



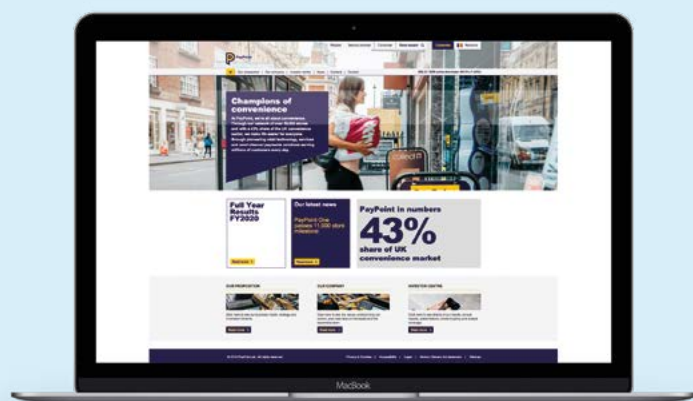
PayPoint plc Annual Report
2020

Who we are

Champions of convenience

At PayPoint, our goal is to embed ourselves at the heart of convenience retail. With a strong network of over 46,000 sites throughout the UK and Romania, we make life easier for retailer partners and consumers through pioneering retail technology, services and omnichannel payment solutions serving millions of consumers every week.

We keep modern lives moving as the definitive convenient parcel point provider and maintaining our position as market leaders in the pay-as-you-go and digital bill payments market. By continually innovating, we are creating unrivalled customer experiences and sustainable growth.



For more information go to
corporate.paypoint.com

Contents

Strategic Report

- 01 Highlights
- 02 At a glance
- 04 Chairman's statement
- 05 Chief Executive's statement
- 06 Our markets
- 08 Business review
- 10 Business model
- 11 Engaging with our stakeholders
- 12 Progress against our strategic priorities
- 15 Strategy and ambitions for 2020/21
- 18 Strategy in action: Embed PayPoint at the heart of convenience retail
- 20 Key performance indicators
- 22 Financial review
- 28 Strategy in action: Becoming the definitive parcel point solution
- 30 Principal risks and uncertainties
- 33 Viability statement
- 34 Strategy in action: Market opportunity in Romania
- 36 Purpose and values
- 38 People and culture
- 40 Responsible business
- 43 Section 172(1) Statement
- 44 Strategy in action: Innovate future growth and profits

Governance

- 46 Board of Directors
- 48 Leadership Team
- 50 Corporate Governance Report
- 56 Nomination Committee Report
- 58 Audit Committee Report
- 64 Directors' Remuneration Report
- 82 Directors' Report
- 85 Statement of Directors' responsibilities
- 86 Independent auditor's report to the members of PayPoint plc

Financial statements

- 93 Consolidated statement of profit or loss
- 93 Consolidated statement of other comprehensive income
- 94 Consolidated statement of financial position
- 95 Consolidated statement of changes in equity
- 96 Consolidated statement of cash flows
- 96 Reconciliation of cash and cash equivalents
- 97 Company statement of financial position
- 98 Company statement of changes in equity
- 98 Company statement of cash flows
- 99 Notes to the consolidated financial statements
- 123 Appendix – Market overview sources

Shareholder information

- 124 Notice of Annual General Meeting
- 132 Officers and professional advisors

Highlights

Revenue

£213.3m

+0.8%
(2019: £211.6m)

Ordinary dividend paid per share

47.2p

+2.2%
(2019: 46.2p)

Profit before tax¹

£56.8m

+3.8%
(2019: £54.7m)

Ordinary reported dividend per share

39.2p

+0%
(2019: 39.2p)

Additional dividend paid per share

36.8p

+0.3%
(2019: 36.7p)

Net corporate debt³

£12.0m

-444.7%
(2019: Net corporate cash £3.5m)

Cash generation²

£66.4m

+5.7%
(2019: £62.8m)

Net revenue⁴

£120.7m

+3.5%
(2019: £116.6m)

