PayPoint

Annual Report

For the year ended 27 March 2011



Contents

OUR BUSINESS

PayPoint is a leading international provider of convenient payments and value added services to major consumer service organisations in the utility, telecoms, media, financial services, transport, retail, gaming and public sectors.

We handle over £10 billion from 590 million transactions annually for more than 6,000 clients and merchants. We deliver payments and services through a uniquely strong combination of local shops, internet and mobile distribution channels.

Retail networks

PayPoint operates branded retail networks in the UK, Ireland and Romania. The network in the UK numbers 23,000 terminals in local shops (including Co-op, Spar, McColls, Costcutter, Sainsbury's Local, One Stop, Londis and thousands of independents) in all parts of the UK. Our terminals process energy meter prepayments, cash bill payments, mobile phone top-ups, transport tickets, BBC TV licences and a wide variety of other payment types for most leading utilities and many telecoms and consumer service companies.

In Romania, the branded retail network numbers 6,000 terminals located in local shops across the country and is expanding. Our terminals process cash bill payments for utilities and mobile phone top-ups. In the Republic of Ireland, we have over 500 terminals in shops and Credit Unions processing mobile top-ups and bill payments.

We also supply added value services to our retail agents to improve the yield from our network. In the UK, we have a consumer parcel drop off and collection service using PayPoint's retail network through Collect+, a joint venture with Yodel (formerly Home Delivery Network). This service is already available in 3,700 of our convenience retail agents. Clients include ASOS, Littlewoods, Woolworths, New Look, Very, Boden, Mobile Phone Xchange and Great Universal. In addition, in the UK, we have over 2,500 LINK branded ATMs, mainly in the same sites as our terminals.

Internet payments

PayPoint.net is an internet payment service provider, linking into all major UK acquiring banks to deliver secure online credit and debit card payments for over 5,500 web merchants, including Stan James, 32Red, Sportingbet, PKR, Betsson, Moonpig, Moneysupermarket.com, Severn Trent Water, Ann Summers, Links of London, Funky Pigeon, Mr & Mrs Smith and British Gas Home Vend. We offer a comprehensive set of products ranging from a transaction gateway through to a bureau service, in which we take the merchant credit risk and manage settlement for the merchants. We offer real-time reporting for merchant transactions and Fraudguard, an advanced service to mitigate the risk of fraud for card not present transactions.

Mobile payments

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

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

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

PayPoint

PayPoint.net ONLINE PAYMENTS

pay by phone

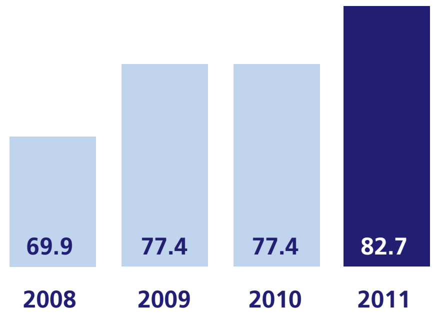
collect+

HIGHLIGHTS

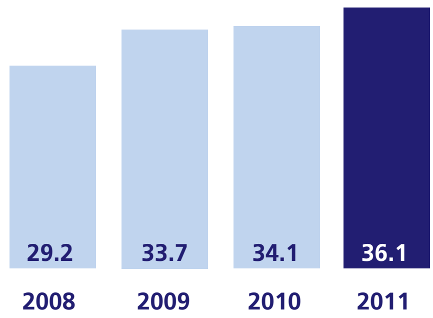
	Year ended 27 March 2011	Year ended 28 March 2010	Increase / (decrease) %
Revenue	**£193.2m**	£196.6m	(1.7)
Net revenue[1]	**£82.7m**	£77.4m	6.9
Gross margin	**36.6%**	32.3%	4.3ppts
Operating profit	**£36.1m**	£34.1m	5.8
Profit before tax	**£34.5m**	£32.6m	5.5
Diluted earnings per share	**35.1p**	32.7p	7.5
Dividend per share	**23.4p**	21.8p	7.3

- Record group transaction volume (590 million), with growth in all channels
- UK retail services continued strong growth, net revenue up 25%
- 12 million Romanian bill payment transactions, up 118%
- 59 million internet transactions processed, up 34%
- PayByPhone transaction volumes of 14 million
- Collect+ transaction volumes increased to over 1 million, up over 4 times on last year
- Developed new virtual terminal which is currently being rolled out to selected multiple retailers' till systems
- Debt repaid and year end net cash was £26.5 million

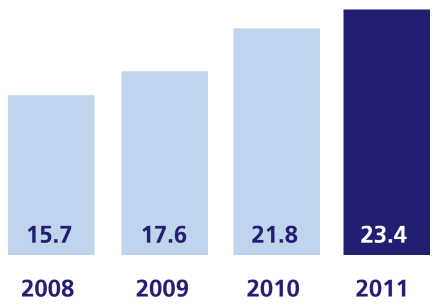
Net revenue[1]



Operating profit



Dividend per share



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

CHAIRMAN'S STATEMENT

Cash Out

PayPoint has introduced a number of schemes that involve paying cash to consumers. Benefits to the retailer include customers spending the cash in store, healthy commission on every transaction and reduced banking charges. Examples of these schemes include dual fuel rebates from British Gas for 600,000 customers and free electricity credits for customers of E.ON. Mobile Phone Xchange, a leading mobile phone recycling company, has offered its customers the option of collecting cash for their old phones at any PayPoint retailer.

"Our stores have experienced high volumes of 'cash out' transactions, which has been of real benefit to our business. We are earning extra commission for a very time efficient, simple transaction. This type of transaction is also having the added benefit of customers either spending their rebate in-store on bill payments or on other purchases. Win win for all concerned!"
Scott Partridge, News & Services Manager, Rippleglen Ltd.

Collect+

Collect+ brings a different type of customer to our agents' stores and pays generous commission to retailers. Increasingly being offered by mail order companies and online merchants as an option for both delivery and returning goods via a participating PayPoint retailer, Collect+ has been extended to enable consumers and small businesses to send parcels to each other at any address in the UK or to another PayPoint retailer nominated by the customer. Collect+ is a listed option on eBay.

"We have found Collect+ to be an excellent additional service to offer in store. Business is constant and brings new customers into the store from the local area and beyond."
Adrian Boyd, Mace, Belfast

I am pleased to report the return to growth in earnings as a result of good performance by our UK retail network, excellent internet payment growth and substantial progress in our Romanian network and Collect+. We have increased resources and improved infrastructure at PayByPhone. We have made strong progress in technology, completing the development and starting the roll out of our virtual terminal, developing a broadband communications solution for faster transactions and introduced new services for our terminal network, including cash out and money transfer.

In the UK retail network, retail services delivered healthy growth, although mobile top-ups continued to decline. I am particularly delighted with the recent announcement that we have won the tender to provide the retail network for the Department for Work and Pensions' replacement of giro cheques for benefit payments, the contract for which is under negotiation. Currently, over 20 million giro cheques are issued annually to pay benefits. We have already demonstrated that our retailers can make payments to consumers (in addition to our traditional strength in collecting money from them). This will substantially increase the flow of money out, reducing banking charges to retailers and delivering more commission and footfall to them.

Internet net revenues have increased 20% and the business had notable success in winning gaming merchants, including Stan James, 32Red and Sportingbet. We are continuing to win gaming business because of our robust and resilient platform, innovation, advanced fraud and risk management capabilities, and real-time enterprise level reporting.

We have continued to invest in our Romanian retail network by increasing our full service terminal estate by more than 1,100, whilst removing all the old mobile top-up only sites. We accept bill payment for 27 clients and transaction volumes have more than doubled to over 12.1 million transactions. Under a new contract with Western Union, we will roll out money transfer this year.

We have extended our parcels service through Collect+, our joint venture with Yodel, selectively across our UK retail network. Momentum is strong, with considerable interest among major internet retailers and internet marketplaces. We have over 3,700 sites handling Collect+ parcels and 30 home shopping retailers live, including some of the most respected customer service leaders, including ASOS, New Look, Boden and Very. During the year, we handled over 1 million parcels.

In PayByPhone, we have increased the resources in sales, marketing and delivery more than we planned. We have upgraded the infrastructure to provide disaster recovery and introduced a new consumer friendly mobile web parking registration and payment system for the UK and North America. We will continue to invest to stay at the leading edge of this fast moving market.

The combination of sound, profitable growth in both the UK retail network and our internet business, substantive progress towards profitability in our Romanian retail network, gathering momentum in Collect+ and proper resourcing of PayByPhone, mark an important year in re-establishing the group for substantial growth. We are proposing a final dividend of 15.6 pence per share, making a total for the year of 23.4 pence, an increase of 7.3%.

For the current financial year, trading is in line with the company's expectations. Our established business streams (UK and Irish retail networks and internet payments) are strong, with further opportunities to enhance retail yield through the introduction of new technology and services. In addition, improvements in our service offering to online merchants will provide opportunities for growth. We will benefit from rolling out services in our developing business streams (Collect+, PayByPhone and Romanian retail network), growing our market share and improving profitability. Together, our businesses provide a solid foundation to deliver value for our shareholders.

David Newlands
26 May 2011

CHIEF EXECUTIVE'S REVIEW

PayPoint has had another good year, in which we have delivered profits in line with market expectations and our strategic plans. Our UK retail network and internet payments have continued to be highly profitable and cash generative. Collect+, PayByPhone and our Romanian retail network, which are important to the creation of value, have all made good progress during the year.

Our strategy:
Since the flotation of the original UK retail network business in 2004, PayPoint has evolved into a specialist payments company. Our strategy has four key elements:

- **Breadth of payments capability**
  The acceptance of a broad range of payments (cash, cards, e-money, etc.) through multiple channels (retail, internet and mobile phone)
- **Strength in vertical markets**
  Targeting sectors with high volume, recurring consumer payments
- **Value added content / services**
  Providing additional content or services to the payment channels and chosen vertical markets to create differentiation
- **Geographic reach**
  Identifying regions with attractive payment dynamics to create value through exporting our know-how.

PayPoint has succeeded in delivering this broad payment hub capability to clients in a number of key vertical markets (energy/utilities, telecoms and media, financial, transport/parking, public sector/social housing, retail and gaming/leisure), with the ability to process payments across the consumer's choice of payment and channel. The delivery of payments from consumers to our clients encompasses transaction authorisation, processing, clearing and settlement and interfacing to banks, card schemes/networks and other financial intermediaries. PayPoint also provides value added content and services within each channel, to differentiate the PayPoint proposition from those of its competitors.

In our retail channels, differentiation is achieved through providing retailers with a broad range of retail services, including ATMs, parcels, SIM cards and international money transfer through Western Union®.

In the internet channel, differentiation to merchants is driven through a widening base of card scheme sponsors and payment types, together with the quality of our fraud screening and reporting.

Our mobile channel, delivered through PayByPhone, will similarly drive differentiation through its ability to leverage our cash retail payment capability and internet payment services, combined with improving the consumer experience with appropriate smart phone applications.

The extension of our geographic reach is progressing.

Internet payments

PayPoint.net's secure payment solutions are tailored to meet clients' business requirements by seamlessly integrating with their in-house systems. Clients are able to incorporate PayPoint.net's real-time reporting and reconciliation functionality into their existing technology, making their systems easier to manage while giving them a detailed view of their business performance. Fraudguard, our market leading e-commerce risk management platform, allows PayPoint.net's clients to take a risk based approach to fraud, protecting their revenues. PayPoint.net's extensive customer portfolio, which includes leading names such as StanJames.com, Sportingbet and 32Red, firmly positions it as a leading PSP in the gaming and retail sectors.

"Brand reputation is a key factor for WHSmith, which is why we need a reliable payment solution. Not only has PayPoint.net's payment platform delivered on its promise, we've been highly impressed with their dedicated support and ongoing consultation." Mark Stephenson, Operations Manager, WHSmith

Western Union

Offering the Western Union® Money Transfer℠ service through PayPoint gives retailers a unique advantage over other local stores by attracting more customers, generating additional footfall and increasing profits. By earning commission on both 'send' and 'receive' transactions, retailers are able to boost their earnings by up to £3,500 per annum. Since the year end, PayPoint has introduced Western Union transactions to the PayPoint terminal, making it the only money transfer supplier able to provide the Western Union service in the UK with no additional investment in equipment by the retailer.

"Since starting Western Union®, I've noticed new customers coming to my store every week. I am providing a very valuable service to the local community whilst boosting my monthly income." Mrs Tharmeshwaran, Proprietor, Shop & Saver, London

CHIEF EXECUTIVE'S REVIEW *continued*

Virtual terminal

Our new virtual terminal is the result of significant investment to integrate PayPoint's payment services into retailers' own EPoS systems. It enables customers to pay their bills at all tills in a store while they pay for their shopping, rather than having to visit a dedicated counter. Transactions are entered in the normal way and the details shown on the till's screen and the customer's receipt. This reduces costs for both the retailer and us, enabling us to recycle terminals to other retailers.

"Transaction times are much quicker with the new virtual terminal and our staff no longer need to spend time at the end of the day reconciling payments recorded and cash taken. This is a real service improvement."
Paul Taylor, General Manager – Marketing, Martin McColl

ATMs

PayPoint ATMs are 'self-fill', allowing retailers to fill the machines with cash taken at the PayPoint terminal, avoiding the need for a costly cash-in-transit operation. The retailer benefits as an in-store ATM attracts more customers, who, having withdrawn cash from the ATM, generally spend more in the store. The ATM also provides retailers with additional commission and saves them an average of £750 to £1,000 a year in bank charges, which they would otherwise have to pay to deposit cash into their bank. The PayPoint ATM estate grew from 2,367 to 2,538 during the year.

"I have definitely noticed that customers who get cash out spend more in my shop, which is great for my profits. I also earn valuable commission on the cash withdrawals and I saved over £1,000 in banking costs last year."
Mr J Arshad, independent retailer, Manchester

Growth and prospects:

Technology

We use technology to drive value through the introduction of new payment types and related services. These, in turn, add new revenue opportunities to our proven recurring payment methods.

