment in joint venture

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

PayPoint's share of aggregated amounts relating to joint ventures	**29 March 2009 £000**	**29 March 2008 £000**
Total assets	**406**	-
Total liabilities	**(229)**	-
Share of net assets	**177**	-
	52 weeks ended 29 March 2009 £000	53 weeks ended 30 March 2008 £000
Revenues	**2**	-
Loss for period	**(323)**	-

14. Deferred tax asset

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

	26 March 2007 £000	Credit / (charge) to income statement £000	Credit to equity £000	30 March 2008 £000
Tax depreciation	807	(187)	-	620
Share based payments	546	249	-	795
Tax losses	130	(1)	-	129
Intangibles	-	-	-	-
Short term temporary differences	89	(62)	-	27
Total	1,572	(1)	-	1,571

At the balance sheet date:

A deferred tax asset of £1.1m (2008: £1.6m) is recognised on the basis that there will be sufficient future taxable profits against which the deferred tax asset can be recovered based on management forecasts.

14. Deferred tax asset (continuted)

At the balance sheet date, the group has unused tax losses of £2.5m (2008: £1.9m) available for offset against future profits for which no deferred tax asset is recognised. Included in unrecognised tax losses are losses of £0.2m that will expire within three to four years and £2.1m that will expire within for to seven years. Other losses may be carried forward indefinitely.

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

15. Investments

	Group		**Company**	
	29 March 2009 £000	30 March 2008 £000	**29 March 2009 £000**	30 March 2008 £000
Investments carried at cost:				
Investment in OB10 Limited (note 27)	**375**	375	**375**	375
Investments in subsidiaries	**-**	-	**73,295**	70,099
	375	375	**73,670**	70,474

In the period, the company subscribed for additional share capital in PayPoint Romania for £2.7 million in cash (2008: £2.2 million). In February 2009, the company invested £500,000 for 50% of the ordinary share capital of Drop and Collect Limited.

Subsidiary undertakings

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

Subsidiary of the company	Principal activity
PayPoint Network Limited	Management of an electronic payment service
PayPoint Collections Limited	Provision of a payment collection service
PayPoint Retail Solutions Limited	Provision of retail services
PayPoint Ireland Limited	Holding company in Ireland
PayPoint Network Ireland Limited	Management of an electronic payment service in Ireland
PayPoint Collections Ireland Limited	Payment collection service in Ireland
Pay Store SRL	Management of an electronic and payment collection service in Romania
Metacharge Limited	Internet payment service provider
PayPoint.net Limited	Internet payment service provider
Counter Payment Managers Limited	ESOP scheme

All of the above companies are 100% owned. The companies are all registered in England and Wales other than Counter Payment Managers, which is registered in the Isle of Man and PayPoint Network Ireland, PayPoint Collections Ireland and PayPoint Ireland which are all registered in Ireland, and Pay Store, which is registered in Romania.

16. Inventories

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

17. Trade and other receivables

	Group		Company	
	29 March 2009 £000	30 March 2008 £000	**29 March 2009 £000**	30 March 2008 £000
Trade receivables (i)	**24,952**	28,359	**-**	-
Allowance for doubtful debts (ii)	**(1,587)**	(2,730)	**-**	-
	23,365	25,629	**-**	-
Other receivables	**1,762**	1,460	**-**	-
Prepayments and accrued income	**1,133**	1,196	**53**	2
Amounts owed by group companies	**-**	-	**-**	6,676
Group relief receivable	**-**	-	**1,005**	490
	26,260	28,285	**1,058**	7,168

(i) The average credit period on the sale of goods is 23 days (2008: 24 days).

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

Included in the group's trade receivable balance are debtors with a carrying amount of £5,604,000 (2008: £5,948,000) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the group believes that the amounts are still considered recoverable. The average age of these receivables is 41 days (2008: 41 days) and of the total balance £4,178,000 is past due by less than 30 days.

Movement in the allowance for doubtful debts

	Group		Company	
	29 March 2009 £000	30 March 2008 £000	**29 March 2009 £000**	30 March 2008 £000
Balance at the beginning of the period	**2,730**	1,640	**-**	-
Amounts recovered during the period	**(125)**	(218)	**-**	-
Amounts utilised in the period	**(766)**	-	**-**	-
Amounts written back to income statement in the period	**(605)**	-	**-**	-
Increase in allowance	**353**	1,308	**-**	-
Balance at end of the period	**1,587**	2,730	**-**	-

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

18. Cash and cash equivalents

Included within group cash and cash equivalents is £7,547,000 (2008: £8,001,000) relating to monies collected on behalf of clients where the group has title to the funds (client cash). An equivalent balance is included within trade payables (note 19).

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 29 March 2009, the group's overall cash position was £36,345,000 (2008: £27,727,000) in credit.