2020	120.7
2019	116.6
2018	119.6

Operating margin⁵

47.2%

+0.9ppt
(2019: 46.3%)

2020	47.2
2019	46.3
2018	44.7

Diluted earnings per share

66.3p

+2.3%
(2019: 64.8p)

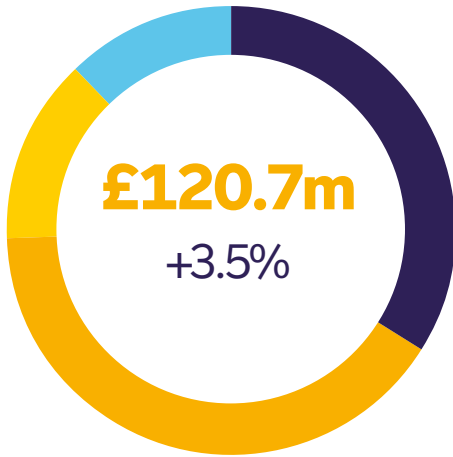
2020	66.3
2019	64.8
2018	62.7

- Profit before tax excluding exceptional items was £56.8 million (2019: £53.8 million).
- Cash generation is an alternative performance measure. Refer to the financial review – cash flow and liquidity on page 26 for a reconciliation from profit before tax.
- Net corporate (debt)/cash (excluding IFRS 16 liabilities) is an alternative performance measure. Refer to note 1 to the financial statements for a reconciliation to cash and cash equivalents.
- Net revenue is an alternative performance measure. Refer to note 4 to the financial statements for a reconciliation to revenue.
- Operating margin % is an alternative performance measure and is calculated by dividing operating profit by net revenue.

At a glance

Our portfolio

Net revenue



- UK retail services **£41.0m** (2019: £37.8m)
- UK bill payments **£48.9m** (2019: £47.8m)
- UK top-ups and eMoney **£16.2m** (2019: £17.1m)
- Romania **£14.6m** (2019: £13.9m)

Diverse range of over 590 clients in the UK and Romania



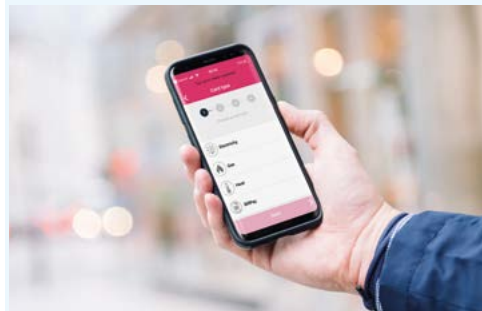
Embed PayPoint at the heart of convenience retail



PayPoint becomes the definitive parcel point solution



Sustain leadership in 'pay-as-you-go' and grow digital bill payments



PayPoint One

PayPoint One sites

16,098

As at 31 March 2020

+3,217

(2019: 12,881)

This is the market-leading retailer platform from which service fee revenue is derived through offering three EPoS solution packages: Base, Core and Pro. These are supported by both Android and iOS mobile apps allowing remote management of the EPoS system, with the added advantage of being integrated with wholesalers' links. The platform is a cloud-based solution allowing PayPoint to future-proof services and ability to adapt quickly to change.

Card payments

UK card sites

9,435

As at 31 March 2020

-361

(2019: 9,796)

PayPoint card payment solutions which seamlessly integrate with its in-store technology, making PayPoint a one-stop solution for convenience retailer partners.

ATMs

UK ATM sites

3,620

As at 31 March 2020

-207

(2019: 3,827)

PayPoint's ATM merchant replenishment model allows retailer partners to recycle cash received from bill payments, creating additional revenue and footfall opportunities and saving retailer partners cash banking charges.

Parcels

UK parcel transactions

24.5m

For the year ended 31 March 2020

+2.7m

(2019: 21.8m)

The UK e-commerce market continues to grow rapidly, with carriers under increased pressure to keep their operational costs to a minimum. With PayPoint having secured full ownership of the Collect+ brand, we have a substantial opportunity for further expansion – both in terms of the partners we work with and the number of sites we have. Our other focus will be to continue helping new and existing carriers reduce costs whilst improving consumer choice and convenience. PayPoint's parcel proposition is in 8,646 sites including 1,608 Amazon only sites.