In our UK retail network, we are rolling out a new virtual terminal to multiple retailers - a software variant of our terminal which is integrated into the retailers' till systems, in conjunction with a bespoke PayPoint plug-in reader to provide the full functionality of the physical terminal more efficiently and at lower cost. In store, this allows our service to be available at every check-out lane and eliminates the need for reconciliation with the main till system. As we free UK network terminals, we will deploy them in Romania.

An increasing number of our terminals are being connected through broadband connectivity rather than dial-up, dramatically improving the speed of online transactions.

In Romania and the UK, a development to enable money transfer on our terminal will eliminate the expense and complication of a separate personal computer, significantly reducing the entry cost for retailers and expanding the eligibility criteria for the service. Development work for cash out services will make our retailer settlement systems more streamlined and allow the cash balances we generate through bill payment to be recycled back to consumers, saving retailers bank charges and increasing in-store spend.

In the internet channel, we are developing substantial improvements to our services to online merchants. These include new transaction optimisation, an advanced management and reporting solution, a PCI compliance offering and additional payment methods, which should provide significant competitive advantage.

PayByPhone is introducing a new, consumer friendly mobile web parking registration and payment system and has utilised one of the group's data centres as a back-up for business continuity.

UK retail network

We are focussed on selling retail services to our retail networks. Net revenues from these services have increased 25% in the year. These services include parcels, ATMs, SIM cards, debit and credit card acceptance, receipt advertising and money transfer. Our retail network in the UK has provided energy clients with a service to rebate cash to consumers, which reverses the traditional flow of money in our retailers. We are currently negotiating the contract following our success in winning the DWP's tender for a service to replace giro cheque benefits which provides us with a scale opportunity to extend cash out.

Romanian retail network

Increasing bill payment volumes have continued to provide growth in Romania and we will launch money transfer services this year. In addition, we are adding new sites to cover more neighbourhoods and optimising existing sites to improve their profitability. This business should break even in the current year.

Internet

Alongside the introduction of new systems referred to above, we expect to sign up further new merchants and to benefit from the introduction of new card scheme sponsors, including HSBC International for 38 countries and BNP for France, driving growth in profits. These activities will increasingly position PayPoint.net as an international provider and will add profitable growth.

CHIEF EXECUTIVE'S REVIEW *continued*

PayByPhone

PayByPhone, one of the worldwide leaders in mobile phone parking, has the potential to replace traditional parking meters in many major cities around the world. We have added significant sales and development resources and we are currently tendering to several large parking authorities as well as a large number of smaller opportunities in the UK, France and North America. Sales lead times are extended in this market, but our momentum is encouraging. We have spent more heavily than anticipated and a further loss will result in the current year. We expect it to turn to profit in the year ending March 2013.

Collect+

Our parcels joint venture (50:50) with Yodel has progressed strongly, with substantial endorsement from the online retailing community and resulting growth in transaction volumes. We expect them to grow further this year as we sign more home shopping clients for returns and deliveries. A recently introduced consumer to consumer service is being extended to smaller packets and is expected to grow significantly this year, as we target online traders. This joint venture processes around two million transactions per annum (based on transaction volumes in March 2011) and is making good progress towards its breakeven volume of 6-8 million parcels, which we expect to reach in the year ending March 2013.

Our plans for the current year:

We will continue to make further progress in the four elements of our strategy to increase shareholder value: more payment/channel options, specialism in vertical markets, value added services and geographic reach. We plan to make good progress in both the established and developing business streams, notably through continuing growth in retail services and internet payments, by turning the Romanian retail network profitable through an increase in bill payment market share, and by adding new customers in Collect+ and PayByPhone.

We are increasingly benefiting from the synergy between our various business streams, with more clients taking multi-channel services. We aim to push this dynamic more strongly over time, as newer business areas bed in and system platforms can be developed across the group. We are strengthening the management in our UK retail network to ensure senior management attention is directed proportionately to the developing business streams.

PayPoint is one of the best placed companies to make further gains in the fast moving payment industry and has a market leading position in retail services, on which we intend to build.

Dominic Taylor
26 May 2011

PayByPhone and cash parking

Following the acquisition of PayByPhone in March 2010, we have integrated the mobile phone capability of PayByPhone with our UK retail network to enable parking clients to offer their consumers a cash payment option. This will enable local authorities to reduce or even dispense with pay and display machines, with many economic benefits, while continuing to ensure that motorists who don't pay by card have a convenient alternative.

"PayByPhone is a stress-free way to pay for parking - quick, secure and no more hunting for the right change."
Councillor Bassam Mahfouz, London Borough of Ealing

SIM cards

PayPoint has steamlined the traditional distribution of SIM cards to retailers by establishing direct relationships with all the major operators and MVNOs. PayPoint buys the SIM cards and agents order single and mixed value packs using their PayPoint terminal. Agents receive commission for sales and activations.

"PayPoint's SIM card commission rates are fantastic. Over the last 12 months, I've sold more than 3,600 SIM cards which have been activated and topped up, earning me thousands in commission."
Mohammed Jahangir, Mirpur Food Store, Birmingham

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 measures to monitor progress.

Measuring our performance

Strategic focus	KPI	Description	2011	2010
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 year.	**35.2p**	32.9p
	Dividends per share	The aggregate of the final dividend proposed and interim dividend paid divided by the number of fully paid shares at the end of the year.	**23.4p**	21.8p
	Economic profit	Operating profit after tax and a charge for capital employed based upon the group's cost of capital.	**£17.4 million**	£18.5 million
Growth	Retail networks transactions	Number of PayPoint transactions processed in the year on our terminals, ATMs and on our retailers' EPoS systems.	**517 million**	507 million
	Internet transactions	Number of transactions processed in the year by PayPoint.net.	**59 million**	44 million
	PayByPhone	Number of PayByPhone transactions processed in the year (2010: since acquisition).	**14 million**	1 million
	Transaction value	The value of transactions processed via our terminals, retailers' EPoS systems, internet merchants, ATMs, PayByPhone and the sales value of other retail services.	**£10.6 billion**	£9.7 billion
	Net revenue	Revenue less: commissions paid to retail agents; the cost of mobile top-ups and SIM cards where PayPoint is principal; card scheme sponsors' charges and call centre costs recharged to clients.	**£83 million**	£77 million
	Operating margin	Operating profit including our share of joint venture losses as a percentage of net revenue.	**42%**	42%
Asset optimisation	Return on capital employed	Total operating profit for the year divided by monthly average capital employed excluding cash.	**53%**	88%
People	Labour turnover	Number of permanent employees who left during the year divided by average total permanent employees.		
		UK and Ireland	**25%**	20%
		Rest of the world	**18%**	49%

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 6.

PayPoint is a payment service provider for consumer and business payment transactions and, as such, has only one operating segment. However, reflection on various facets helps explanation of the execution of our strategy in developing the group and, accordingly, in addition to the analysis of the number and value of transactions, revenue and net revenue, we have shown an analysis which separates our developing business streams (bill payment and top-ups in Romania, Collect+ and PayByPhone), from our established business streams (the UK and Irish retail networks and internet channel).

In addition, we have analysed our results by channel as follows:

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

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

PayByPhone (parking and bicycle rental transactions)

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

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

OPERATING REVIEW

Transactions have increased to 590 million (2010: 552 million), up 4% in the established business streams and 155% in the developing business streams.

Transaction value increased to £10.6 billion (2010: £9.7 billion), up 8% in the established business streams and up 123% in the developing business streams, including the impact of PayByPhone for a whole year and the reduction in mobile top-ups in Romania.

Revenue in developing business streams was up 7% as a result of a full year trading of PayByPhone, offset by a 19% decrease in mobile revenue in Romania. The established business streams' revenue was down 2% as a result of the reduction in mobile top-ups and the change of card scheme sponsor, where merchant service charges are no longer included in revenue (2010: £2.5 million), as they are now charged direct to merchants.

Net revenue in the developing business streams was up 119%, with strong growth in Romanian bill payment and Collect+ and as a consequence of the inclusion of PayByPhone. The established business streams' net revenue was up 3%, held back by the decline in mobile volumes.

Operating profit in the established business streams was £38.4 million (2010: £36.2 million) and the operating loss, including our share of Collect+, in the developing business streams was £3.9 million (2010: £3.8 million), an increase of £0.1 million. The small increase in the loss in developing businesses is as a result of a better performance in Romania offsetting the impact of the inclusion of the PayByPhone business, which was loss making in the year, as expected.

	Established business streams[1]	Developing business streams[2]	Total	Adjust Collect+[3]	As reported
Transactions million					
2011	**559**	**31**	**590**	**-**	**590**
2010	540	12	552	-	552
Transaction value £million					
2011	**10,316**	**285**	**10,601**	**-**	**10,601**
2010	9,560	128	9,688	-	9,688
Revenue £000					
2011	**167,700**	**26,535**	**194,235**	**(1,002)**	**193,233**
2010	171,933	24,875	**196,808**	(205)	**196,603**
Net revenue[4] £000					
2011	**76,811**	**6,539**	**83,350**	**(627)**	**82,723**
2010	74,589	2,981	77,570	(164)	77,406

1. Established business streams include the UK and Irish retail networks and the internet payment channel.
2. Developing business streams includes Romania, PayByPhone and for Collect+, revenue and net revenue only.
3. Collect+ revenue and net revenue is included in developing business stream's revenue and net revenue, but as Collect+ is reported in the Consolidated Income Statement on a profit before tax only basis, revenue and net revenue needs to be eliminated to reconcile to reported revenue and net revenue.
4. Net revenue is revenue less the cost of mobile top-ups and SIM cards where PayPoint is principal and costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, merchant service charges levied by card scheme sponsors and costs for the provision of call centres for PayByPhone clients.

OPERATING AND FINANCIAL REVIEW *continued*

Analysis of transactions

There has been growth in transaction volumes across most services, with the exception of mobile top-ups where, in all territories, there has been a decrease. Mobile operators are offering more value for the same or lower cost per top-up to consumers, resulting in fewer transactions and, in the UK in particular, mobile operators promote monthly contracts over prepay, thereby migrating prepaid consumers to contracts.

	Year ended 27 March 2011 million	Year ended 28 March 2010 million	Increase/ (decrease) %
Retail networks			
Bill and general	**350,970**	339,801	3.3
Top-ups	**117,670**	128,887	(8.7)
Retail services	**48,425**	38,901	24.5
Internet payments	**58,544**	43,536	34.5
PayByPhone	**14,059**	762	n/a
Total	**589,668**	551,887	6.8

Prepaid energy volumes (included in bill and general) in the UK have increased by 4% on last year. The cold weather before Christmas and increases in domestic energy tariffs have helped volumes in the second half of the year.

Bill payments in Romania have continued to grow as more terminal sites are rolled out and consumers become aware of the service. In the year, we have processed over 12 million bill payment transactions, an increase of 118% on the previous year and our run rate, based on transactions in March 2011, is 16 million transactions per annum.

Mobile top-ups in UK, Ireland and Romania were down 10% overall, against a 11% decline this time last year. E-money volumes, which are included in top-ups, were up 21% to 4 million.

Retail service transaction volumes have increased across all products, ATMs, debit/credit, parcels, money transfer and SIMs. Debit/credit card transactions were up more than 30% on last year. We have sold almost 700,000 SIMs in the year (2010: 300,000). Parcel volumes continue to grow and have increased over four times on last year to just over 1 million transactions.

Internet transactions of 59 million were up 34% on last year as we continued to add new merchants and existing merchants grew organically. New merchants in the last 12 months include Stan James, 32Red, Sportingbet, Funky Pigeon and Links of London.

PayByPhone transactions are for a full year compared to 19 days last year. Towards the end of the year, PayByPhone saw the number of tenders issued by councils and parking authorities increase as they looked for a more cost effective method for collecting parking charges.

During the year, we produced 70 million receipts (2010: 10 million) containing an advertising message. These are not counted as additional transactions.

Transaction value

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

	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000	Increase/ (decrease) %
Retail networks			
Bill and general	**6,198,171**	5,925,249	4.6
Top-ups	**1,114,809**	1,166,507	(4.4)
Retail services	**394,727**	377,271	4.6
Internet payments	**2,838,147**	2,216,319	28.1
PayByPhone	**55,020**	3,077	n/a
Total	**10,600,874**	9,688,423	9.4

Growth in bill and general transaction value reflected the increase in transactions and their average value. There continues to be strong growth in higher value transactions for local authority and housing authority payments and a small rise in the average value for energy prepayments.

The reduction in top-ups transaction value reflected the overall decline in the pre-pay mobile market. An increase in e-money transaction value off-set the overall reduction and average transaction values were up 5%.

Retail services transaction value is relatively small as SIM sales have low value and debit/credit transactions (where the card scheme sponsors settle direct with our retailer), parcel transactions and terminal advertising have no associated transaction value.

Internet transaction value has increased by 28% but transactions have a lower average value of £48.47 (2010: £50.91). Part of the decline in average value was due to over 1 million energy pre-payment gas and electricity transactions, where consumers topped-up via the internet at home, at lower values. The signing of three large gaming merchants during the year also reduced the average transaction value as gaming tends to be at lower transaction value than other sectors.

PayByPhone value reflects a full year of the value of consumers' parking transactions and bicycle rentals against a period of 19 days from the acquisition of the business in the prior period.

OPERATING AND FINANCIAL REVIEW *continued*

Revenue analysis

	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000	Increase/ (decrease) %
Retail networks			
Bill and general	**57,889**	58,564	(1.2)
Top-ups	**98,843**	108,508	(8.9)
Retail services	**19,602**	16,168	21.2
Internet payments	**8,939**	9,968	(10.3)
PayByPhone	**4,501**	283	n/a
Other	**3,459**	3,112	11.1
Total	**193,233**	196,603	(1.7)

Bill and general payments revenue was slightly lower than last year, as some clients elected to work on a more exclusive basis to secure lower commission rates for more volume.