19. Trade and other payables

	Group		Company	
	29 March 2009 £000	30 March 2008 £000	**29 March 2009 £000**	30 March 2008 £000
Amounts owed in respect of client cash (i)	**7,547**	8,001	**-**	-
Other trade payables (ii)	**21,328**	21,246	**15**	9
Trade payables	**28,875**	29,247	**15**	9
Other taxes and social security	**1,316**	1,317	**-**	-
Other payables	**344**	2,102	**-**	2,149
Accruals	**9,937**	10,988	**381**	14
Deferred income	**381**	1,621	**-**	–
	40,853	45,275	**396**	2,172

(i) Included within trade payables is £7,547,000 (2008: £8,001,000) relating to monies collected on behalf of clients where the group has title to the funds (client cash). An equivalent balance is included within cash and cash equivalents (note 18).

(ii) The group aims to pay its creditors promptly, in accordance with terms agreed for payment. The group has 16 days purchases outstanding at 30 March 2008 (2008: 20 days) based on the average daily amount invoiced by suppliers during the year.

20. Other non-current liabilities

	Group		Company	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Deferred income	**278**	334	**-**	-
Amounts due to group companies	**-**	-	**48,301**	35,855
	278	334	**48,301**	35,855

21. Equity

Share-based payments
Equity settled share scheme

The group has a number of share schemes as defined in the Remuneration Committee Report on pages 19 to 24. The vesting period for all awards is three years, and they are forfeited if the employee leaves the group before shares vest. All awards made are free shares.

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

	Number of shares 2009	Number of shares 2008
Outstanding at 31 March 2008	**849,655**	1,085,938
Granted during the period – Long Term Incentive Plan	**212,093**	193,989
Granted during the period – Deferred Share Bonus	**45,837**	35,418
Lapsed during the period	**(17,111)**	(41,638)
Released during the period	**(462,723)**	(424,052)
Outstanding at 29 March 2009	**627,751**	849,655

Awards granted		Number of shares	Vesting date
LTIP	5 June 2006	176,142	5 June 2009
DSB	5 June 2006	30,461	5 June 2009
LTIP	4 June 2007	193,989	4 June 2010
DSB	4 June 2007	35,418	4 June 2010
LTIP	16 May 2008	212,093	16 May 2011
DSB	16 May 2008	45,837	16 May 2011

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

	2009		2008	
	LTIP	**DSB**	LTIP	DSB
Weighted average share price	3.12	5.01	3.72	5.83
Expected volatility	38%		39%	
Expected life	3 years	3 years	3 years	3 years
Risk free rate	4.70%		5.74%	
Expected dividend yield	2.48%	2.48%	2.02%	2.02%

Other share-based payment plans

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

	Group		Company	
	2009 £000	2008 £000	**2009 £000**	**2008 £000**
Authorised share capital				
4,365,352,200 ordinary shares of 1/3 p each (2008 4,365,352,200: ordinary shares of 1/3 p each)	**14,551**	14,551	**14,551**	14,551
	14,551	14,551	**14,551**	14,551
Called up, allotted and fully paid share capital				
67,723,820 ordinary shares of 1/3p each (2008: 67,697,228 ordinary shares of 1/3p each)	**226**	226	**226**	226
	226	226	**226**	226
Called up share capital				
At start of period	**226**	226	**226**	226
At end of period	**226**	226	**226**	226
Investment in own shares				
At start of period	**(935)**	(1)	**(935)**	(1)
Acquired in period (note 27)	**(2,489)**	(2,533)	**(2,489)**	(2,533)
Used on share scheme vesting	**2,498**	1,599	**2,498**	1,599
At end of period	**(926)**	(935)	**(926)**	(935)
Share premium				
At start of period	**-**	-	**-**	**-**
Arising on issue of shares	**25**	-	**25**	**-**
At end of period	**25**	-	**25**	**-**
Share based payment reserve				
At start of period	**2,281**	1,712	**2,281**	1,712
Additions in period	**759**	1,121	**759**	1,121
Released in period	**(764)**	(552)	**(764)**	(552)
Current tax on awards	**515**	-	**515**	-
Other adjustments	**(302)**	-	**(302)**	-
At end of period	**2,489**	2,281	**2,489**	2,281
Translation reserve				
At start of period	**318**	-	**-**	**-**
Movement during period	**190**	318	**-**	**-**
At end of period	**508**	318	**-**	**-**
Retained earnings				
At start of period	**47,697**	38,436	**38,055**	40,736
Profit/(loss) for period	**23,784**	20,980	**(930)**	9,038
Dividends paid	**(11,077)**	(9,738)	**(11,077)**	(9,738)
Adjustment on share scheme vesting (note 27)	**(1,759)**	(1,981)	**(1,759)**	(1,981)
At end of period	**58,645**	47,697	**24,289**	38,055

22. Statement of changes in equity

	Group		Company	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Opening equity	**49,587**	40,373	**39,627**	42,673
Profit/(loss) for the period	**23,784**	20,980	**(930)**	9,038
Dividends paid	**(11,077)**	(9,738)	**(11,077)**	(9,738)
Adjustment on share scheme vesting	**(25)**	(934)	**(25)**	(934)
Investment in own shares (see note 27)	**(2,489)**	(2,533)	**(2,489)**	(2,533)
Increase in translation reserve	**190**	318	**-**	-
Increase in share based payment reserve	**972**	1,121	**972**	1,121
New shares issued	**25**	-	**25**	-
Closing equity	**60,967**	49,587	**26,103**	39,627

23. Pension arrangements

The group administers a non-contributory defined contribution scheme for executive directors and employees. The amount charged in the consolidated income statement for the period for pension costs of the group under the scheme was £585,000 (2008: £622,000). There is an accrual of £13,000 for pension contributions at the balance sheet date (2008: £45,000).