Bill payments

UK bill payment and top-up transactions

336.4m

For the year ended 31 March 2020

-25.3m

(2019: 361.7m)

Over-the-counter payments will remain an important part of the UK economy. PayPoint will continue to maintain a leadership position in this market and drive growth by investing in innovation to offer a wider range of services.

MultiPay

MultiPay transactions

32.9m

For the year ended 31 March 2020

+5.6m

(2019: 27.3m)

We continue to grow our presence in omnichannel payments through MultiPay by extending it beyond the energy sector. This will maintain PayPoint as a key service provider for clients, providing innovation with digital payment channels as the market grows.

Romania

Network sites

19,257

As at 31 March 2020

+791

(2019: 18,466)

The Romanian business comprises mainly of bill payments and top-ups operating on a similar basis to our UK business. The number of sites returned to growth and increased by 791 sites following completion of the Payzone integration programme.

Chairman's statement



Giles Kerr
Chairman

Following the announcement made on 20 May 2020, the Board is delighted that Nick Wiles has agreed to continue to lead the business in his new role of Chief Executive.

Nick joined the Board in October 2009 as a Non-Executive Director and has been Chairman of the Company for the past five years. Since September 2019 he has been operating in the capacity of Executive Chairman after Patrick Headon stepped down from the Board due to ill health.

Consequently, I have stepped down as Senior Independent Director and have taken over from Nick as Chairman of the Board and Chair of the Nomination Committee. I will continue to carry out my chairmanship duties of the Audit Committee until such time as a new Chair of the Audit Committee can be appointed. Rakesh Sharma, the Chair of the Remuneration Committee, has been appointed Senior Independent Director.

We also say goodbye to Rachel Kentleton, who is to step down from her role as Finance Director over the summer. When she leaves, Rachel will hand over her role to Alan Dale who will then be appointed Interim Finance Director. Alan joined PayPoint in 2017 and is currently Head of UK Finance.

The Board wish Rachel all the best for the future and thank her for her significant contribution during her time in the business.

I would also like to welcome Ben Wishart, who joined the Board during the year as a Non-Executive Director and is already bringing his strong technology and business transformation skills and experience to Board discussions.

Likewise, we have seen some changes in the members of our Leadership Team this year. We have said goodbye to Susan Court, Head of Legal & Company Secretary and welcomed Danny Vant as Client Services Director. Lewis Alcraft has been promoted to Chief Operating Officer and we have appointed a new Retail Services Director who is due to join the business on 1 July 2020.

Financially, the Board's immediate priority is to continue to preserve PayPoint's balance sheet strength to ensure PayPoint emerges in a strong position from the Covid-19 crisis, consequently the additional dividend programme announced in May 2016 was suspended in March 2020 and has now ended. The programme has returned £83.5 million to shareholders.

The Board's approach to the setting of the ordinary dividend has not materially changed and follows the following capital allocation priorities:

- investment in the organic business; and
- progressive growth in ordinary dividends targeting a cover ratio of 1.2 to 1.5 times earnings¹

whilst ensuring that leverage is not substantially increased, even in a scenario whereby the trading patterns seen in late April continue until the end of December 2020.

Giles Kerr
Chairman
27 May 2020

1. Profit after tax divided by dividends.

Chief Executive's statement



Nick Wiles
Chief Executive

At the time of writing, the final outcome and achievements in the business over the past year have been overtaken by the immediate challenges we face in response to Covid-19 and its impact on our business.

Our priority through this crisis is to keep our people safe and well, while providing the necessary support to our clients and retailer partner network, as we continue to serve some of the most vulnerable in our communities. As we reported in March 2020, the business has quickly moved to an operating model which combines remote working, continued activity in the support of our retailer partner network, including our Contact Centre which has remained fully operational throughout, and some essential office-based activity. We have sought to minimise the disruption to service and support we can provide to clients and our retailer partner network at this time while taking the appropriate actions to safeguard our people.