In Romania and Ireland, PayPoint acts as principal for mobile phone top-ups and, as a result, the sales value of the top-up is recorded as revenue, with the purchase cost of the top-up recorded in cost of sales. In the UK, PayPoint acts as an agent and only the commission income is recorded as revenue. The decline in mobile volumes, therefore, affects revenue arising in Romania and Ireland more than in the UK.

Retail services revenue increased strongly as a result of growth in the number of sites processing credit and debit transactions to 5,948 at the year end (2010: 4,998); growth in revenues from parcels; a full year of SIM card sales; advertising on till receipts; and money transfer.

Retail services also include ATMs, where revenue is derived from cash withdrawals, balance enquiries and rental income. Whilst ATM revenue has grown, the average revenue per ATM decreased as a consequence of lower cash withdrawal revenues on more recently installed ATMs and lower rental income, as five year term rental agreements expire and fully depreciated machines are rolled over on lower rentals.

Internet payment revenues were lower because merchant service charges, which were formerly included in revenue and cost of sales, were £nil in this channel this period (2010: £2.5 million), as a consequence of a change in card scheme sponsor.

PayByPhone revenues of £4.5 million were for the full year compared to only 19 days last year and included costs that are recharged to clients for the provision of call centres and merchant service charges from card scheme sponsors.

Other revenue includes rechargeable software development work, configuration and customisation, early settlement and claims.

Net revenue analysis

Net revenue is revenue less retail agent commission, merchant service charges levied by card scheme sponsors, costs of SIM card stock, recharges for the provision of call centres for PayByPhone clients and the purchase value of Romanian and Irish mobile top-ups for which we act as principal.

Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group and is shown in the table below.

	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000	Increase/ (decrease) %
Retail networks			
Bill and general	**33,806**	33,586	0.6
Top-ups	**22,683**	24,272	(6.5)
Retail services	**10,827**	8,684	24.7
Internet payments	**8,939**	7,469	19.7
PayByPhone	**3,009**	283	n/a
Other	**3,459**	3,112	11.1
Total	**82,723**	77,406	6.9

Bill and general net revenue increased mainly as a result of the growth in Romanian bill payment net revenue, which was up 94% on last year.

The decrease in top-ups net revenue was lower than the decrease in revenue as a result of the growth in e-money transactions, which have higher than average net revenue.

Retail services net revenue has a greater percentage increase than revenue as there is no commission payable on some services, including debit and credit card transactions.

Internet net revenue was up 20%, primarily as a result of the increase in transaction volumes and value and the better margins from our new card scheme sponsor. Net revenue is the same as revenue as a result of merchant service charges now being charged directly to our bureau merchants by the card scheme sponsor.

Collect+

During the year, we processed over 1 million transactions for 30 clients (2010: 0.2 million transactions for 13 clients). Transaction volumes continue to grow and our annual run rate, based on March 2011, is now over 2 million transactions. In the year, we added a store to home delivery service, where customers can take a parcel to a Collect+ store and have it delivered to the recipient's home address. More recently, we launched a packet delivery service for parcels less than 2kg in weight.

OPERATING AND FINANCIAL REVIEW *continued*

Network growth

Terminal sites overall have increased by 7% to 29,508.

In the UK and Ireland, sites have increased by 870, an increase of 4%. During the second half of the year, we introduced our new EPoS integrated solution to multiple retailers, which combines a virtual terminal through software in the retailer's till system with plug in reader to provide full functionality at lower costs. As well as enhancing our service to multiple retailers, this frees terminals for use in Romania. We expect to roll this out further.

In Romania, we installed over 1,100 net new full service terminals in the year and have removed all the remaining old mobile top-up only terminals.

In our internet channel, we added over 1,400 new merchants during the year but churn of low value merchants, in particular from the change of credit card scheme sponsor at the start of the year, led to a net reduction of 405 merchants. Since the half year, the merchant estate has grown by a net 201 merchants. Despite the decrease in merchant numbers, transaction volume, value and net revenue all increased.

We continued to add more Collect+ sites as transaction volumes increased and as retailers recognised the benefits of offering this service.

Analysis of sites	27 March 2011	28 March 2010	Increase/ (decrease) %
UK & Ireland terminal sites	**23,513**	22,643	3.8
Romania terminal sites	**5,995**	4,816	24.5
Total terminal sites	**29,508**	27,459	7.5
Internet merchants	**5,213**	5,618	(7.2)
Collect+ sites	**3,668**	3,418	7.3

FINANCIAL REVIEW

Income statement

Revenue for the year was 1.7% lower at £193 million (2010: £197 million). The reduction results largely from a decrease in mobile top-ups and from the impact of merchant service charges on card transactions being charged direct to merchants rather than through PayPoint.net. This revenue reduction is also reflected in cost of sales which, at £122 million (2010: £133 million), was down 8.2%. Agents' commission decreased to £71 million (2010: £73 million) due to fewer mobile top-up transactions, which pay a higher than average commission, and reductions in the amount paid for commission by the mobile operators. The cost of mobile top-ups in Ireland and Romania[1] has fallen to £39 million (2010: £44 million).

Net revenue[2] of £83 million (2010: £77 million) was up 6.9%.

Operating costs (administrative expenses) were 17.7% higher at £35 million (2010: £29 million) as a result of the inclusion of a whole year's worth of trading of PayByPhone. Excluding PayByPhone, operating costs were up 5.4%.

The increase in operating costs resulted in part from the one-off costs, including the legal costs, of successfully defending against Camelot's bid to provide services in bill and general payments, mobile top-ups and debit/credit processing.

Operating margin[3] was flat at 42% as a consequence of the increase in operating costs.

Our share of the loss in developing Collect+ was £1.5 million as expected (2010: loss of £1.6 million).

Profit before tax was £34.5 million (2010: £32.6 million) an increase of 5.5%. The tax charge of £10.6 million (2010: £10.5 million) represents an effective rate of 30.8% (2010: 32.2%). The tax charge was higher than the UK nominal rate of 28% because of unrelieved losses in Romania and Canada and the write off of the deferred tax asset relating to tax relief for share based payments.

Balance sheet

The short-term borrowing of £6 million was repaid in full in March.

Cash flow

Cash generated by operations was £42.2 million (2010: £38.7 million), reflecting strong conversion of profit to cash. Corporation tax of £11.0 million (2010: £13.7 million) was paid. Capital expenditure of £3.2 million (2010: £2.7 million) reflected spend on new terminals, ATMs and IT equipment. Net interest paid was £0.1 million (2010: £0.2 million receipt) as a result of the loan that was drawn down at the end of last year. Equity dividends paid were £15.0 million (2010: £12.9 million). During the year the company repaid the £6 million loan. Cash and cash equivalents were £26.5 million (including client cash of £6.1 million), up from £20.8 million (including client cash of £6.8 million but excluding the bank loan of £6 million).

Economic profit

PayPoint's economic profit (operating profit less tax and capital charge) was £17.4 million (2010: £18.5 million), lower than last year because of the acquisition of PayByPhone, which is loss making as expected.

Dividend

We propose to pay a final dividend of 15.6p per share (2010: 14.4p) on 22 July 2011 to shareholders on the register on 24 June 2011, subject to the approval of the shareholders at the annual general meeting. An interim dividend of 7.8p (2010: 7.4p) per share was paid on 21 December 2010, making a total dividend for the year of 23.4p (2010: 21.8p), up 7.3%, broadly in line with earnings.

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

OPERATING AND FINANCIAL REVIEW *continued*

Liquidity and going concern
The group has cash of £26.5 million (including client cash of £6.1 million) and had, at the year end, an unsecured loan facility of £35 million, which was due to expire in August 2011. A new replacement £35 million, five year facility has been agreed with our bankers since the year end. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group, taking account of any risks (page 12). 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.

Charitable donations
During the year, the group made charitable donations of £19,400 (2010: £15,000) 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.

During the year, we collected money for the Disasters Emergency Committee (DEC) for the Pakistan flood appeal and for the BBC's Children in Need telethon.

Employees
Our success depends upon the continuing support and commitment of all our staff. We would like to take this opportunity to thank PayPoint's employees for their commitment, energy and enthusiasm in the delivery of these results.

Strategy, risks and corporate social responsibility
Details of the company's strategy are included in the Chief Executive's review on page 3. The company's approach to corporate social responsibility and an analysis of risks facing the company is set out in separate statements on pages 12 and 15 respectively.

Economic climate
The company's bill and general payments sector, which accounts for 41% (2010: 43%) of our net revenue, has continued to be resilient, as consumers' discretion in expenditure is limited for essential services and our service continues to be popular. Utility providers in the UK continue to install new prepay gas and electricity meters, which will have a beneficial impact on our transaction volumes. The internet payment market continues to grow substantially. There has been an adverse impact on our mobile top-ups as mobile operators continue to offer more airtime at lower cost in the UK and to promote prepay less than contract. PayByPhone is able to offer parking authorities a more cost effective collection system for parking compared to pay and display machines. This has led to an increase in the number of tenders being issued as parking authorities try to reduce their costs.

PayPoint's exposure to retail agent debt is limited as credit granted to retail agents is restricted by daily direct debiting for all UK and Irish transactions, other than EPoS mobile top-ups (which are collected weekly). There is some concentration of risk in multiple retail agents. Most of PayPoint's clients in the UK, other than mobile operators, bear the cost of retail agent bad debt. In PayPoint Romania, the risk of bad debt lies with the company. 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 credit card charge backs, mitigated by cash retention. In PayByPhone, exposure is limited to receivables from parking authorities.

National Lottery Commission
On 2 March 2011, following a lengthy process, the National Lottery Commission refused consent for Camelot's application to provide ancillary services, including bill payment and mobile top-ups, on competition law grounds.

Outlook
For the current financial year, trading is in line with the company's expectations. Our established business streams (UK and Irish retail network and internet payments) are strong, with further opportunities to enhance retail yield, through the introduction of new technology and services. In addition, improvements in our service offering to online merchants will provide opportunities for growth. We will benefit from rolling out services in our developing business streams (Collect+, PayByPhone and Romanian retail network), growing our market share and improving profitability. Together, our businesses provide a solid foundation to deliver value for our shareholders.

26 May 2011

RISKS

PayPoint's business, financial condition or operations could be materially and adversely affected by the risks summarised below. Although management takes steps to mitigate risks where possible or where the cost of doing so is reasonable in relation to the probability and seriousness of the risk, it may not be possible to avoid the crystallisation of some or all of such risks. The group's risk management policies and procedures are also discussed in the governance statement on page 18.

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

RISKS *continued*

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

CORPORATE SOCIAL RESPONSIBILITY

PayPoint is committed to dealing fairly and with a high level of integrity with all its stakeholders, including clients, retailers, merchants, consumers, local communities and shareholders. 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 and merchants	Retailers and consumers	Local communities	Shareholders
Information on stakeholders	Over 6,000 clients and merchants in six countries.	Almost 35,000 retailers in three countries and provide a service to millions of consumers.	Where our employees live and work.	584 shareholders at 27 March 2011.
Impact	Provision of convenient services for consumer payments.	To provide a stable and reliable service and generate consumer footfall for retailers.	Financial support to local charities.	Maximise shareholder return.
Engagement	Provision of a high standard of service to our clients and open communication. 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.	We seek to provide an unparalleled service to our retailers and consumers.	Staff are encouraged to nominate local charities and fund raising events. PayPoint has adopted a charitable giving policy which supports the local communities in which its employees live and work by matching funds raised by employees, subject to certain limits.	PayPoint focuses on maximising economic value.
How we interact and support the stakeholders	Communication - major clients have regular review meetings with dedicated sector managers.	In the UK, terminal availability is over 99% and when a terminal needs to be replaced, it is achieved within four hours across the UK in 97% of cases. The breadth of products offered by PayPoint is greater than any other network. An annual retailer survey is carried out to understand how we can improve our service. We also invite retailers to attend an annual forum to discuss new products and obtain retailer feedback. Major multiple retailers have regular review meetings with dedicated account managers.	During the year, PayPoint donated £19,400 to local and national charities, which was supplemented by employees who also donate to some of these charities through various schemes. We offer our network to collect for certain charities free of charge, including BBC Children in Need and the Disasters Emergency Committee (DEC).	Shareholders are invited to attend the annual general meeting and major shareholders are visited twice a year to discuss the group's results.

CORPORATE SOCIAL RESPONSIBILITY *continued*

Environment

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

We measure our carbon footprint in accordance with Green House Gas (GHG) protocol. This allows us to monitor, by region, our carbon footprint and implement, where practical, targets to reduce our carbon footprint.

The two primary sources of PayPoint's carbon emissions are business travel and energy consumption. We visit existing and prospective retailers in the UK, Ireland and Romania and we aim to reduce unnecessary travel. Routes are pre-planned to ensure efficiency where possible. Energy consumption arises from our offices in the UK, Romania and Canada. Last year, we installed additional energy efficient air conditioning units for our data centre in Welwyn, which is also our largest operations base and houses over 80% of our UK staff.

We recycle wherever possible, including paper, cans, plastic cups, cardboard, toners and print cartridges. We also recycle computer equipment. This has resulted in an increase of recycled waste to 45% of all waste generated (2010: 42%).

	CO_2 Tonnes		**Consumption measure per employee**	
	Year ended 27 March 2011	Year ended 28 March 2010[1]	**Year ended 27 March 2011**	Year ended 28 March 2010[1]
Business travel	**965**	1,432	**6,097km**	10,882km
Energy purchased	**1,256**	1,089	**4,756kwh**	5,490kwh
Water consumed	**1**	1	**8.84m^3**	8.92m^3
Waste	**7**	6		
Total	**2,229**	2,528		

	Year ended 27 March 2011 Tonnes	Year ended 28 March 2010[1] Tonnes	Change %
Waste			
Landfill	**15.4**	13.0	18.5
Recycled	**12.5**	9.3	34.4
Total	**27.9**	22.3	25.1
% recycled	**44.8%**	41.7%	3.1 ppts

1. For the year ended 28 March 2010, the numbers exclude PayByPhone as it was only acquired 19 days before the end of the year.