24. Financial commitments

Obligations under finance leases

	29 March 2009 £000	30 March 2008 £000
Minimum lease payments due:		
Within one year	**8**	62
Within two to five years	**-**	8
	8	70
Finance charges allocated to future periods	**1**	3
	9	73

24. Financial commitments (continued)

Operating lease commitments

	29 March 2009		30 March 2008	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Leases which expire:				
Within one year	**133**	**44**	91	22
Within two to five years	**268**	**-**	564	-
After five years	**-**	**-**	7,176	-

25. Operating lease receivables

	29 March 2009 £000	30 March 2008 £000
Amounts receivable under operating leases;		
Within one year	**1,452**	1,663
Within two to five years	**2,782**	3,277
After five years	**–**	–
	4,234	4,940

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

26. Derivatives and other financial instruments

The group's financial instruments comprise cash and various items such as trade receivables, trade payables, other payables and accruals, which arise directly from the group's operations. It is, and has been throughout the period under review, the group's policy not to undertake speculative trading in financial instruments.

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

(a) Interest rate risk

The group has no interest bearing financial assets at 29 March 2009 other than sterling and euro deposits of £36,345,000 (2008: £27,727,000). Of these deposits, £7,547,000 (2008: £8,001,000) relates to monies held on behalf of clients where PayPoint has title to the funds for periods of up to seven days.

26. Derivatives and other financial instruments (continued)

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

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

Further analysis of the interest rate profile of the fixed rate financial liabilities as at 29 March 2009 and 30 March 2008 is provided below:

Weighted average interest rate on fixed rate financial liabilities:

	2009 %	2008 %
Finance leases	**n/a**	4

Weighted average period for which interest rate is fixed:

	2009	2008
Finance leases	**n/a**	14

(b) Liquidity risk

The group's policy throughout the period ended 29 March 2009 regarding liquidity has been to maximise the return on funds placed on deposit whilst minimising the associated risk.

The group had no financial liabilities at 29 March 2009 other than short-term payables, such as trade payables and accruals.

(c) Foreign exchange risk

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

The group's currency exposures comprise those transactional exposures that give rise to the net currency gains and losses recognised in the income statement. Such exposures comprise the monetary assets and monetary liabilities of the group that are not denominated in the operating (or functional) currency of the operating unit involved. At 29 March 2009 these exposures were £9,000 (2008: £70,000).

(d) Borrowing facilities

The group has a undrawn £35 million revolving loan facility with a remaining term of over two years.

(e) Fair value of financial assets and liabilities

The directors consider there to be no material difference between the book value and the fair value of the group's financial instruments at 29 March 2009.

(f) Market price risk

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

(g) Capital risk management

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

(h) Credit risk

The group's financial assets are cash, trade and other receivables and investments. The group's credit risk is primarily attributable to its trade receivables and off balance sheet agent debt to the extent that PayPoint bears the credit risk. Clients, agents and merchants are credit checked to mitigate credit risk and in all new client contracts we have the right of set-off of funds collected against monies due. The group's maximum exposure, at 29 March 2009, was £62,024,000 (2008: £55,644,000).

(i) Financial instrument sensitivities

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

27. Related party transactions

Remuneration of the directors, who are the key management of the group, is disclosed in the audited part of the Remuneration Committee Report on pages 19 to 24.

In March 2008, the company invested £375,000 for 1.05% of the ordinary share capital of OB10 Limited, a company that specialises in electronic invoicing. In the view of the directors, the cost of £375,000 represents the fair value of the investment in shares. 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.

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

27. Related party transactions (continued)

On 13 June 2008, the company released the second tranche of its long term incentive plan awards to the three executive directors and six senior managers. In order to partly satisfy the company's obligations, Paypoint Network Limited Employee Investment Trust (the Trust) acquired 200,299 ordinary shares at the mid market closing price of 602 pence per share, in aggregate £1,206,000, from RIT Capital Partners and the Weinstock Estate (both of which are connected to David Morrison, a non-executive director of the company). 163,432 shares were sold at 602 pence per share, in aggregate £984,000, by participating directors and managers to the Trust. The Trust also purchased 41,395 shares at an average of 612.5 pence per share, in aggregate £253,000, in the open market.

On 19 September 2008, the company released another tranche of its long term incentive plan awards to one senior manager, using 17,346 shares owned by the Trust. As a result of this tranche, a further 7,112 shares were sold at 650 pence per share, in aggregate £46,000 by the senior manager to the Trust.