Ahead of this crisis, the Board had already commenced a strategic and organisational review of the business as it considered how best to adapt and invest to maximise the opportunities available in an increasingly competitive environment and one in which the relationships with our clients and our retailer partner network are central to our long-term future success. One of the inevitable consequences of this situation will be the need to respond more quickly to these challenges and some of the trends which we expect to accelerate following this crisis.

The work the Board has done continues to support our core strategic priorities for the business: embedding PayPoint at the heart of convenience retail; become the definitive parcel point solution; and sustain leadership in pay-as-you-go and grow digital bill payments. However, to develop a strategy which both underpins these core strategic priorities and creates meaningful new opportunities for growth, we need an organisational structure and renewed culture which delivers a step change in operational performance and accountability throughout the business. Recognising these needs, we have already made changes to our organisational structure and, in addition, identified necessary actions to strengthen and invest in our business to deliver a stronger platform for long-term growth, further details of which are set out later in the report.

Over the coming months the impact of Covid-19 will continue to create significant uncertainties in our business. However, PayPoint has already shown great adaptability in its initial response to the challenge and we have confidence in our resilience and preparedness for the next stage in this developing situation. We have clear plans under way to contain costs, we are working flexibly in support of our clients and retailer partner network and we continue to explore new opportunities.

Finally, I am deeply grateful to both our incredible people who have been working so hard through this terrible situation and the strong leadership from the Leadership Team in response to the challenges we are facing.

Nick Wiles
Chief Executive
27 May 2020

Our markets

Market overview

PayPoint's retailer partner network is the largest of its kind. Our superior network means 99.5% of the urban population live within one mile of a PayPoint retailer partner and 98.3% of the rural population live within five miles. This provides a convenient place for consumers to pay their bills and access other PayPoint services, including the collection and sending of parcels where available.

The recent events surrounding the outbreak of Covid-19 and the measures taken by the government has, at the time of writing, had an impact in the markets that we operate in. Whilst it is too early to understand the longer-term structural changes that will ensue following Covid-19, we have included current trends in the market overview.

In the UK, the retail sector comprises of c.62,600 retail sites and is made up of the following segments:

	UK retail sector (Before Covid-19) ¹	PayPoint's UK network (As at 31 March 2020) ²
Independent retailers	18,500	
Symbol group independents	14,400	
Specialist and confectionery, tobacconist and news sites	6,000	
Symbol and independent retailers	38,900	17,700
Multiple groups in convenience retail ¹	13,500	
Supermarkets and discounters	10,200	
Managed groups	23,700	9,100
Total UK sites	62,600	26,800

26,800

sites within the UK

99.5%

of urban population live within one mile of a PayPoint retailer partner

98.3%

of rural population live within five miles of a PayPoint retailer partner

Market insights

Convenience retail

Before Covid-19

Convenience retail growth has been driven by consumers' habits changing towards smaller but more frequent shopping trips at their local stores.

- Total convenience sector sales are estimated to have grown by 3% in 2019 to over £40 billion³, compared to overall food retail growth of 1.7%. Convenience sales are expected to grow at an annual compound rate of 3.1% until 2024⁴.
- Convenience retailer sites increased marginally to 46,400 sites across the UK, driven by multiple groups opening additional sites.

Current impact of Covid-19

Homebound consumers have driven an increase in local shopping for essential items, benefitting local convenience stores and specialist food and drink retailers, such as off licences and greengrocers.

- Convenience sales since the beginning of Covid-19 lockdown (24 March–5 April 2020) are up 56% compared to the same period last year⁵.

Our PayPoint One technology is well suited for symbol and independent convenience retailers. In conjunction with additional PayPoint services such as parcels, it enables retailers to achieve higher footfall, serve customers more quickly and improve business efficiency. This helps them to grow their businesses profitably and remain competitive. Managed groups which offer PayPoint services typically use the PPOS solution which integrates into their own EPoS systems. As we develop our range of services and value for retailers, we will look to drive additional growth from service fee revenue.