Employees

PayPoint employed, on average, 549 members of staff during the year. We operate an equal opportunities policy. PayPoint's culture is one of openness, honesty and accountability and we recognise that all employees play a part in delivering the group's performance.

PayPoint seeks to improve its employees' working environment. Employees are invited to participate in two staff meetings a year where the directors present the performance of the group. At our head office, management presents twice a year on key points of topical interest and functional meetings take place throughout the year at our various offices. In the UK, the Chief Executive invites staff twice a year to an informal forum where they are able to discuss topics of their choice. 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 its goals and objectives.

PayPoint's employment policies are designed to attract, retain and motivate the best people. All staff are given two appraisals per annum, which cover performance management, employee development, training and succession planning where applicable. Training is undertaken locally and all employees are given equal opportunities to develop their experience and their careers.

Employees in the UK, Ireland and Romania are asked annually to complete an anonymous employee engagement survey which covers a wide range of subjects, including health and safety, work environment, training, reward and recognition and staff behaviour. 82% of employees completed the survey in the last year. This survey is used to agree with employees the actions necessary for improvement.

PayPoint has the following policies in place:

equal opportunities - we treat job applicants, employees and temporary staff equally, 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 as necessary;

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;

CORPORATE SOCIAL RESPONSIBILITY *continued*

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;

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; and

training and development - all employees meet twice a year with their line manager to discuss performance and any development needs. Training is provided either in-house or externally. We also sponsor employees through further professional and technical qualifications. We promote internally, where appropriate.

PayPoint's employees

	UK		Rest of the World[2]	
	Year ended 27 March 2011	Year ended 28 March 2010	**Year ended 27 March 2011**	Year ended 28 March 2010
General				
Average number of staff employed during the year	**390**	326	**159**	167
Average length of service	**4 years**	4 years	**3 years**	1 year
Average staff turnover during year	**25%**	20%	**35%**	49%
Sickness absence rate	**1.6%**	2.4%	**1.0%**	1.4%
% working part-time	**20%**	15%	**2%**	2%
Women[1]				
Number of women employed	**185**	170	**50**	55
% of women employed	**47%**	44%	**30%**	33%
% of management grades	**14%**	8%	**12%**	5%
Ethnic minorities[1]				
% of all employees	**18%**	11%	**9%**	7%
% of management grades	**3%**	1%	**2%**	1%
Disabled employees[1]				
% of all employees	**1%**	2%	**1%**	0%
Age profile[1]				
employees under 25	**36**	52	**20**	18
employees 25 to 29	**81**	68	**35**	47
employees 30 to 49	**209**	206	**96**	87
employees 50 and over	**64**	61	**8**	3

1. Numbers based on employees employed at the end of the relevant year.
2. Rest of the world includes Ireland, Romania, Canada and France.

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 Financial Reporting Council's Combined Code on Corporate Governance (the Combined Code) for the year ended 27 March 2011, a copy of which can be found at www.frc.org.uk/corporate/combinedcode.cfm.

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 Nick Wiles. Roger Wood retired as a non-executive director of the company on 7 July 2010.

The board considers that David Newlands, Eric Anstee, Andrew Robb, Stephen Rowley and Nick Wiles 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 current serving directors are set out on page 19 and include details of the Chairman's other significant commitments. 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.

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 19. 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 financial statements;
- interim management statements; and
- acquisitions and disposals.

The board met eight times during the year and all members were in attendance. 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 performance of individual executive directors is appraised annually by the Chief Executive, to whom they report. The performance of the Chairman is reviewed by the non-executive directors, led by Andrew Robb, Senior Independent Director, taking into account the views of the executive directors. The performance review of the Chief Executive is conducted by the non-executive Chairman, taking into account the views of other directors. Non-executive directors' performance is reviewed by the non-executive Chairman, taking into account the views of other directors.

The performance evaluation confirmed that the members of the board were satisfied with the board's overall performance and there were no material changes recommended. In addition to the evaluation of board members, 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.

In light of recent changes in the corporate governance landscape and, in particular, the publication by the FRC of the UK Corporate Governance Code 2010, the board has taken the view that all directors should be subject to annual re-election by shareholders. Every member of the board will therefore offer himself for re-election at the 2011 AGM. The board's recommendations in respect of the re-election of each director can be found in the notice of meeting on pages 49 to 53.

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 Nick Wiles. The board considers Eric Anstee, who is Chairman of the audit committee, to have recent and relevant financial experience in accordance with the Combined Code. It met five times during the year. All members were in attendance with the exception of Eric Anstee, who was unable to attend one of the meetings. On that occasion, it was chaired by Andrew Robb.

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, the committee: reviewed reports from the auditor relating to the group's accounting and internal controls; advised the board on the appointment, performance, independence and objectivity of the auditor 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.

GOVERNANCE *continued*

The committee considered the level of non-audit fees for services provided by the auditor in order to satisfy itself that the auditor's independence is safeguarded. The group has a policy which prohibits the auditor providing certain services which might impair its independence. The policy also prescribes that any non-audit services to be performed by the auditor in any one year (excluding tax) are to be provisionally capped at an aggregate total equivalent to the level of the annual audit fee. Any proposal to use the auditor for non-audit services exceeding this will be subject to the prior approval of the audit committee. Details of the remuneration paid to the auditor for the statutory audit and non-audit services are set out in note 5.

The audit committee regularly meets the external auditor without the executive directors being present and procedures are in place which allows access at any time of both external and internal auditor 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 22 to 27.

Nomination committee

The nomination committee comprises Eric Anstee, Andrew Robb, Stephen Rowley, David Morrison, Nick Wiles 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.

Conflicts of interest

A register of conflicts is maintained and is reviewed at least annually to ensure all details are kept up to date. Authorisation is 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 financial statements. 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 covering all parts of the group's business activities including financial risks. The 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 audits are conducted for assessment: of compliance with ISO/IEC 27001:2005 (information security management), which takes place twice annually; 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 any 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. Meetings have been held at other times during the year when appropriate.

BOARD OF DIRECTORS

David Newlands, non-executive Chairman (aged 64), appointed 4 August 1998
David has been Chairman of PayPoint since 1998. He was previously Finance Director of The General Electric Company, plc (GEC), non-executive Chairman of Britax International plc, deputy Chairman of The Standard Life Assurance Company plc, non-executive Chairman of Tomkins plc and is currently Chairman of Kesa Electricals plc, and a non-executive director of a number of other companies.

Dominic Taylor, Chief Executive (aged 52), 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 57), 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 48), 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 1988 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 52), 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 non-executive director of Record plc and several private companies.

Andrew Robb, non-executive director (aged 68), 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 and remained an Executive Director until 2003. 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 Laird plc. He is also a non-executive director of Tata Steel Limited, a company quoted in India.

Eric Anstee, non-executive director (aged 60), appointed 16 September 2008
Eric Anstee is currently Chief Executive of City of London Group plc, a non-executive director of The Financial Reporting Council and Insight Asset Management. He is also 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 52), appointed 16 September 2008
Stephen 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.

Nick Wiles, non-executive director (aged 49), appointed 22 October 2009
Nick Wiles is currently Chairman of UK investment banking at Nomura. He has worked in banking for more than 20 years, with the majority of this time at Cazenove & Co, where he was a partner prior to incorporation. He is a non-executive director of Strutt & Parker.

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 auditor's report, for the year ended 27 March 2011.

The Chairman's statement, Chief Executive's review, operating and financial review and corporate governance statement form part of this directors' report.

Principal activity

The company is a holding company and its subsidiaries are engaged in providing clients with specialist consumer payment transaction processing and settlement.

PayPoint processes transactions and collects payments on behalf of the UK and Ireland's leading utility and customer service organisations, and there are 23,500 convenience retail outlets using PayPoint's terminals. On average, 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 other services to retail outlets.

PayPoint.net provides secure credit and debit card payments services for web merchants.

PayPoint Romania provides electronic mobile top-ups and scratch cards and a bill payment service to consumers.

PayByPhone allows consumers to pay for their car parking by credit or debit card from their mobile phones.

Substantial shareholdings

On 26 May 2011, 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	19,787,305	29.20%
Troy Asset Management (UK)	8,109,008	11.97%
Lansdowne Partners Limited (UK)	6,244,603	9.22%
RIT Capital Partners plc	6,121,057	9.03%
Legal & General Investment Management Limited (UK)	4,156,653	6.13%
T. Rowe Price Associates Inc. (US)	2,500,000	3.69%

As at the date of this report, 67,799,752 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 27 March 2011, 41,500 ordinary shares were issued under 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 7 July 2010, the directors were given authority to purchase 14.99% of its issued share capital, allot relevant securities up to an aggregate nominal amount of £75,287 and to disapply pre-emption rights in respect of allotments of relevant securities up to an aggregate nominal amount of £11,293. Resolutions to renew these authorities will be proposed at the 2011 annual general meeting, details of which are set out in the notice of meeting on pages 49 to 53.

The company's authorised and issued share capital as at 27 March 2011, together with details of purchases of own shares during the year, are set out in note 25.

Directors

The names of the directors at the date of this report and their biographical details are given on page 19 and their interests in the ordinary shares of the company are given on page 27.

Results for the year

The consolidated income statement, balance sheet and cash flow statement for the year ended 27 March 2011 are set out on pages 30 to 32. The business review of the group for the year ended 27 March 2011, 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 7 to 11 and forms part of the directors' report. An analysis of risk is set out on pages 12 to 13 and of risk management on page 18. The balance sheet and cash flow statement of the holding company for the year ended 27 March 2011 are set out on pages 33 and 34. Since the year ended 27 March 2011, there have been no material events likely to impact the future development of the company.

Qualifying third party indemnity provisions for the benefits of directors

Under sections 236 (1) (a) and (b) of the Companies Act 2006, companies are obliged 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 and will be available at the venue of the annual general meeting from 15 minutes before the meeting until it ends.

DIRECTORS' REPORT *continued*

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.

At the year end, the company had a revolving term credit facility for £35 million with a remaining term of less than one year. The terms of the facility allowed for termination on a change of control, subject to certain conditions. A new facility for £35 million with a term of five years has a similar provision for termination on change of control. There are no other significant contracts in place that would take effect, alter or terminate on the change of control of the company, including compensation for loss of office as a result of a takeover bid.

Suppliers' payment policy
Terms of payment are agreed with individual suppliers prior to supply. The group aims to pay its creditors promptly, in accordance with terms agreed for payment, provided the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group had 28 days' purchases outstanding at 27 March 2011 (2010: 24 days), based on the average daily amount invoiced by suppliers during the year.

Charitable and political donations
The group made no political donations during the year (2010: £nil). Details of the charitable donations policy can be found within the operating and financial review on page 11.

Employee matters and environmental issues
Employee matters and environmental issues are discussed in the corporate social responsibility report on pages 14 to 16.

Future developments
Future developments are discussed in the operating and financial review on pages 7 to 11.

Dividends
The directors recommend the payment of a final dividend of 15.6p (2010: 14.4p) per ordinary share amounting to £10,576,000 (2010: £9,756,000) to be paid on 22 July 2011 to members on the register on 24 June 2011. An interim dividend was declared and paid during the year of 7.8p per share (2010: 7.4p per share) amounting to £5,276,000 (2010: £5,008,000).

Related party transactions
Related party transactions that took place during the year can be found in note 29.

Going concern
At the end of the year, the group had cash of £26 million and had an unsecured loan facility of £35 million, expiring in August 2011. A new replacement £35 million, five year facility has been agreed with our bankers since the year end. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group, taking into account any risks (see pages 12 to 13). 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 and the current economic climate are reviewed on page 11 of the operating and financial review and details of derivatives and other financial instruments are shown in note 28.

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

Directors' report
Pages 2 to 21, 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 auditor
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 auditor is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S.418 of the Companies Act 2006.

Annual general meeting
The annual general meeting will be held at the offices of J.P. Morgan Cazenove, 20 Moorgate, London, EC2R 6DA, on 15 July 2011. The notice of meeting and explanatory information on the resolutions to be passed at the annual general meeting can be found on pages 49 to 53 of the annual report.

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

Susan Court
Company Secretary
26 May 2011

REMUNERATION COMMITTEE REPORT

Introduction

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the board has applied the principles relating to directors' remuneration in the Combined Code. As required by the Act, a resolution to approve the report will be proposed at the annual general meeting of the company at which the financial statements will be proposed for approval.

The Act requires the auditor to report to the company's members on certain parts of the directors' remuneration report and to state, whether in their opinion, those parts of the report have been properly prepared in accordance with the Accounting Regulations. The report has, therefore, been 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. The committee members are all independent directors. Andrew Robb is Chairman of the committee, with Eric Anstee, Stephen Rowley and Nick Wiles acting as committee members.

The remuneration committee received wholly independent advice on executive compensation and incentives from Kepler Associates during the year. No other services were provided to the company by Kepler Associates 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 the inside back cover. The terms of reference are also available on the company's website at www.paypoint.com. The remuneration committee met twice during the year and all members were in attendance except Eric Anstee who was absent from 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 potential 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 was based on the FTSE 250 constituents (excluding investment trusts) at the date of the awards.

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.

Annual performance-related bonus

The annual bonus plan for the year ended 27 March 2011 provided for a maximum cash bonus of 75% of salary. Executive directors were also eligible to participate in the PayPoint plc Deferred Share Bonus Plan (DSB). Under the DSB, bonus recipients are subject to a 25% compulsory and maximum further 25% voluntary deferral rather than the previous 50% voluntary deferral limit. The deferred bonus will be utilised 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 37.5% of salary), which equates to a maximum bonus potential of 112.5% of salary.

The company's bonus plan for the year ended 27 March 2011 was based on the achievement of an economic profit (operating profit after tax and a charge for capital employed based on the company's cost of capital) target. Based upon the actual results for the year, 80.9% 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:

	70% payment threshold for 95% of plan delivery £000	80% payment threshold for plan delivery £000	100% payment threshold for 110% of plan delivery £000	**Actual results £000**
Economic profit	16,468	17,335	19,069	**17,413**

The review conducted during the year showed that the executive directors' bonus opportunity was below the company's stated median policy. Accordingly, the remuneration committee decided to increase the maximum cash bonus opportunity from 75% to 100% of salary for the current financial year.