Accordingly, the company has funded £2,489,000 (excluding £18,000 deal costs) for the purchase of its own shares. The excess of the cost of the shares acquired over their fair value determined at the date of grant in accordance with IFRS2 of £1,759,000 has been charged to reserves.

28. Acquisition of subsidiary

In May 2008, the company paid £2,108,000, the deferred consideration due for the acquisition of Pay Store SRL, which it had acquired on 15 May 2007. The total consideration paid was £10,242,000, of which £8,134,000 was paid in the prior period.

29. Notes to the cash flow statement

	Group		Company	
	52 weeks ended 29 March 2009 £000	53 weeks ended 30 March 2008 £000	**52 weeks ended 29 March 2009 £000**	53 weeks ended 30 March 2008 £000
Operating profit/(loss)	**33,361**	29,200	**(484)**	9,411
Adjustments for:				
Depreciation of property, plant and equipment	**4,907**	4,812	**-**	-
Amortisation of intangible assets	**791**	907	**-**	-
Share of loss of joint venture	**323**	-	**-**	-
Increase in share based payment reserve	**759**	1,121	**759**	1,121
Operating cash flows before movements in working capital	**40,141**	36,040	**275**	10,532
Decrease in inventories	**155**	580	**-**	-
Decrease / (increase) in receivables	**6,178**	(10,528)	**6,625**	9,706
(Decrease) / increase in payables				
– client cash	**(454)**	711	**-**	-
– other payables	**(5,433)**	9,196	**12,029**	3,755
Cash generated by operations	**40,587**	35,999	**18,929**	23,993
Corporation tax paid	**(7,940)**	(6,362)	**-**	-
Interest and bank charges paid	**(28)**	(19)	**-**	-
Net cash from operating activities	**32,619**	29,618	**18,929**	23,993

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

PayPoint plc

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2009 annual general meeting of PayPoint plc will be held at the offices of JPMorgan Cazenove, 20 Moorgate, London EC2R 6DA, on Wednesday 8 July 2009 at 12pm for the transaction of the following business:

ORDINARY BUSINESS

1. To receive the financial statements and the reports of the directors and the auditors thereon for the year ended 29 March 2009.

2. To receive the Directors' Remuneration report for the year ended 29 March 2009.

3. To declare a final dividend of 11.6p per ordinary share of the company.

4. To re-elect Mr D Morrison as a director, who retires by rotation in accordance with article 37.1 of the company's articles of association.

5. To re-elect Mr T Watkin-Rees as a director, who retires by rotation in accordance with article 37.1 of the company's articles of association.

6. To re-appoint Mr S Rowley as a director, who retires by rotation in accordance with article 32.2 of the company's articles of association.

7. To re-appoint Mr E Anstee as a director, who retires by rotation in accordance with article 32.2 of the company's articles of association.

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

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

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, as to which resolutions 10, 11 and 12 shall be proposed as ordinary resolutions and resolutions 13 and 14 shall be proposed as special resolutions:

10. The PayPoint plc Deferred Share Bonus Plan (DSB) (the principal terms of which are summarised on pages 50 and 51 and a copy of the draft rules of which were produced to the meeting, for the purpose of identification initialled by the Chairman) is approved and adopted and the directors are authorised to do all such acts and things necessary or expedient to carry the DSB into effect.

11. That the PayPoint plc Long-Term Incentive Plan (LTIP) (the principal terms of which are summarised on pages 51 to 53 and a copy of the draft rules which were produced to the meeting, for the purpose of identification initialled by the Chairman) and approved and adopted and the directors are authorised to do all such acts and things necessary or expedient to carry the LTIP into effect.

12. That the directors are authorised in accordance with section 80(1) of the Companies Act 1985 (the Act) to exercise all the powers of the company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £75,253 provided that this authority shall expire on the conclusion of the annual general meeting of the company to be held in 2010 or, if earlier, on the date which is 15 months from the date of this resolution, save that the company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the directors to allot relevant securities are revoked.

13. That the directors are empowered in accordance with section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash (pursuant to the authority conferred by resolution above) and for this purpose allotment of equity securities shall include a sale of relevant shares as provided in section 94(3A) of the Act as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

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

    b) the allotment (otherwise than pursuant to sub-paragraph (a) above) to any person or persons of equity securities up to an aggregate nominal amount of £11,288,

    and shall expire upon the expiry of the general authority conferred by resolution 12 above, save that the company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

14. That subject to, and in accordance with the company's articles of association, the company is authorised to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of the company provided that:-

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

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

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

    (d) this authority shall expire on the conclusion of the annual general meeting of the company to be held in 2010 or, if earlier, on the date which is 15 months from the date of this resolution;

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

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

BY ORDER OF THE BOARD
Susan Court
Company Secretary
28 May 2009

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

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. A form of proxy is enclosed for use by shareholders and will only be valid, if appropriate, must be deposited with the company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the annual general meeting. Appointment of a proxy does not preclude a shareholder from attending the annual general meeting and voting in person.

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

   - in hard copy form by post, by courier or by hand to the company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or

   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below,

   and in each case must be received by the company not less than 48 hours before the time of the meeting.