Card payments

Before Covid-19

Card payments, particularly contactless, continued to displace cash as a payment method.

- UK convenience store card payments transactions increased by 10.5%⁶. Contactless payments increased 12.3%⁷.
- Average transaction values declined by 9.0%⁸ to £15.48.
- Over 90% (2019: 88%) of convenience retailers offer debit and credit card facilities with 88% (2019: 80%) accepting contactless payments⁹.

Current impact of Covid-19

Card payments have benefitted from the increase in convenience store sales and health concerns related to handling cash.

- Contactless payment limit increased to £45 from £30 from 1 April 2020.

PayPoint will benefit both from the market growth in UK card payments and by increasing the penetration of its card payment products in its retailer partner network, assisted by our new unique net settlement feature, allowing the offset of bill payments cash due from retailers against funds due to retailers for card payments.

CashOut

Before Covid-19

Cash remains a very popular payment method, and is the second most frequently used payment method in the UK.

- Estimated 55 million over the counter branch withdrawals in 2018¹⁰.
- 3,303 bank branch closures between January 2015 and August 2019, around 34% of the network¹¹.
- LINK's ATM transactions declined by 11.3% to an average of 2,558 million transactions¹², in the 12 months to February 2020.
- LINK's ATM network declined by 2,861 (4.5%) to 60,291 sites in December 2019¹³.

Current impact of Covid-19

ATM activity has reduced because of temporary retailer closures and health concerns related to handling of cash.

- Weekly transaction volumes have reduced to c.21 million transactions¹⁴, c.60% lower than similar weeks in 2019. LINK's ATM network reduced to 53,874 (c.10% from December 2019) by 17 April 2020.
- It is likely consumers' cash usage habits will fundamentally change, however the need for cash access, as a contingency and for vulnerable consumers, will continue to be important. LINK has suggested a possible fundamental review and potential restructuring of the country's ATM network and its business model¹⁵.

PayPoint's ATM merchant replenishment model allows retailers to recycle cash received from bill payments into the ATM. This model is more cost-effective for both PayPoint and the retailer, allowing PayPoint's ATMs to operate profitably at much lower volumes than the market. As a result, this model, as part of a broader product offering, makes the PayPoint ATM network more resilient than the market as a whole. This provides PayPoint the opportunity to grow its market share and continue to enable additional revenue and footfall opportunities for the retailer. PayPoint also has other CashOut services providing an effective solution for local authorities, charities and service providers to Department for Work and Pensions.

Parcels

Before Covid-19

- Interactive Media in Retail Group ('IMRG') forecast UK parcel volumes (in November 2019) to decline by 5.6% year-on-year in 2019¹⁶ to 1.4 billion parcels.
- The pick-up and drop-off ('PUDO') market comprises Click and Collect, returns and send propositions. The Click and Collect market is 11% of all volumes c.150 million parcels per year and is expected to double by 2025¹⁷. Returns and send volumes are estimated at c.185 million and c.380 million parcels per year respectively¹⁸.

Current impact of Covid-19

- Online clothing sales, a large sector of the PUDO click and collect volumes, have reduced by c.30% year on year for the four weeks following 15 March 2020¹⁹.
- Some parcel carriers have suspended their redirect services decreasing volumes.

As PayPoint develops new parcel partnerships it will look to maximise its share of this market. This will drive additional footfall and revenue opportunities for convenience retailers and improve the Click and Collect experience for online shoppers. Volume is also expected to increase with the development of a market attractive send proposition.

Bill payments and top-ups

UK

Before Covid-19

- Cash payments in the UK declined by 16% in 2018²⁰.
- Energy:
 - The price cap for pre-pay customers reduced to £1,200 per year in April 2020²¹, 3.4% lower than the cap set in April 2019.
 - Non-Big Six energy providers combined market share grew marginally to 26% (2018: 25%)²².
 - OVO Group Ltd's acquisition of SSE Energy Services Group Ltd was cleared by the Competition and Markets Authority in December 2019²³.
 - In 2019, 4.4 million domestic smart meters were installed to reach 19.3 million of 51.8²⁴ million total meters.
- Number of pre-paid mobile subscriptions declined by 6.2% to 25.9 million subscribers²⁵, with more customers topping up online.