Deferred Share Bonus Plan (DSB)

The current DSB plan was adopted at the 2009 annual general meeting to replace the previous plan that expired in September 2009. Under the plan, the committee has 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 of executives of the company.

Executive directors and senior managers of the company are able to participate in the DSB. As planned and reported last year, the maximum individual limit under the DSB has been increased for the next financial year such that the maximum value of cash bonus, Bonus Shares and Matching Shares in any bonus year may now exceed 100% of a participant's salary but remains within the remuneration committee's 150% overall limit for participation from 2011 onwards.

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.

In addition to the 25% mandatory deferral, the executive directors may elect to defer up to a further 25% of their cash bonus received in respect of the year ending 27 March 2011. 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 26.

Long Term Incentive Plan (LTIP)

The current LTIP plan was adopted at the 2009 annual general meeting to replace the previous plan that expired in September 2009.

Executive directors and senior executives are eligible to participate in the LTIP. Under the new rules, the maximum annual award that can be made to an individual is 150% of salary. 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. There is no present intention to exceed the stated maximum of 150% of salary.

Eligible executives are awarded rights to 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 year, 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. During the year, the fourth tranche of the LTIP awards failed to meet the performance conditions resulting in a nil vesting. Details of the LTIP awards made to the executive directors during the year are set out on page 25.

The performance conditions for the awards made during the year 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.

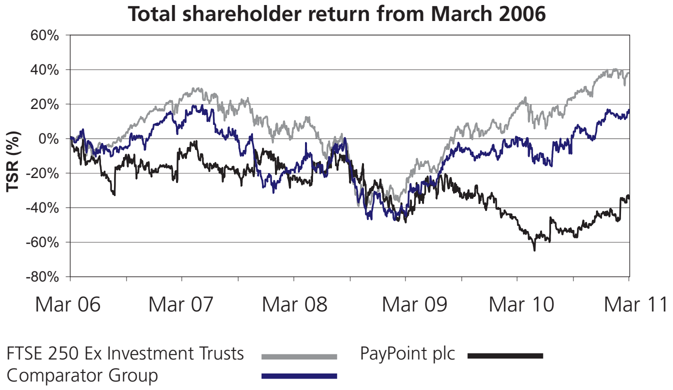
In addition to the above comparative TSR performance of the company, the remuneration committee will, in any event, satisfy itself that the recorded TSR is a genuine reflection of the underlying financial performance of the company before the release of any share awards under the LTIP, in accordance with the ABI guidelines.

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 advisers 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 advisers. 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 company's comparator group which applies with respect to the LTIP awards granted prior to 2009 and the new comparator group as detailed earlier in the report.

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 part of 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 to purchase £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 normally be 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 the time.

Details of shares held in the SIP by executive directors are set out on page 26.

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% 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 are 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. The non-executive directors do not have service contracts. They are appointed under letters of appointment which are subject to a three year term. Details of the terms of appointment of the non-executive directors are set out in the table below:

Name	Date of appointment	Expiry date
D Morrison	10 August 2004	10 August 2013
D Newlands	10 August 2004	10 August 2013
A Robb	10 August 2004	10 August 2013
E Anstee	16 September 2008	10 August 2013
S Rowley	16 September 2008	10 August 2013
N Wiles	22 October 2009	10 October 2013

Under the company's articles of association, all directors are required to submit themselves for re-election every three years. However, due to the change in the UK Corporate Governance Code 2010, which will require annual re-election of directors, the term of appointment for a non-executive director will now be on an annual 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.

REMUNERATION COMMITTEE REPORT *continued*

Audited information

Directors' emoluments

	Salary[1]		Bonus		Benefits in kind[2]		Total		Pension[3]		Total	
	2011 £000	2010 £000	**2011 £000**	2010 £000	**2011 £000**	2010 £000	**2011 £000**	2010 £000	**2011 £000**	2010 £000	**2011 £000**	2010 £000
Executive												
D Taylor	392	392	228	161	7	8	627	561	46	46	673	607
G Earle	300	300	173	121	11	15	484	436	59	59	543	495
T Watkin-Rees	258	258	148	104	6	6	412	368	39	39	451	407
Non-executive												
D Newlands	120	120	-	-	-	-	120	120	-	-	120	120
A Robb	43	43	-	-	-	-	43	43	-	-	43	43
D Morrison	36	36	-	-	-	-	36	36	-	-	36	36
R Wood[4]	10	36	-	-	-	-	10	36	-	-	10	36
E Anstee	43	43	-	-	-	-	43	43	-	-	43	43
S Rowley	36	36	-	-	-	-	36	36	-	-	36	36
N Wiles[5]	36	16	-	-	-	-	36	16	-	-	36	16
Total	1,284	1,280	549	386	24	29	1,857	1,695	144	144	2,001	1,839

1. Salary is the total salary paid during the year and includes payment of a car allowance as part of the contract of employment. From 1 April 2011, executive directors' base salaries were:
   D. Taylor £397,100, G Earle £300,570, T Watkin-Rees £275,000.
2. Benefits include: private medical cover, permanent health insurance and life assurance.
3. Defined contribution pension scheme, of which two current directors are members. The remuneration committee has agreed that G Earle's pension contributions will be paid direct to him (grossed up for tax).
4. R Wood retired 7 July 2010.
5. N Wiles was appointed on 22 October 2009.

Long Term Incentive Plan[1]

	Number of shares at 28 March 2010[2]	Number of shares awarded during the year[3]	Number of shares lapsed during the year	**Number of shares at 27 March 2011**	Value of shares awarded	Date of grant	Date lapsed	Release date
D Taylor	51,266		51,266		£324,000	11.06.07	11.06.10	
	55,512			**55,512**	£336,958	04.06.08		04.06.11
	86,445			**86,445**	£456,000	04.06.09		04.06.12
		162,857		**162,857**	£455,999	28.05.10		28.05.13
G Earle	34,810		34,810		£220,000	11.06.07	11.06.10	
	37,693			**37,693**	£228,797	04.06.08		04.06.11
	54,526			**54,526**	£287,625	04.06.09		04.06.12
		102,723		**107,723**	£287,624	28.05.10		28.05.13
T Watkin-Rees	29,066		29,066		£183,700	11.06.07	11.06.10	
	31,474			**31,474**	£191,047	04.06.08		04.06.11
	46,578			**46,578**	£245,700	04.06.09		04.06.12
		87,750		**87,750**	£245,700	28.05.10		28.05.13

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. Granted as a conditional award of shares.
3. Awards were granted at a price of £2.80 per share (the closing price on the preceding dealing day).

Deferred Share Bonus Plan

	Number of Bonus Shares purchased at 28 March 2010[2]	Number of Matching Shares awarded at 28 March 2010[3]	Number of Bonus Shares purchased/ (released) during the year	Number of Matching Shares awarded/ (released) during the year	**Number of Bonus Shares purchased at 27 March 2011**	**Number of Matching Shares awarded at 27 March 2011**	Value of Matching Shares awarded	Date of grant	Release date[4]
D Taylor	5,600	9,491	(5,600)	(9,491)	**-**	**-**	£34,663	13.06.07	13.06.10
	5,865	9,942			**5,865**	**9,942**	£61,626	04.06.08	04.06.11
	9,241	15,663			**9,241**	**15,663**	£83,014	04.06.09	04.06.12
			16,150[1]	27,905[1]	**16,150**	**27,905**	£80,272	01.06.10	01.06.13
	20,706	35,096	10,550	18,414	**31,256**	**53,510**			
G Earle	4,765	8,077	(4,765)	(8,077)	**-**	**-**	£29,494	13.06.07	13.06.10
	4,779	8,101			**4,779**	**8,101**	£50,215	04.06.08	04.06.11
	7,097	12,029			**7,097**	**12,029**	£63,754	04.06.09	04.06.12
			12,224[1]	21,122[1]	**12,224**	**21,122**	£60,760	01.06.10	01.06.13
	16,641	28,207	7,459	13,045	**24,100**	**41,252**			
T Watkin-Rees	3,979	6,744	(3,979)	(6,744)	**-**	**-**	£24,629	13.06.07	13.06.10
	3,990	6,764			**3,990**	**6,764**	£41,927	04.06.08	04.06.11
	6,035	10,228			**6,035**	**10,228**	£54,208	04.06.09	04.06.12
			10,442[1]	18,043[1]	**10,442**	**18,043**	£51,903	01.06.10	01.06.13
	14,004	23,736	6,463	11,299	**20,467**	**35,035**			

1. The Bonus Shares were purchased and the Matching Shares awarded at a share price of £2.88.
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 purchased at 28 March 2010	Number of Matching Shares awarded at 28 March 2010	Number of Free Shares[1] awarded at 28 March 2010	Dividend Shares[2] acquired at 28 March 2010	Total shares at 28 March 2010	Number of Partnership Shares[3] purchased during the year	Matching Shares[4] awarded during the year	Dividend Shares acquired during the year	Dates of release of Matching and Free Dividend Shares	**Total shares at 27 March 2011**
D Taylor	1,789	1,789	1,562	539	5,679	470	470	391	15.04.10 – 15.03.13	**7,010**
G Earle	1,813	1,813	–	313	3,939	469	469	278	15.04.10 – 15.03.13	**5,155**
T Watkin-Rees	1,813	1,813	1,562	538	5,726	469	469	394	15.04.10 – 15.03.13	**7,058**

1. Free Shares are ordinary shares of the company awarded conditionally on 24 September 2004 based on the share price on admission of £1.92.
2. 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.
3. Partnership Shares are ordinary shares of the company purchased on a monthly basis during the year (at prices from £2.66 to £4.07).
4. Matching Shares are ordinary shares of the company awarded conditionally on a monthly basis during the year (at prices from £2.66 to £4.07) in conjunction with two share purchases.

REMUNERATION COMMITTEE REPORT *continued*

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 27 March 2011	Ordinary shares of 1/3p each 28 March 2010
E Anstee	**1,700**	1,700
G Earle	**203,811**	195,101
D Newlands[1]	**216,599**	180,100
A Robb	**20,000**	15,000
S Rowley	**9,056**	-
D Taylor	**1,653,203**	1,638,113
T Watkin-Rees	**722,753**	715,480
R Wood[2]		52,083
N Wiles	**25,000**	15,000

1. D Newlands holds a non-beneficial interest in a further 900,000 shares held in various trusts of which he is a trustee (2010: 900,000).
2. R Wood retired from the board on 7 July 2010.

Between the end of the year and 26 May 2011, D Taylor, G Earle and T Watkin-Rees each acquired 26 Partnership and Matching Shares.

The market price of the company's shares on 27 March 2011 was £4.18 (28 March 2010: £3.60) per share and the low and high share prices during the year were £2.37 and £4.21 respectively.

This report covers the remuneration of all directors that served during the year.

This report has been approved by the remuneration committee.

Andrew Robb
Chairman, remuneration committee
26 May 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual 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. Under that law, the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRS as adopted by the EU. Under company law, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS, 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 taken as a whole; and
- 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 that they face.

Dominic Taylor
Chief Executive
26 May 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PAYPOINT PLC

We have audited the financial statements of PayPoint plc for the year ended 27 March 2011, which comprise the consolidated income statement, consolidated statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company cash flow statements, the consolidated and parent company statements of changes in equity and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 27 March 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the directors' reports in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

Edward Hanson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
26 May 2011

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000
Continuing operations			
Revenue	2	**193,233**	196,603
Cost of sales		**(122,567)**	(133,110)
Gross profit		**70,666**	63,493
Administrative expenses		**(34,614)**	(29,421)
Operating profit	5	**36,052**	34,072
Share of loss of joint venture	13	**(1,541)**	(1,601)
Investment income	6	**88**	224
Finance costs	6	**(143)**	(50)
Profit before tax		**34,456**	32,645
Tax	7	**(10,614)**	(10,513)
Profit for the year	25	**23,842**	22,132
Attributable to:			
Equity holders of the parent		**23,883**	22,132
Non-controlling interests	26	**(41)**	-
		23,842	22,132
Earnings per share			
Basic	9	**35.2p**	32.9p
Diluted	9	**35.1p**	32.7p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000
Exchange differences on translation of foreign operations	25	**(72)**	35
Net income recognised directly in equity		**(72)**	35
Profit for the year		**23,842**	22,132
Total recognised income and expenses for the year		**23,770**	22,167
Attributable to:			
Equity holders of the parent		**23,811**	22,167
Non-controlling interests		**(41)**	-
		23,770	22,167

CONSOLIDATED BALANCE SHEET

	Note	27 March 2011 £000	28 March 2010 £000
Non-current assets			
Goodwill	10	**57,133**	56,872
Other intangible assets	11	**1,329**	1,400
Property, plant and equipment	12	**14,520**	14,767
Investment in joint venture	13	**135**	326
Deferred tax asset	14	**1,116**	1,167
Investments	15	**435**	405
		74,668	74,937
Current assets			
Inventories	16	**915**	1,567
Trade and other receivables	17	**17,103**	23,482
Cash and cash equivalents	18	**26,464**	20,769
		44,482	45,818
Total assets		**119,150**	120,755
Current liabilities			
Trade and other payables	19	**32,996**	37,926
Current tax liabilities		**5,287**	5,684
Short-term borrowings	20	**-**	6,000
Obligations under finance leases		**32**	22
		38,315	49,632
Non-current liabilities			
Other liabilities	22	**240**	379
		240	379
Total liabilities		**38,555**	50,011
Net assets		**80,595**	70,744
Equity			
Share capital	25	**226**	226
Investment in own shares	25	**(216)**	(370)
Share premium	25	**25**	25
Share based payment reserve	25	**3,005**	2,684
Translation reserve	25	**471**	543
Retained earnings	25	**77,125**	67,636
Total equity attributable to equity holders of the parent company		**80,636**	70,744
Non-controlling interest	26	**(41)**	-
Total equity		**80,595**	70,744

These financial statements were approved by the board of directors on 26 May 2011 and signed on behalf of the board of directors.