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, in order to be able to attend and vote at the annual general meeting or any adjournment thereof (and also for the purpose of calculating how many votes a person may cast) a person must have his/her name entered on the register of members of the company by 6 pm on 6 July 2009 (or 6 pm on the date being two days before any adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

4. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

5. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the company in accordance with section 146 of the Companies Act 2006 ('nominated persons'). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

6. Biographical details of the directors of the company are shown on page 16 of the 2009 annual report.

7. The issued share capital of the company as at 12 May 2009 was 67,728,431 ordinary shares of ⅓ pence each, carrying one vote each. The company holds 152,378 shares for the purpose of employee share schemes, therefore, the total number of voting rights in the company on 28 May 2009 was 67,577,265.

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

   - The directors' service agreements and letters of appointment;
   - Copies of the current articles of association of the company;
   - The draft rules of the DSB;
   - The draft rules of the LTIP.

Recommendation and voting intentions

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

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

Resolutions 10 and 11: Adopting the Deferred Bonus Plan and LTIP

The rules of the company's existing deferred share bonus plan and long-term incentive plan will both expire on 13 September 2009 (the Existing Plans).

The terms of the DSB and the LTIP are materially similar to those of the Existing Plans.
The key terms of the DSB and the LTIP and the Remuneration Committee's current intention as to the operation of the two plans are summarised on pages 50 to 53.

Resolution 12: Directors' authority to allot shares

By virtue of section 80 of the Companies Act 1985 (the Act), the directors require the authority of shareholders of the company to allot shares or other relevant securities. The resolution numbered 12 authorises the directors to make allotments of up to an additional 22,576,821 ordinary shares (representing approximately one-third of the issued share capital of the company as at the date of this document). This amount is in line with ABI guidelines. If approved at the forthcoming annual general meeting, the authority will expire no later than 15 months from the date on which the resolution is passed or on the conclusion of the annual general meeting of the company to be held in 2010, whichever is the sooner. The directors have no present intention of exercising the authority proposed to be conferred pursuant to resolution 12.

Resolution 13: Authority for disapplication of statutory pre-emption rights

By virtue of section 89 of the Act, any issue by the company of equity capital for cash made otherwise than to existing shareholders on a proportional basis requires the consent of shareholders of the company unless the company has obtained their authority under section 95 of the Act. The resolution numbered 13 is for that purpose. It authorises the directors to allot shares by way of rights issue or pursuant to an open offer or otherwise than strictly pro rata when the directors consider that it is expedient to do so and also allows them to issue for cash up to 3,386,523 ordinary shares (representing approximately five per cent. of the issued share capital of the company as at the date of this document other than on a pre-emptive basis. If approved at the forthcoming annual general meeting, the authority will expire no later than 15 months from the date on which the resolution is passed or on the conclusion of the annual general meeting of the company to be held in 2010, whichever is the sooner.

Resolution 14: Authority to make market purchases of ordinary shares

By virtue of section 166 of the Act, the company may make market purchases of its own ordinary shares if authorised to do so by shareholders. Under resolution 14, the directors seek to renew an annual authority to make market purchases of shares: each year the directors will seek to further renew this authority at the company's annual general meeting. Any ordinary shares purchased under this authority would either be (i) cancelled immediately on completion of the purchase and the number of ordinary shares in issue reduced accordingly; (ii) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act; or (iii) transferred to an employee benefit trust for the satisfaction of awards under the company's existing share schemes.

The maximum number of ordinary shares which could be purchased pursuant to this authority is 10,152,796, being 14.99 per cent. of the issued share capital of the company as at the date of this document. Any repurchase of ordinary shares carried out by the company would be at a maximum price per ordinary share of 105 per cent. of the average middle market price of such a share for the five business days immediately preceding the date of the purchase, the price equal to the last independent trade or the highest current independent bid and at a minimum price equal to the nominal value. The authority to repurchase ordinary shares will, if approved by shareholders, only be exercised after careful consideration by the directors and if such exercise would result in an increase in earnings per share and be in the best interests of shareholders generally. If approved at the forthcoming annual general meeting, the authority will expire no later than 15 months from the date on which the resolution is passed, or on the conclusion of the annual general meeting of the company to be held in 2010, whichever is he sooner.

Appendix to the Notice of annual general meeting Summary of the principal terms of the proposed PayPoint plc Deferred Share Bonus Plan and the PayPoint plc Long-Term Incentive Plan

Introduction

The terms of the PayPoint plc Deferred Share Bonus Plan (DSB) and the PayPoint plc Long-Term Incentive Plan (LTIP) (together the Plans) are materially the same as those of the existing deferred share bonus plan and the long-term incentive plan, which will both expire on 13 September 2009.

The main terms of the Plans are summarised below in sections A and B respectively and the features common to both of the Plans are set out in section C below.

A PayPoint plc DSB

1. Key features

1.1 The DSB is designed to operate in conjunction with the annual bonus arrangements operated by the company.

1.2 The DSB comprises two main elements:

1.2.1 the voluntary deferral of a cash bonus; and
1.2.2. the grant of conditional matching share awards (Matching Awards) in respect of a voluntary bonus deferral which may vest in due course, subject to performance conditions.