Current impact of Covid-19

- The Department for Business, Energy and Industrial Strategy and domestic energy supply companies agreed principles to support energy customers impacted by Covid-19 including extending discretionary/friendly credit or sending out a pre-loaded top up card²⁶.
- Smart meter installations are slow; most suppliers have decided to carry out emergency metering work only²⁷.
- Energy suppliers encouraging consumers to switch to digital payments.

PayPoint will work to maintain its leadership in this area and look to drive profitable growth opportunities supporting new entrants in the energy and banking space. Through MultiPay and other innovative new services, PayPoint will further facilitate the growth of online bill payment transactions in selected verticals.

Romania

Before Covid-19

- Cash usage continued to grow as reflected by PSP ATM cash withdrawals increasing by 12% in 2019 to RON 221 billion in 2019²⁹.
- Card payments are growing in usage with PSP processing RON 72 billion in 2019, a 23.6% increase from 2018²⁹.
- Grocery and pharmacy footfall increased c.15% year-on-year in first two weeks of March 2020³⁰.

Current impact of Covid-19

- Grocery and pharmacy footfall fell by over 40% in the initial lockdown and was still 21% lower by the second week of April 2020³⁰.

There are c.435 million bill payments per year²⁸ with cash payments being the preferred payment method.

Business review

2019/20 performance

This financial year, revenue grew by £1.7 million (0.8%) to £213.3 million. Underlying¹ net revenue grew by £4.8 million (4.1%) to £120.7 million with growth across the majority of business areas. UK retail services, which now represents 34% of Group net revenue, grew by £3.2 million (8.5%), driven by increased service fees from adding over 3,000 new PayPoint One sites. PayPoint One was live in 16,098 sites on 31 March 2020², exceeding our original target of 15,800 sites, which we set out at the beginning of the financial year. Our revised target³ of 16,500 sites was achieved on 21 February 2020 and this achievement brings our T2 sunset programme in our independent estate to an end. Our parcel business delivered strong volume growth as our new partners, particularly eBay and Amazon, were rolled out to more sites within our network and awareness of the service developed. UK bill payments and top-ups net revenue showed continued resilience in the face of the current decline in cash payments in the UK and the previously announced ending of the British Gas contract, partially offset by the current year from client contracts entered into in prior year (IFRS 15). Romania net revenue grew by 5.5% through improved margins and increased transactions. Reported net revenue, which reflects the £0.7 million headwind of the revised Yodel commercial terms in prior year, increased by £4.1 million (3.5%).

Pre-tax profits before reflecting the variable pay benefit of £2.1 million was £54.7 million and was in line with the expectations we set in our 23 January 2020 Trading Statement. The 'variable pay benefit' arises due to the recent and unexpected situation of Covid-19 and subsequent actions and events, including the decision to cancel management bonuses. Reported profit before tax grew by 3.8% with diluted earnings per share also increasing by 2.3% to 66.3 pence. PayPoint remains highly cash generative with profit before tax of £56.8 million converted into £66.4 million cash. Net corporate debt of £12.0 million represents a decline in net cash of £15.4 million as a result of the additional dividend programme.

On 6 April 2020, PayPoint acquired the remaining 50% of the joint operation that Yodel owned for £6 million, resulting in Collect+ becoming a fully owned brand within the PayPoint Group. The long-term partnership was reaffirmed as Yodel renewed a multi-year contract to continue as a parcel carrier for Collect+. PayPoint also acquired the ownership of the Collect+ website domain which will now be developed to further the brand and promote volume growth.

For the year ended 31 March 2020, the Board is proposing a final dividend of 15.6 pence per share.