Dominic Taylor
Chief Executive
26 May 2011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000
Opening equity		**70,744**	60,967
Profit for the year		**23,842**	22,132
Dividends paid	8	**(15,041)**	(12,856)
Movement in investment in own shares	25	**154**	556
Exchange differences on translation of foreign operations	25	**(72)**	35
Movement in share based payment reserve	25	**321**	195
Adjustment in share scheme vesting	25	**647**	(285)
Closing equity		**80,595**	70,744

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000
Net cash flow from operating activities	30	**31,137**	24,986
Investing activities			
Investment income		**70**	224
Purchases of property, plant and equipment		**(3,160)**	(2,700)
Proceeds from disposal of property, plant and equipment		**61**	93
Acquisition of subsidiaries	24	**-**	(28,942)
Investment	15	**(30)**	(30)
Purchase of own shares		**-**	(490)
Loan to joint venture	13	**(1,350)**	(1,750)
Net cash used in investing activities		**(4,409)**	(33,595)
Financing activities			
Repayments of obligations under finance leases		**(22)**	(8)
Dividends paid	8	**(15,041)**	(12,856)
(Repayment) / receipt of short-term borrowings	20	**(6,000)**	6,000
Net cash used in financing activities		**(21,063)**	(6,864)
Net increase / (decrease) in cash and cash equivalents		**5,665**	(15,473)
Cash and cash equivalents at beginning of year		**20,769**	36,345
Effect of foreign exchange rate changes		**30**	(103)
Cash and cash equivalents at end of year		**26,464**	20,769

COMPANY BALANCE SHEET

	Note	**27 March 2011 £000**	28 March 2010 £000
Non-current assets			
Investments	15	**109,808**	106,055
		109,808	106,055
Current assets			
Trade and other receivables	17	**511**	71
Cash and cash equivalents		**19**	709
		530	780
Total assets		**110,338**	106,835
Current liabilities			
Trade and other payables	19	**54**	1,246
Borrowings	20	**-**	6,000
Non-current liabilities			
Other liabilities	22	**87,628**	65,781
Total liabilities		**87,682**	73,027
Net assets		**22,656**	33,808
Equity			
Share capital	25	**226**	226
Share premium	25	**25**	25
Investment in own shares	25	**(216)**	(370)
Share based payment reserve	25	**3,005**	2,684
Retained earnings	25	**19,616**	31,243
Total equity		**22,656**	33,808

These financial statements were approved by the board of directors on 26 May 2011 and signed on behalf of the board of directors.

Dominic Taylor
Chief Executive
26 May 2011

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000
Opening equity		**33,808**	26,103
Profit for the year		**267**	(1,505)
Dividends paid	8	**(15,041)**	(12,856)
Dividends received		**2,500**	21,600
Movement in investment in own shares	25	**154**	556
Movement in share based payment reserve	25	**321**	195
Adjustment in share scheme vesting	25	**647**	(285)
Closing equity		**22,656**	33,808

COMPANY CASH FLOW STATEMENT

	Note	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000
Net cash flow from operating activities	30	**21,605**	18,338
Investing activities			
Investment	15	**(30)**	(30)
Loan to joint venture	13	**(1,350)**	(1,750)
Investment in group companies	15	**(2,373)**	(637)
Purchase of own shares		**-**	(490)
Acquisition of subsidiaries	24	**-**	(29,538)
Net cash used in investing activities		**(3,753)**	(32,445)
Financing activities			
Dividends received		**2,500**	21,600
Dividends paid	8	**(15,041)**	(12,856)
(Repayment) / receipt of short-term borrowings		**(6,000)**	6,000
Net cash (used in) / generated from financing activities		**(18,541)**	14,744
Net (decrease) / increase in cash and cash equivalents		**(689)**	637
Cash and cash equivalents at beginning of year		**709**	72
Cash and cash equivalents at end of year		**20**	709

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

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

Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) as 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 11. The group's going concern position is further discussed in the directors' report on page 21.

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:

IAS 12 (amended)	Deferred Tax: Recovery of Underlying Assets
IFRS 1 (amended)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IFRS 7 (amended)	Disclosures – Transfers of Financial Assets
Improvements to IFRS 2010	Improvements to IFRS 2010
IFRS 9	Financial Instruments
IAS 24	Related party disclosure

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.

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 intergroup transactions, balances, income and expenses are eliminated on consolidation except for joint ventures.

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. The acquired identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 revised 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 year.

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.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Revenue

Revenue is measured at the fair value of the consideration received or receivable and comprises the value of sales of services (excluding sales taxes) 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 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 and SIM cards where PayPoint acts as principal in their purchase and sale, consumables, communications, maintenance, depreciation and field service costs and any external processing charges levied by credit card scheme sponsors. All other costs are allocated to administrative expenses.

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 group operates in a number of different tax jurisdictions which leads to some complexity in tax matters. This requires a degree of estimation of liabilities and delays resolution of issues. The final resolution of tax issues may give rise to variances in profit and loss and cash. The group's policy is to pay tax when due but to minimise tax payments where practically possible, without engaging in aggressive tax schemes.

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 substantively 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 substantively 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.

NOTES TO THE FINANCIAL STATEMENTS *continued*

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 its 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 and are reviewed on an annual basis:

- 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 net assets, post tax profit and loss and dividends 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.

Bank and other loans
Bank and other loans are initially measured at fair value, net of any attributable transaction costs, if any, and are subsequently measured at amortised cost using the effective interest rate method.

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

Own shares
PayPoint purchases its 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 of £57.1 million at 27 March 2011 (2010: £56.9 million) and other intangible assets of £1.3 million at 27 March 2011 (2010: £1.4 million). Management reviews goodwill for any impairment on an annual basis (note 10). Intangible assets are amortised over their economic useful life (note 11). The accounting policies for goodwill and intangible assets are included above in this note 1.

NOTES TO THE FINANCIAL STATEMENTS *continued*

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

(i) Segmental information

PayPoint is a service provider for consumer payment transactions (payments and receipts) through various distribution channels, involving the processing of high volume transactions, the management of retailers and clients, the settlement of funds (collection and transmission) and transmission of data in a secure environment, by the application of technology.

The application of technology is directed on a group basis by the group's executive (comprising the Chief Executive Officer, Finance Director, Business Development Director and Chief Information Officer) to develop products across the business, prioritised on an economic value basis (generally by product), rather than on a subsidiary by subsidiary basis. As the business has high fixed operating costs, the company regards the analysis of net revenue as the most reliable indication of contribution on a product by product basis and net revenue analysis is shown in the operating and financial review.

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

(ii) Revenue, net revenue and cost of sales

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

Revenue performance of the business is measured by net revenue, which is calculated as the total revenue from clients less commissions paid to retail agents, the cost of mobile top-ups and SIM cards where PayPoint is principal and costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, merchant service charges levied by card scheme sponsors and costs for the provision of call centres for PayByPhone clients.

Net revenue

	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000
Revenue – transaction processing	**191,742**	195,008
– rental income from ATMs	**1,491**	1,595
	193,233	196,603
less:		
Commission payable to retail agents	**(71,322)**	(73,178)
Cost of mobile top-ups and SIM cards as principal	**(37,696)**	(43,520)
Card scheme sponsors' charges and call centre charges	**(1,492)**	(2,499)
Net revenue	**82,723**	77,406

Cost of sales

	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000
Cost of sales		
Commission payable to retail agents	**71,322**	73,178
Cost of mobile top-ups and SIM cards as principal	**37,696**	43,520
Card scheme sponsors' charges and call centre charges	**1,492**	2,499
Depreciation and amortisation	**3,612**	4,820
Other	**8,445**	9,093
Total cost of sales	**122,567**	133,110

Geographical information

	2011	2010
Revenue		
UK	**148,737**	147,658
Ireland	**22,475**	24,476
Romania	**21,036**	24,386
North America	**985**	83
Total	**193,233**	196,603

	2011	2010
Non-current assets		
UK	**71,850**	73,290
Ireland	**-**	14
Romania	**2,329**	1,422
North America	**489**	211
Total	**74,668**	74,937

3. Employee information

	Group		Company	
	2011	2010	**2011**	2010
Average number of persons employed				
Sales, distribution and marketing	**180**	176	**-**	-
Operations and administration	**369**	317	**6**	7
	549	493	**6**	7
Staff costs during the year (including directors)	**£000**	£000	**£000**	£000
Wages and salaries	**19,185**	15,909	**399**	330
Social security costs	**2,339**	1,899	**36**	35
Pension costs (note 27)	**674**	639	**-**	-
	22,198	18,447	**435**	365

Directors' emoluments, pension contributions and share options are disclosed in the remuneration committee report on pages 22 to 27. Included within staff costs is a share based payment charge (note 25) of £1,088,000 (2010: £942,000).

4. Profit of parent company

The company has taken advantage of the exemption under S.408 of the Companies Act 2006 and consequently the income statement of the parent company is not presented as part of these financial statements. The profit of the parent company for the financial year amounted to £267,000 (2010: loss £1,505,000).

5. Operating profit

	Group	
	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000
Operating profit is after charging/ (crediting):		
Inventory expensed – cost of mobile top-ups and SIM cards as principal	**37,696**	43,520
Depreciation on owned assets	**3,295**	4,286
Loss / (gain) on disposal of property, plant and equipment	**115**	(14)
Amortisation of intangible assets	**317**	534
Rentals under operating leases:		
– other operating leases	**270**	270
– income from rental of ATMs	**(1,491)**	(1,595)
Auditor's remuneration (note below)	**292**	196
Staff costs	**22,198**	18,447

	2011 £000	2010 £000
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	**10**	10
Fees payable to the group's auditor for the audit of the company's subsidiaries	**125**	120
Total audit fees	**135**	130
Fees payable to the group's auditor and its associates for other services to the group:		
Tax	**130**	40
Corporate finance services[1]	**-**	285
Other	**27**	26
Total non-audit fees	**157**	351
Total auditor's remuneration	**292**	481

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 17 to 18 and includes an explanation of how auditor independence is safeguarded where non-audit services are provided by the auditor.

1. Corporate finance services relate to acquisition costs which were capitalised as part of the cost of acquisition.

6. Investment income and finance costs

Investment income comprises interest on current and deposit accounts.

Investment income	**Year ended 27 March 2011 £000**	Year ended 28 March 2010 £000
Bank deposit interest	**88**	224

Finance costs	**Year ended 27 March 2011 £000**	Year ended 28 March 2010 £000
Bank charges	**55**	45
Finance charges	**88**	5
	143	50

NOTES TO THE FINANCIAL STATEMENTS *continued*

7. Tax

	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000
Current tax		
Charge for current year	**10,869**	10,178
Adjustment in respect of prior years	**(304)**	394
Current tax charge	**10,565**	10,572
Deferred tax		
Credit for current year	**(51)**	(110)
Adjustment in respect of prior years	**100**	51
Deferred tax charge / (credit)	**49**	(59)
Total income tax		
Income tax charge	**10,614**	10,513
The income tax charge is based on the United Kingdom statutory rate of corporation tax for the year of 28% (2010: 28%)		
The charge for the year can be reconciled to the profit before tax as set out in the consolidated income statement		
Profit before tax	**34,456**	32,645
Tax at the UK corporation tax rate of 28% (2010: 28%)	**9,648**	9,141
Tax effects of:		
Losses in countries where the tax rate is different to the UK	**109**	304
Disallowable expenses / (non-taxable income)	**61**	(6)
Utilisation of tax losses not previously recognised	**(85)**	-
Losses in companies where a deferred tax asset is not recognised	**652**	408
Adjustments in respect of prior years	**(204)**	445
Deferred tax impact of share based payments	**393**	221
Revaluation of deferred tax asset from 28% to 27%	**40**	-
Actual amount of tax charge	**10,614**	10,513

8. Dividends on equity shares

	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000
Equity dividends on ordinary shares:		
Interim dividend paid of 7.8p per share (2010: 7.4p)	**5,276**	5,008
Proposed final dividend of 15.6p per share (2010: paid 14.4p per share)	**10,576**	9,756
Total dividends paid and recommended 23.4p per share (2010: 21.8p per share)	**15,852**	14,764
Amounts distributed to equity holders in the year:		
Final dividend for the prior year	**9,765**	7,848
Interim dividend for the current year	**5,276**	5,008
	15,041	12,856

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements.

9. Earnings per share

Basic earnings per share

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

	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000
Profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**23,842**	22,132

	27 March 2011 Number of shares	28 March 2010 Number of shares
Weighted average number of ordinary shares in issue (for basic earnings per share)	**67,721,190**	67,170,830
Potential dilutive ordinary shares:		
Long-term incentive plan	**-**	427,415
Deferred share bonus	**157,914**	133,313
Diluted basis	**67,879,104**	67,731,558

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 to perpetuity. Terminal values are based on growth rates that do not exceed 3%. The post tax rate used to discount the forecast cash flows is based on the group's estimated weighted average cost of capital of 8.5%, adjusted for country or business specific risk premiums of up to 1.5%. Equivalent pre-tax rates would be 12% for the UK and 11% for Romania.

	Total £000
Cost	
At 28 March 2010	56,872
Adjustment (see note 24)	446
Exchange rate adjustment	(185)
At 27 March 2011	**57,133**
Accumulated impairment losses	
At 28 March 2010	-
Impairment losses for the year	
At 27 March 2011	-
Carrying amount	
At 27 March 2011	**57,133**
At 28 March 2010	56,872

	Total £000
Cost	
At 29 March 2009	27,628
Recognised on acquisition of subsidiary	29,168
Exchange rate adjustment	76
At 28 March 2010	56,872
Accumulated impairment losses	
At 29 March 2009	-
Impairment losses for the year	
At 28 March 2010	-
Carrying amount	
At 28 March 2010	56,872
At 29 March 2009	27,628

Goodwill arising on acquisition:

	27 March 2011 £000	28 March 2010 £000
PayPoint.net	**18,207**	18,207
PayPoint Romania	**9,312**	9,497
PayByPhone	**29,614**	29,168
Total	**57,133**	56,872

For PayPoint Romania, the difference between the recoverable amount and the carrying amount at year end was £6.2 million. Headroom would reduce to £nil if either the forecast average growth in net revenue for the next four years of 19.5% reduced to 16% per annum or if the discount rate applied to the forecast cash flows were to increase from 10% to 13.4%.