2. Bonus deferral

2.1 As is the case under the current plan, in each financial year of the company, the board may invite an eligible employee to elect to defer up to 50% of the bonus (before tax) which he becomes eligible to receive pursuant to the company's annual bonus arrangements.

2.2 The amount of deferred bonus will be applied to acquire shares (Bonus Shares) which will be held on his behalf in the company's employee benefit trust during a required holding period of not less than three years.

3. Matching Awards

3.1 The Remuneration Committee shall determine the extent of a Matching Award granted in respect of a bonus deferral, provided that the aggregate market value of the shares subject to a Matching Award on the date of grant will not exceed the value of the participant's deferred bonus (before applicable taxes). This is the same matching limit applied under the current plan.

3.2 The existing deferred share bonus plan provides that the participant's cash bonus, the value of Bonus Shares and Matching Shares taken together shall not exceed 100% of his salary. Under the new plan, the Remuneration Committee intends (as a matter of policy) to retain this overall limit for participation in 2009 and subsequently to increase this overall limit to 150% of basic salary for participation from 2010 onwards. This will allow for potential increase in bonus opportunity although no such increase is currently proposed. Under the new plan, the Remuneration Committee will retain the discretion to operate the annual bonus and deferred plan by applying a greater or lower overall limit taking into account the appropriate level of total compensation for executives of the company.

3.3 All Matching Awards will be subject to a performance condition determined by the Remuneration Committee, having regard to market practice in the company's sector, the need to retain the best people and aligning executives' interests with those of shareholders.

3.4 In normal circumstances, a Matching Award will not be capable of vesting prior to the third anniversary of grant subject to the participants' continuing service. In certain good leaver circumstances, an award may vest early as set out in paragraph 5 of section C below.

3.5 A Matching Award will lapse to the extent that any associated Bonus Shares are sold or transferred prior to the end of the applicable holding period.

4. Performance condition for Matching Awards

4.1 For the Matching Awards granted following commencement of the Plan and during the first financial year, the Remuneration Committee has resolved to retain the existing earnings per share (EPS) condition applicable to matching awards granted under the company's existing deferred bonus plan. Matching Awards will vest in full if growth in EPS equals or exceeds growth in the Retail Prices Index (RPI) plus three per cent (3%) per annum over the three financial years beginning with the year of grant.

4.2 Additionally, the Remuneration Committee must satisfy itself that the EPS growth over the performance period is a genuine reflection of the underlying financial performance of the company before the vesting of any Matching Awards.

4.3 In order to avoid the plan acting as a disincentive from making capital investments in the business which would be in the long term interest of the company but which could have a material impact on a particular year's EPS figure, the Remuneration Committee reserves the right to adjust the EPS figure by reference to the business plan for a new capital investment, and its projected level of return, approved by the board. This is designed to focus management on the successful implementation of investment strategies.

Further general provisions applicable to both plans are set out in section C below.

B PayPoint plc LTIP

1. Key Features

1.1 The LTIP will be used to provide equity incentives over shares to selected employees (including executive directors).

1.2 The LTIP provides benefits in the form of free shares subject to challenging performance conditions. Awards under the LTIP may be structured as either conditional awards which are capable of vesting on a pre-determined date (Performance Share Awards) or options exercisable over a fixed period for a nominal exercise price (Nil-Cost Options) (together LTIP Awards).

1.3 Unless stated otherwise, the same terms apply to Nil-Cost Options and LTIP Awards.

1.4 As is the case with the current long-term incentive plan, the Remuneration Committee currently intends to structure award as Performance Share Awards.

2. Individual limit

LTIP Awards may not be granted over shares with an aggregate value (measured at the time of grant) of more than one hundred and fifty per cent. (150%) of the participant's basic salary. However, in exceptional circumstances, this limit may be exceeded but grant levels will be subject to acceptable market practice and remain below a maximum approved by the Remuneration Committee.

3. Exercise or vesting of options and Performance Share Awards

3.1 Nil-Cost Options may be exercised and Performance Share Awards shall vest subject to the following conditions:

(i) the award holder remaining in service with the group for such service period as the Remuneration Committee shall determine being not less than 3 years from the date of grant; and

(ii) satisfaction of appropriate and challenging performance conditions determined by the Remuneration Committee, having regard to market practice within the company's business sector and relating to the overall performance of the company.

3.2 Nil-Cost Options shall lapse on or prior to the tenth anniversary of grant to the extent unexercised.

4. Performance condition

4.1 The Remuneration Committee has determined that Performance Share Awards granted during the first financial year of commencement of the LTIP will vest subject to the achievement of a performance condition relating to growth in total shareholder return (TSR) over the three year period from the date of grant relative to the TSR growth over the same period of the companies included in the FTSE 250 Index on the date of grant (excluding investment trusts) (the Comparator Group).

4.2 TSR is calculated by taking growth in share price and assuming that net dividends declared during the performance period are reinvested.