Covid-19 impact and current trading

PayPoint continues to provide its vital services to local communities during this unprecedented period of uncertainty. Our priority is to ensure our business continues to function effectively and safely enabling continued support for our clients and retailer partners so that communities can access required services. Our network continues to function with over 96% of our retailer partners remaining open during the lockdown period and our Contact Centre remains fully operational. We have made our network available to local authorities to provide financial support, through our CashOut service, to the most vulnerable in their local communities. We have also increased resources and provided a dedicated call line in our Contact Centre to further support these consumers. We have proactively worked with our retailer partners to ensure our network coverage remains best in class and can continue to deliver for our clients and their consumers.

PayPoint moved to an operating model which combines remote working, continued activity in the field, to support our retailer partner network, and some essential office based activity. We are actively minimising the disruption to services and the support we provide clients and retailer partners whilst taking the appropriate steps to safeguard our people. Currently we have not furloughed any of our people and have not accessed any available government assistance. Instead, we have reviewed and reduced third party expenditure, suspended annual salary reviews and cancelled management bonuses for the financial year ended 31 March 2020.

A number of measures have been implemented to support the convenience retail community amid the Covid-19 outbreak. The initiatives include a campaign to celebrate Retail Heroes, a £25,000 contribution to the NFRN Covid-19 Hardship Fund, service fee changes, including waving annual increase, and a new partnership with Deliveroo.

PayPoint's Retail Heroes is being launched in May with the aim of recognising retailer partners in the PayPoint network that have gone 'above and beyond' to serve their local communities during the Covid-19 pandemic. The winning retailer partners will be showcased across PayPoint's social media channels, receive a certificate and a £500 donation to a charity of their choice. In addition, a donation will be made to the NFRN Covid-19 Hardship Fund, which offers financial assistance to members struggling with cash flow during the Covid-19 pandemic. The fund has raised more than £200,000 to date and PayPoint is proud to contribute a further £25,000.

PayPoint is also introducing changes to its service fees and billing process. The first component of this is waiving the yearly inflation increase to service fees, which will remain consistent with last year's amounts. This will be coupled with a permanent move to service fee billing in arrears, benefitting retailer partners' monthly cash flows, and the option for those forced to close their stores to claim a service fee refund for the closure period.

Finally, PayPoint recently announced an innovative partnership with Deliveroo, the UK's leading online food delivery company. The collaboration allows retailer partners to apply for fast-track access to the Deliveroo system so members of the local community can order products to be delivered contact-free in as little as 30 minutes.

In response to the Covid-19 outbreak, and in line with the related public health guidance and legislation issued by the UK government, the Board will be running this year's AGM as a closed meeting and shareholders will not be able to attend in person. Further details will be available in the 2019/20 annual report.

Whilst it is still too early to have visibility on the longer-term consequences that will ensue following Covid-19, the impact of consumers avoiding cash and remaining at home has significantly reduced ATM transactions and parcel volumes. Parcels have also been impacted by some carriers suspending their redirect to local store services during this period. Card payments have benefitted as consumers tended to use their local convenience stores more and in replacement of going to restaurants and entertainment venues. Bill payment transactions have reduced as energy companies have provided pre-pay consumers with credit, services including transport have significantly reduced, clients have encouraged digital payments and consumers increased their average top-up amounts.

The table to the right compares the volume of transactions with the comparable periods in prior years. Whilst there are always additional factors that impact trading such as the impact of warmer temperatures seen on the energy business, it provides a helpful insight as to the impact of Covid-19 on consumer behaviour.

Outlook and dividend

At this early stage in the year we are not in a position to predict the full nature, extent and duration of the financial impact of Covid-19 on the business and as a result there is a broad range of potential profit outcomes for both the current year and further into the future.

The core characteristics of the business remain unchanged, with a strong balance sheet, clear business model, a broad and resilient earnings base with the opportunity to use technology to adapt our business model and strong cash generation which supports the payment of a dividend.