Management does not consider that a reasonably possible change in one or more key assumptions during the next year could cause the recoverable amount of the other cash generating units to fall below their carrying amount.

11. Other intangible assets

	Technology £000	Contracts with merchants £000	Total £000
Cost			
At 28 March 2010	1,800	2,052	3,852
Additions	218	-	218
Exchange rate adjustment	-	28	28
At 27 March 2011	**2,018**	**2,080**	**4,098**
Amortisation			
At 28 March 2010	605	1,847	2,452
Charge for the year	180	137	317
At 27 March 2011	**785**	**1,984**	**2,769**
Carrying amount			
At 27 March 2011	**1,233**	**96**	**1,329**
At 28 March 2010	1,195	205	1,400

NOTES TO THE FINANCIAL STATEMENTS *continued*

11. Other intangible assets continued

	Technology £000	Contracts with merchants £000	Total £000
Cost			
At 29 March 2009	1,800	2,091	3,891
Exchange rate adjustment	-	(39)	(39)
At 28 March 2010	1,800	2,052	3,852
Amortisation			
At 29 March 2009	425	1,493	1,918
Charge for the year	180	354	534
At 28 March 2010	605	1,847	2,452
Carrying amount			
At 28 March 2010	1,195	205	1,400
At 29 March 2009	1,375	598	1,973

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 28 March 2010	32,206	5,895	6,412	44,513
Additions	2,581	682	-	3,263
Disposals	(1,640)	(479)	-	(2,119)
Exchange rate adjustment	(76)	(26)	-	(102)
At 27 March 2011	**33,071**	**6,072**	**6,412**	**45,555**
Accumulated depreciation				
At 28 March 2010	26,315	3,320	111	29,746
Charge for the year	2,988	219	88	3,295
Disposals	(1,630)	(312)	-	(1,942)
Exchange rate adjustment	(41)	(23)	-	(64)
At 27 March 2011	**27,632**	**3,204**	**199**	**31,035**
Net book value				
At 27 March 2011	**5,439**	**2,868**	**6,213**	**14,520**
At 28 March 2010	5,891	2,575	6,301	14,767

The net book value of assets held under finance leases is £0.1 million (2010: £0.1 million). The cost of ATMs rented out under operating leases is £6,531,000 (2010: £6,396,000) and the accumulated depreciation is £5,816,000 (2010: £5,320,000). At 27 March 2011, the group had entered into contractual commitments for the acquisition of terminals and ATMs amounting to £0.9 million (2010: £0.6 million).

Group	Terminals and ATMs £000	Fixtures, fittings and equipment £000	Land and buildings £000	Total £000
Cost				
At 29 March 2009	30,398	5,102	6,412	41,912
Acquisition of subsidiary (note 24)	-	322	-	322
Additions	1,994	663	-	2,657
Disposals	(202)	(205)	-	(407)
Exchange rate adjustment	16	13	-	29
At 28 March 2010	32,206	5,895	6,412	44,513
Accumulated depreciation				
At 29 March 2009	23,110	2,619	22	25,751
Charge for the year	3,353	844	89	4,286
Disposals	(153)	(147)	-	(300)
Exchange rate adjustment	5	4	-	9
At 28 March 2010	26,315	3,320	111	29,746
Net book value				
At 28 March 2010	5,891	2,575	6,301	14,767
At 29 March 2009	7,288	2,483	6,390	16,161

13. Investment in joint venture

On 5 February 2009, PayPoint agreed a 50:50 joint venture with Yodel (formerly 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	27 March 2011 £000	28 March 2010 £000
Total assets	**644**	545
Total liabilities	**(3,609)**	(1,969)
Share of net assets	**(2,965)**	(1,424)
Loan to joint venture (note 15)	**3,100**	1,750
Investment in joint venture	**135**	326

	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000
Revenues	**1,002**	205
Loss for year	**(1,541)**	(1,601)

14. Deferred tax asset

	28 March 2010 £000	Credit / (charge) to income statement £000	Debit to equity £000	**27 March 2011 £000**
Tax depreciation	1,320	(16)	-	**1,304**
Share based payments	239	(132)	-	**107**
Tax losses	-	-	-	**-**
Intangibles	(392)	99	-	**(293)**
Short term temporary differences	-	(2)	-	**(2)**
Total	1,167	(51)	-	**1,116**

	29 March 2009 £000	Credit / (charge) to income statement £000	Debit to equity £000	28 March 2010 £000
Tax depreciation	1,137	183	-	1,320
Share based payments	421	(162)	(20)	239
Tax losses	36	(36)	-	-
Intangibles	(517)	125	-	(392)
Short term temporary differences	51	(51)	-	-
Total	1,128	59	(20)	1,167

At the balance sheet date, a deferred tax asset of £1.1 million (2010: £1.2 million) 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.

At the balance sheet date, the group has unused tax losses of £7.6 million (2010: £5.1 million) available for offset against future profits for which no deferred tax asset is recognised. Included in unrecognised tax losses are losses of £2.0 million which will expire in less than three years, £3.2 million that will expire within four 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.

The government has announced a further reduction in the main rate of corporation tax from 28% to 26% effective from 1 April 2011, which was substantially enacted after 27 March 2011. The government has also indicated that it intends to enact future reductions in the main tax rate of 1% each year down to 23% by 1 April 2014. The future 1% main tax rate reductions are expected to have a similar impact as for 2011; however, the actual impact will be dependent on the deferred tax position at that time.

15. Investments

Subsidiary undertakings

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

Subsidiary of the company	Principal activity	Country of registration
PayPoint Network Limited	Management of an electronic payment service	England and Wales
PayPoint Collections Limited	Provision of a payment collection service	England and Wales
PayPoint Retail Solutions Limited	Provision of retail services	England and Wales
PayPoint Ireland Limited	Holding company in Ireland	Ireland
PayPoint Network Ireland Limited	Management of an electronic payment service in Ireland	Ireland
PayPoint Collections Ireland Limited	Payment collection service in Ireland	Ireland
PayPoint Services Romania SRL	Management of an electronic and payment collection service in Romania	Romania
Metacharge Limited	Internet payment service provider	England and Wales
PayPoint.net Limited	Internet payment service provider	England and Wales
Counter Payment Managers Limited	ESOP scheme	Isle of Man
Verrus UK Limited	Provision of a payment by phone service	England and Wales
Verrus Mobile Technologies Inc.	Provision of a payment by phone service	Canada
PayPoint Technologies Canada Inc.	Holding company in Canada	Canada
Mobile Payment Services SAS	Provision of a payment by phone service	France

The company holds 100% of the issued share capital of the above companies except Mobile Payment Services SAS where it holds 75% of the issued ordinary share capital.

15. Investments continued

	Group		Company	
	27 March 2011 £000	28 March 2010 £000	**27 March 2011 £000**	28 March 2010 £000
Investments carried at cost:				
Investment in OB10 Limited (note 29)	**435**	405	**435**	405
Investments in subsidiaries and joint venture	**-**	-	**109,373**	105,650
	435	405	**109,808**	106,055

During the year the company loaned Collect+ (note 13) £1.4 million (2010: £1.8 million). The company also subscribed for additional share capital in PayPoint Romania for £1.7 million (2010: £0.6 million) and Verrus Technologies Inc. for £0.7 million.

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. In the UK, PayPoint purchases SIM cards. Stocks of e-vouchers, scratch cards and SIM cards are held at cost.

17. Trade and other receivables

	Group		Company	
	27 March 2011 £000	28 March 2010 £000	**27 March 2011 £000**	28 March 2010 £000
Trade receivables[1]	**14,572**	21,009	**-**	-
Allowance for doubtful debts[2]	**(1,850)**	(1,623)	**-**	-
	12,722	19,386	**-**	-
Other receivables	**1,024**	1,708	**485**	69
Prepayments and accrued income	**3,357**	2,388	**26**	2
	17,103	23,482	**511**	71

1. The average credit period on the sale of goods is 31 days (2010: 27 days).
2. 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 £3,983,000 (2010: £4,099,000), 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 33 days (2010: 41 days) and of the total balance, £2,536,000 is past due by fewer than 30 days.

Movement in the allowance for doubtful debts:

	Group		Company	
	27 March 2011 £000	28 March 2010 £000	**27 March 2011 £000**	28 March 2010 £000
Balance at the beginning of the year	**1,623**	1,587	**-**	-
Amounts recovered during the year	**(15)**	(218)	**-**	-
Amounts utilised in the year	**(109)**	(630)	**-**	-
Increase in allowance	**351**	884	**-**	-
Balance at end of the year	**1,850**	1,623	**-**	-

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 £6,132,000 (2010: £6,818,000) 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 in the UK and therefore individual accounts can be overdrawn without penalties being incurred so long as the overall position is in credit. At 27 March 2011, the group's cash was £26,464,000 (2010: £20,769,000).

NOTES TO THE FINANCIAL STATEMENTS *continued*

19. Trade and other payables

	Group		Company	
	27 March 2011 £000	28 March 2010 £000	**27 March 2011 £000**	28 March 2010 £000
Amounts owed in respect of client cash[1]	**6,132**	6,818	**-**	-
Other trade payables[2]	**14,891**	18,651	**49**	610
Trade payables	**21,023**	25,469	**49**	610
Other taxes and social security	**2,916**	2,219	**-**	-
Other payables	**1,405**	402	**-**	-
Accruals	**7,110**	9,505	**5**	636
Deferred income	**542**	331	**-**	-
	32,996	37,926	**54**	1,246

1. Included within trade payables is £6,132,000 (2010: £6,818,000) 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).
2. The group aims to pay its creditors promptly, in accordance with terms agreed for payment. The group had 28 days purchases outstanding at 27 March 2011 (2010: 24 days) based on the average daily amount invoiced by suppliers during the year.

20. Short-term borrowings

	Group		Company	
	27 March 2011 £000	28 March 2010 £000	**27 March 2011 £000**	28 March 2010 £000
Bank loan	**-**	6,000	**-**	6,000

During the year, the £6 million loan was repaid and the balance outstanding at the end of the year was £nil.

21. Operating lease receivables

	27 March 2011 £000	28 March 2010 £000
Amounts receivable under operating leases:		
Within one year	**1,142**	1,399
Within two to five years	**1,959**	2,628
After five years	**-**	-
	3,101	4,027

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

22. Other non-current liabilities

	Group		Company	
	27 March 2011 £000	28 March 2010 £000	**27 March 2011 £000**	28 March 2010 £000
Deferred income	**240**	347	**-**	-
Obligations under finance leases	**-**	32	**-**	-
Amounts owed to group companies	**-**	-	**87,628**	65,781
	240	379	**87,628**	65,781

23. Financial commitments

Obligations under finance leases

	27 March 2011 £000	28 March 2010 £000
Minimum lease payments due:		
Within one year	**32**	22
Within two to five years	**-**	32
	32	54
Finance charges allocated to future periods	**4**	6
	36	60

Operating lease commitments

	27 March 2011		28 March 2010	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Leases which expire:				
Within one year	**669**	**-**	550	3
Within two to five years	**1,823**	**-**	1,749	-
After five years	**-**	**-**	-	-

24. Acquisition of subsidiary

On 9 March 2010, the group acquired 100 per cent of the issued share capital of Verrus Mobile Technologies Inc. and Verrus UK Limited (together known as PayByPhone) for cash consideration of £29 million. In addition, there was potential for a further £4 million dependent on financial results until March 2013, which has subsequently been waived by the beneficiaries.

On acquisition of Verrus Mobile Technologies Inc. and Verrus UK Limited the group recognised £29.2 million of goodwill. During the year it became apparent that the group would be unlikely to receive £0.4 million from a debtor and its fair value was reduced and the goodwill increased accordingly.

NOTES TO THE FINANCIAL STATEMENTS *continued*

25. 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 22 to 27. 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 year are as follows:

	Number of shares 2011	Number of shares 2010
Outstanding at the beginning of the year	**773,435**	627,751
Granted during the year – Long Term Incentive Plan (LTIP)	**488,772**	270,518
Granted during the year – Deferred Share Bonus (DSB)	**82,787**	50,969
Lapsed during the year	**(43,156)**	-
Released during the year	**(187,735)**	(175,803)
Outstanding at end of the year	**1,114,103**	773,435

Awards granted		**Number of shares**	**Vesting date**
LTIP	16 May 2008	207,295	16 May 2011
DSB	16 May 2008	45,837	16 May 2011
LTIP	4 June 2009	270,518	4 June 2012
DSB	4 June 2009	50,969	4 June 2012
LTIP	28 May 2010	488,772	28 May 2013
DSB	1 June 2010	82,787	1 June 2013

The long term incentive plan tranche did not vest on 11 June 2010 because the group did not meet the performance measure. Under IFRS 2, the fair value charges of £647,000 relating to this tranche, which had been previously charged to the income statement, are reversed through equity. The deferred share bonus vested in June 2010 and accordingly the group used £154,000 of its investment in own shares to satisfy the award.

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

	2011		2010	
	LTIP	**DSB**	LTIP	DSB
Weighted average share price	**1.45**	**2.39**	3.52	4.74
Expected volatility	**48%**		45%	
Expected life	**3 years**	**3 years**	3 years	3 years
Risk free rate	**1.53%**		2.29%	
Expected dividend yield	**6.00%**	**6.00%**	3.60%	3.60%

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 (or employees can opt to purchase 12 months at the start of each year) and are placed in the employee share savings plan for a three to five year period.