4.3 The TSR condition provides for vesting as follows:

Company rank within the Comparator Group	Percentage of Shares vesting
within top quartile	100%
at median	30%
below median	0%

4.4 The number of shares which shall vest on performance by the company between the median and top quartiles shall be determined on a straight-line interpolation between the relevant percentages.

4.5 The Remuneration Committee may in its absolute discretion adopt such methodology for calculating the calibration of TSR as it determines to be appropriate.

4.6 Additionally, the Remuneration Committee will, in any event, satisfy itself that the recorded TSR is a genuine reflection of the underlying financial performance of the company before the vesting of any Performance Share Award. Further general provisions applicable to both plans are set out in section C below.

C Provisions applicable to the DSB and the LTIP

The following terms are applicable to DSB and Matching Awards under the DSB and the LTIP Awards (together the Awards).

1. Operation and administration

1.1 The Plans shall be administered and operated by the board provided that the terms of Awards granted to directors and the exercise of any discretion in relation to a directors Award must be determined and approved by the Remuneration Committee.

1.2 The Remuneration Committee will oversee the Plans and determine applicable performance conditions having regard to market practice within the company's business sector and the need to incentivise and retain the best people whilst aligning their interests with those of the company's shareholders.

2. Eligibility

Employees and executive directors of the group will be eligible but not entitled to participate in, and be granted Awards under, the Plans. Participation will be at the board's and, in the case of directors, the Remuneration Committee's discretion.

3. Grant

3.1 No payment is required for the grant of an Award.

3.2 Eligible employees may be granted Awards under the Plans:

(a) during the period of 42 days following an announcement by the company of its interim or final results for any period; or

(b) at any time that the board determines that exceptional circumstances have arisen (such as a high level recruitment),

provided that a grant shall not be made at a time when dealings are prohibited by the Model Code of the UK Listing Authority.

3.3 No Awards may be granted after the tenth anniversary of adoption of the Plans.

4. Plans' Limits

4.1 Bonus Shares and Awards may be satisfied by the allotment or transfer of existing shares or by the issue of treasury shares.

4.2 At any time, in the case of each Plan, the total number of shares which have been issued or remain issuable pursuant to the Plan and options and awards granted in the previous ten years under all employees' share schemes established by the company may not exceed ten per cent. (10%) of the shares in issue at that time.

4.3 At any time, in the case of each Plan, the number of shares which have been issued or remain issuable pursuant to the Plan and any options or awards granted in the previous ten years under any executive (discretionary) share scheme established by the company may not exceed five per cent. (5%) of the shares in issue at that time.

4.4 For the purposes of the above limits, treasury shares will be treated as issued and shares which are the subject of lapsed options or awards or long-term share awards granted prior to the admission of the company's shares to trading on the London Stock Exchange, shall be excluded.

5. Performance conditions

5.1 For future Awards, the committee will review whether the performance conditions remain appropriate and challenging taking into account for example the industry's outlook and shareholders' interests. The Remuneration Committee may adopt a revised condition, but one which will be no less demanding.

5.2 If an event occurs which causes the Remuneration Committee to consider that a performance condition applicable to a subsisting Award has become unfair or impractical, it may, in its discretion (provided that such discretion is exercised fairly and reasonably) amend the performance condition so that in the reasonable opinion of the committee it shall be no more or less difficult to abide by or satisfy as when it was originally imposed or last amended.

6. Cessation of employment

6.1 If the participant's employment ceases due to death, injury, disability, retirement, redundancy or on a sale of the participant's business or employing subsidiary out of the group or for any other reason specifically permitted by the board, shares subject to an Award shall vest in due course subject to the performance condition (to the extent applicable). However the number of shares capable of vesting shall be pro-rated down to reflect the reduced service period. The board may resolve to allow the Award to vest earlier based on the extent to which the performance condition (to the extent applicable) has been met up to the date of cessation or is deemed likely to be met over the full performance period.

6.2 If a participant's employment with the group ceases for any other reason, his Award shall immediately lapse in full on his cessation.

6.3 If a participant ceases to beneficially own his Bonus Shares prior to the end of the relevant holding period, any Matching Award granted in association with such Bonus Shares will lapse pro-rata to the number of Bonus Shares so alienated.

7. Takeover, change of control and winding-up

7.1 In the event of a takeover, change of control or winding up, options shall become exercisable and Awards shall vest, based on the extent to which the Remuneration Committee determines that any performance condition has been met or is likely to be met over the full performance period and the number shall be pro-rated down to reflect the reduced service period.

7.2 In the event of an internal reorganisation of the company, all Awards will be automatically exchanged for awards subject to the terms of the Plan over an appropriate number of new securities.

8. Dividends

The number of shares subject to an LTIP Award or a Matching Award may be increased to reflect any dividends declared by the company from the date of grant and until the shares are delivered. The number of additional shares will reflect the net dividends which would have been received by the participant if he had been the owner of the shares subject to the Award to the extent such shares vest and will be determined using the ex-dividend value of the shares.

9. Voting and other rights

9.1 Prior to the exercise or vesting of Awards (as appropriate), participants will have no voting rights in respect of the shares subject to the Award.

9.2 On the exercise or vesting of Awards (as appropriate), application will be made to the UK Listing Authority for all such shares to be listed.

9.3 All Awards are non-transferable and non-pensionable.

10. Variation of share capital and special dividends

In the event of any variation in the ordinary share capital of the company or any capitalisation of profits or reserves by way of any consolidation, sub-division or reduction of the share capital of the company and in respect of any discount element in any rights issue or any other variation in the share capital of the company or upon payment of a special dividend, the number of shares subject to an Award may be varied in such manner as the board considers appropriate.

11. Amendments

11.1 The Plans may be amended in any respect by the Remuneration Committee provided that the prior approval of the company in general meeting is required before amendments may be made to the material benefit of participants to any provisions relating to:

(a) the persons who may be invited to participate in or be granted Awards under the Plans;
(b) the overall and the individual limits on the number of shares in respect of which Awards may be granted;
(c) the basis for determining participants' entitlements to, and the material terms of, Awards to be provided under the Plans;
(d) the adjustment of Awards in the event of a variation of capital; and
(e) the rules relating to amendments to the Plans.

11.2 No amendment may be made to the rules of either of the Plans if it would adversely affect the rights of participants without the approval of participants holding Awards under the relevant Plan over the majority of shares.

11.3 However, minor amendments to the benefit of the administration of the Plans, to take account of changes in legislation, to obtain or maintain favourable tax, exchange control, or regulatory treatment or to take account of a corporate transaction, may be made without the need for either of the approvals set out above where such amendments do not alter the basic principles of the Plans.

12. International

When granting Awards, or issuing invitations to participate in the Plans, to employees resident outside the United Kingdom, the board may modify the terms of the Plans to take account of tax laws or other legal or regulatory requirements in the relevant country and, if considered necessary and expedient, adopt additional plans suitable for operation in the relevant country, provided that neither the terms of participation of, or grant of Awards to, such employees shall not be more favourable overall than the terms of participation of, or Awards granted to, employees resident in the United Kingdom and the Plans' limits are not exceeded.

FORM OF PROXY
PayPoint plc – annual general meeting

I/We,.. (NAME)

of.. (ADDRESS)

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

of.. (ADDRESS)

As my/our proxy to exercise all or any of my rights to attend, speak and vote in respect of my/our voting entitlement of ……………………………... shares on my/our behalf at the annual general meeting of the company to be held at 12pm on 8 July 2009 at the offices of JPMorgan Cazenove, 20 Moorgate, London EC2R 6DA and at any adjournment thereof.

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

RESOLUTION **ORDINARY BUSINESS**		FOR	AGAINST	WITHHELD
1	To receive the directors' report and the financial statements for the year ended 29 March 2009, together with the auditors' report.			
2	To approve the Remuneration Committee report for the year ended 29 March 2009.			
3	To declare a final dividend of 11.6p per ordinary share of the company.			
4	To re-elect Mr David Morrison as a director of the company.			
5	To re-elect Mr Tim Watkin-Rees as a director of the company.			
6	To re-appoint Mr Stephen Rowley as a director of the company.			
7	To re-appoint Mr Eric Anstee as a director of the company.			
8	To re-appoint Deloitte LLP as auditors of the company.			
9	To authorise the directors to determine the auditors' remuneration			
SPECIAL BUSINESS				
10	ORDINARY RESOLUTION: To adopt the DSB			
11	ORDINARY RESOLUTION: To adopt the LTIP			
12	ORDINARY RESOLUTION: To authorise the directors to allot shares pursuant to Section 80(1) of the Companies Act 1985.			
13	SPECIAL RESOLUTION: To disapply statutory pre-emption rights pursuant to Section 95 of the Companies Act 1985.			
14	SPECIAL RESOLUTION: To authorise the company to make market purchases of its ordinary shares up to 14.99% of the issued share capital.			

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

Signature **Date**

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

Explanatory Notes

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided (see below). If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name (see below) the number of shares in relation to which they are authorised to act as your proxy. If left blank, your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
2. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the company in accordance with section 146 of the Companies Act 2006 (nominated persons). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
4. The Vote Withheld option above is provided to enable you to abstain on any particular resolution. However, it should be noted that a Vote Withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes For and Against a resolution.
5. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6pm on the day which is two days before the day of the meeting or adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
6. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number RA10) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The completion and return of this form will not preclude a member from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
8. To be effective, all votes must be lodged not less than 48 hours before the time of the meeting at the office of the company's registrars at: Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
9. This form is issued only to the addressee(s) and is specific to the unique designated account printed hereon. This personalised form is not transferable between different (i) account holders; or (ii) uniquely designated accounts. The company and Capita Registrars accept no liability for any instruction that does not comply with these conditions.

3rd FOLD and TUCK IN

BUSINESS REPLY SERVICE
Licence No. MB 122

1

Capita Registrars
Proxies Department
PO Box 25
Beckenham
Kent
BR3 4BR

1st FOLD

2nd FOLD

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