	Group		**Company**	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Authorised share capital				
4,365,352,200 ordinary shares of 1/3p each (2010: 4,365,352,200 ordinary shares of 1/3p 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				
67,795,702 ordinary shares of 1/3p each (2010: 67,754,202 ordinary shares of 1/3p each)	**226**	226	**226**	226
	226	226	**226**	226
Called up share capital				
At start of year	**226**	226	**226**	226
At end of year	**226**	226	**226**	226
Investment in own shares				
At start of year	**(370)**	(926)	**(370)**	(926)
Acquired in year	**-**	(490)	**-**	(490)
Used on share scheme vesting	**154**	1,046	**154**	1,046
At end of year	**(216)**	(370)	**(216)**	(370)
Share premium				
At start of year	**25**	25	**25**	25
Arising on issue of shares	**-**	-	**-**	-
At end of year	**25**	25	**25**	25
Share based payment reserve				
At start of year	**2,684**	2,489	**2,684**	2,489
Additions in year	**1,088**	942	**1,088**	942
Released in year	**(801)**	(761)	**(801)**	(761)
Current tax on awards	**-**	34	**-**	34
Other adjustments	**34**	(20)	**34**	(20)
At end of year	**3,005**	2,684	**3,005**	2,684
Translation reserve				
At start of year	**543**	508	**-**	-
Movement during year	**(72)**	35	**-**	-
At end of year	**471**	543	**-**	-
Retained earnings				
At start of year	**67,636**	58,645	**31,243**	24,289
Profit/(loss) for year	**23,842**	22,132	**267**	(1,505)
Non-controlling interest loss for year included in above (note 26)	**41**	-	**-**	-
Dividends paid	**(15,041)**	(12,856)	**(15,041)**	(12,856)
Dividends received	**-**	-	**2,500**	21,600
Adjustment on share scheme vesting	**647**	(285)	**647**	(285)
At end of year	**77,125**	67,636	**19,616**	31,243

26. Non-controlling interest

	27 March 2011 £000	28 March 2010 £000
At start of year	**-**	-
Share of loss for year	**41**	-
At end of year	**41**	-

27. 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 year for pension costs of the group under the scheme was £674,000 (2010: £639,000). There is an accrual of £nil for pension contributions at the balance sheet date (2010: £nil).

28. Derivatives and other financial instruments

The group's financial instruments comprise cash and various items such as trade receivables, trade payables, other payables, bank loans and accruals, which arise directly from the group's operations. The group's policy is 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 had no interest bearing financial assets at 27 March 2011 other than sterling, euro, Romanian lei, US dollars and Canadian dollars deposits of £26,464,000 (2010: £20,769,000). Of these deposits, £6,132,000 (2010: £6,818,000) relates to monies held on behalf of clients where PayPoint has title to the funds for periods of up to seven days.

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 interest is charged on leases at fixed contractual rates.

(b) Liquidity risk

The group's policy throughout the year ended 27 March 2011 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 27 March 2011 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 27 March 2011, these exposures were £6,000 (2010: £469,000).

(d) Borrowing facilities

At the year end, the group had a £35 million revolving loan facility with a remaining term of less than one year which has been replaced by a new five year revolving term credit facility for £35 million since the year end.

(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 27 March 2011.

(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 27 March 2011, was £40,718,000 (2010: £42,594,000).

(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.

29. 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 22 to 27.

PayPoint has entered into a loan agreement with its 50:50 joint venture Drop and Collect Limited (trading as Collect+) and during the year it has lent Drop and Collect Limited an additional £1.4 million, bringing the total loan to £3.1 million.

The terms of the loan are:

- Interest payable annually at a rate of 3 months LIBOR;
- Repayable upon termination of the joint venture or upon demand by the lender.

The company and its subsidiaries, in the ordinary course of business, enter into various sales, purchase and service transactions with joint ventures 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.

PayPoint has a small investment in OB10, a company that specialises in electronic invoicing. During the year, PayPoint subscribed for a further £30,125 of shares under a rights issue, resulting in a shareholding at 27 March 2011 of 1.02% (28 March 2010: 1.04%).

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

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

Directors' shareholding in OB10	**Year ended 27 March 2011 %**	Year ended 28 March 2010 %
David Newlands	**2.87**	4.73
Dominic Taylor	**1.44**	1.42
George Earle	**0.40**	0.42
Nick Wiles	**1.02**	1.04
Eric Anstee	**0.08**	0.08

30. Notes to the cash flow statement

	Group		Company	
	Year ended 27 March 2011 £000	Year ended 28 March 2010 £000	**Year ended 27 March 2011 £000**	Year ended 28 March 2010 £000
Profit / (loss) before tax	**34,456**	32,645	**271**	(486)
Adjustments for:				
Depreciation of property, plant and equipment	**3,295**	4,286	**-**	-
Amortisation of intangible assets	**317**	534	**-**	-
Share of losses in joint venture	**1,541**	1,601	**-**	-
Net interest expense / (income)	**55**	(174)	**(789)**	-
Share based payment charge	**1,088**	942	**1,088**	942
Operating cash flows before movements in working capital	**40,752**	39,834	**570**	456
Decrease / (increase) in inventories	**209**	(373)	**-**	-
Decrease in receivables	**6,337**	2,385	**436**	986
(Decrease) / increase in payables				
– client cash	**(686)**	(729)	**-**	-
– other payables	**(4,476)**	(2,386)	**20,599**	16,896
Cash generated by operations	**42,136**	38,731	**21,605**	18,338
Corporation tax paid	**(10,950)**	(13,702)	**-**	-
Interest and bank charges paid	**(49)**	(43)	**-**	-
Net cash from operating activities	**31,137**	24,986	**21,605**	18,338

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 2011 annual general meeting of PayPoint plc will be held at the offices of J.P. Morgan Cazenove, 20 Moorgate, London, EC2R 6DA, on Friday 15 July 2011 at 12 noon. You will be asked to consider and pass the resolutions below. Resolutions 16 to 18 (inclusive) will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

ORDINARY BUSINESS

1. To receive the financial statements and the reports of the directors and the auditor thereon for the year ended 27 March 2011.
2. To receive the directors' remuneration report for the year ended 27 March 2011.
3. To declare a final dividend of 15.6p per ordinary share of the company.
4. To re-elect Mr Eric Anstee as a director.
5. To re-elect Mr George Earle as a director.
6. To re-elect Mr David Morrison as a director.
7. To re-elect Mr David Newlands as a director.
8. To re-elect Mr Andrew Robb as a director.
9. To re-elect Mr Stephen Rowley as a director.
10. To re-elect Mr Dominic Taylor as a director.
11. To re-elect Mr Tim Watkin-Rees as a director.
12. To re-elect Mr Nick Wiles as a director.
13. To re-appoint Deloitte LLP as auditor of the company.
14. To authorise the directors to determine the auditor's remuneration.

SPECIAL BUSINESS

15. That the directors are authorised in accordance with section 551 of the Companies Act 2006 (the Act) to exercise all the powers of the company to allot relevant securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £75,286.64 provided that this authority shall expire on the conclusion of the annual general meeting of the company to be held in 2012 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.
16. That the directors are empowered in accordance with section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash (pursuant to the authority conferred by resolution 15 above) or by way of a sale of treasury shares as if section 561(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 £11,293.00, and shall expire upon the expiry of the general authority conferred by resolution 15 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.

17. That subject to, and in accordance with the company's articles of association and pursuant to section 701 of the Act, the company is authorised to make market purchases (within the meaning of section 693 of the Act) of ordinary shares of the company provided that:

(a) the maximum number of ordinary shares to be acquired is 10,156,921;
(b) the minimum price (exclusive of expenses) which may be paid for an ordinary share is the nominal value of such share;
(c) the maximum price (exclusive of expenses) 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 2012 or, if earlier, on the date which is 15 months from the date of this resolution; and
(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.

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.

18. That any general meeting of the company that is not an annual general meeting may be called on not less than 14 clear days' notice.

BY ORDER OF THE BOARD
Susan Court
Company Secretary
26 May 2011

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 with this notice for use by shareholders. To be valid, a proxy must be received by the company's registrars, Capita Registrars, PXS, 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, PXS, 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.

3. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the annual general meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

4. The statement of the rights of shareholders to appoint a proxy in paragraphs one and two above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the company.

5. 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/her 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.

6. To be entitled 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 13 July 2011 (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.

7. Biographical details of the directors of the company are shown on page 19 of the 2011 annual report.

8. Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, in accordance with section 319A of the Companies Act 2006 and subject to some exceptions, the company must cause to be answered. However, no such answer need be given if:

   (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
   (b) the answer has already been given on a website in the form of an answer to a question; or
   (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

9. Information relating to the meeting which the company is required by the Companies Act 2006 to publish on a website in advance of the meeting may be viewed at www.paypoint.com. A member may not use any electronic address provided by the company in this document or with any proxy appointment form or in any website for communicating with the company for any purpose in relation to the meeting other than as expressly stated in it.

10. It is possible that, pursuant to members' requests made in accordance with section 527 of the Companies Act 2006, the company will be required to publish on a website a statement in accordance with section 528 of that Act setting out any matter that the members concerned propose to raise at the meeting relating to the audit of the company's latest audited accounts. The company cannot require the members concerned to pay its expenses in complying with those sections. The company must forward any such statement to its auditor by the time it makes the statement available on the website. The business which may be dealt with at the meeting includes any such statement.

11. The issued share capital of the company as at 26 May 2011 was 67,799,752 ordinary shares of 1/3 pence each. The company holds 37,480 shares for the purpose of employee share schemes; therefore, the total number of voting rights in the company on 26 May 2011 was 67,722,555.

12. 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; and
    - copies of the current articles of association of the company.

Recommendation and voting intentions

With respect to resolutions 4 to 12 (inclusive), the board has considered the retiring directors' performance and recommends that each director be proposed for re-election. This opinion is based on an assessment of each director's relevant knowledge and experience and the conclusion that, in each case, their informed opinions are of significant value and contribute greatly to board discussions. The directors' biographies can be found on page 19 of the 2011 annual report.

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

Resolution 15: Directors' authority to allot shares

By virtue of section 551 of the Companies Act 2006 (the Act), the directors require the authority of shareholders of the company to allot shares or other relevant securities. The resolution numbered 15 authorises the directors to make allotments of up to an additional 25,585,993 ordinary shares (representing approximately one-third of the issued share capital of the company (excluding treasury shares) 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 2012, whichever is the sooner. The directors have no present intention of exercising the authority proposed to be conferred pursuant to resolution 15.

Resolution 16: Authority for disapplication of statutory pre-emption rights

By virtue of section 561 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 570 of the Act. The resolution numbered 16 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 3,387,899 ordinary shares (representing approximately five per cent) of the issued share capital of the company (excluding treasury shares) 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 2012, whichever is the sooner.

Resolution 17: Authority to make market purchases of ordinary shares.

By virtue of section 701 of the Act, the company may make market purchases of its own ordinary shares if authorised to do so by shareholders. Under resolution 17, 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 10,156,921, being 14.99 per cent of the issued share capital of the company (excluding treasury shares) 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 2012, whichever is the sooner.

Resolution 18: Authority to allow any general meeting of the company that is not an annual general meeting to be called on not less than 14 clear days' notice.

Further to the implementation of the shareholder rights regulations, the directors seek authority to hold general meetings, other than annual general meetings, on 14 rather than 21 days notice. 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 2012, whichever is the sooner.

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/our 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 12 noon on 15 July 2011 at the offices of J.P.Morgan Cazenove, 20 Moorgate, London, EC2R 6DA and at any adjournment thereof.

Please indicate by ticking the box opposite 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 (below)

Items 1 to 14 are items of ordinary business, items 15 to 18 are items of special business.

	RESOLUTION **ORDINARY BUSINESS**	**FOR**	**AGAINST**	**WITHHELD**
1	To receive the directors' report and the financial statements for the year ended 27 March 2011, together with the auditor's report.			
2	To approve the remuneration committee report for the year ended 27 March 2011.			
3	To declare a final dividend of 15.6p per ordinary share of the company.			
4	To re-elect Mr Eric Anstee as a director of the company.			
5	To re-elect Mr George Earle as a director of the company.			
6	To re-elect Mr David Morrison as a director of the company.			
7	To re-elect Mr David Newlands as a director of the company.			
8	To re-elect Mr Andrew Robb as a director of the company.			
9	To re-elect Mr Stephen Rowley as a director of the company.			
10	To re-elect Mr Dominic Taylor as a director of the company.			
11	To re-elect Mr Tim Watkin-Rees as a director of the company.			
12	To re-appoint Mr Nick Wiles as a director of the company.			
13	To re-appoint Deloitte LLP as auditor of the company.			
14	To authorise the directors to determine the auditor's remuneration			
	SPECIAL BUSINESS			
15	ORDINARY RESOLUTION: To authorise the directors to allot shares persuant to Section 551 of the Companies Act 2006			
16	SPECIAL RESOLUTION: To disapply statutory pre-emption rights pursuant to Section 570 of the Companies Act 2006.			
17	SPECIAL RESOLUTION: To authorise the company to make market purchases of its ordinary shares up to 14.99% of the issued share capital.			
18	SPECIAL RESOLUTION: To allow any general meeting (other than an annual general meeting) to be called on 14 days' notice.			

To assist with arrangements, if you intend attending the meeting in person, please place an '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 space beneath the proxy holder's name (see above) 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. 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, PXS, 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.

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BUSINESS REPLY
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1st FOLD

PXS
34 Beckenham Road
Beckenham
BR3 4TU

2nd FOLD

Officers and professional advisors

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

* Non-executive directors

Company Secretary
S C Court

Registered office
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Shire Park
Welwyn Garden City
Hertfordshire, AL7 1EL
United Kingdom

Registered in England and Wales
number 3581541

Independent auditor
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United Kingdom

Brokers
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20 Moorgate
London, EC2R 6DA
United Kingdom

Collins Stewart
88 Wood Street
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