Service	Full year 19/20 vs 18/19 % increase/ (decrease)	1-17 April FY20/21 vs FY19/20 % increase/ (decrease)	18 April- 17 May FY20/21 vs FY19/20 % increase/ (decrease)
Bill payment transactions ¹	(0.9%)	(31.5)%	(24.8)%
Top-up transactions	(11.2%)	(20.1)%	(19.0)%
ATM transactions	(4.1%)	(39.9)%	(33.1)%
Card payment transactions	20.6%	75.3%	74.4%
Parcels	12.7%	(54.9)%	(22.8)%

1. Excludes the impact of British Gas contract not being renewed.

Current trading has demonstrated good resilience in the bill payments and top-ups businesses. ATMs and parcels have been more severely affected although card payments have benefitted from increased sales in the convenience sector. For the current year, we have reviewed a number of scenarios. Our base case assumes that the trading patterns seen during the second half of April and into May will continue through until the end of June and thereafter the business will see a gradual recovery, with the rate of this recovery being impacted by overall economic conditions. Whilst there are many sensitivities that sit behind these base assumptions, at this stage we view this as a prudent basis from which to manage the business, maximise our resilience during this crisis and take opportunities as they emerge for the longer term.

Ahead of this crisis we had anticipated the ending of the British Gas contract effective from 1 January 2020, this contributed £3.8 million net revenue and contribution for the year ended 31 March 2020. Whilst we have successfully renewed all subsequent contracts, some of these contract renewals have required additional investments. Costs are being tightly managed and we expect operating cost cash flow in the current financial year to remain flat on the prior year, albeit reported costs will rise due to additional depreciation from investment in our back-office systems and the absence of the prior year variable pay benefit.

As a measure of the confidence the Board has in the resilience of PayPoint the Board has proposed a final dividend of 15.6 pence. In determining the level of dividend, the Board has sought to ensure a prudent level of earnings coverage for the dividend within the target cover range of 1.2 to 1.5 times earnings⁴ and to ensure that leverage is not substantially increased even in a scenario whereby the trading patterns seen in late April and continue until the end of December 2020.

1. Excludes the prior year impact from the Yodel renegotiation of £0.7 million.
2. The reduction of c.400 sites from 21 February 2020 to 31 March 2020, was primarily due to retailer partners temporarily closing for business during the initial Covid-19 lockdown period. Since then c.260 of those sites have reopened.
3. As indicated in our Half-year results for six months ended 30 September 2019.
4. Profit after tax divided by dividends.

Business model

Operating with a clear business model and capital discipline, we drive value to all stakeholders through our innovative products and services and our market-leading networks.

We help:

	Consumers (millions)
	Convenience retailers (tens of thousands)
	Business and public sector (hundreds)

To:

Conveniently make payments and collect parcels
Offer more services to their local community Drive footfall and improve the performance of their business
Make it easy for their consumers to pay bills and receive online purchases

How:

Offering specialist products and services

- PayPoint One/EPOS
- Collect+
- MultiPay, eMoney
- Card payments
- ATMs

✓

Across our market-leading retail network (and online)

27,000	19,000
convenience sites in UK	in Romania

✓

All sharing our low-cost, scalable platform

- differentiated and resilient technology
- robust settlement system
- 24/7 operations support
- retailer support and management

Resulting in benefits to:

Shareholders

- Healthy margins and profitability
- Strong cash generation and dividends
- Investment in innovation

+

Our people

- A good place to work, making a difference through our purpose

Engaging with our stakeholders

We understand our stakeholders are the cornerstone in growing a successful business. We recognise what is important to each stakeholder group and ensure a proactive engagement approach to cultivate mutually beneficial relationships.

Our stakeholders	How we engage	Key topics discussed	How the Board engages/ is kept informed
<p>People</p>  <p>We have a talented, diverse and committed workforce with experience from a wide range of industries.</p>	<p>Our employee forum is a communication platform attended by employee representatives elected by their colleagues.</p>	<p>The employee forum discusses the issues raised by the engagement survey and any business related issues.</p> <p>The survey has recently proved useful in obtaining feedback from employees on new ways of working introduced as a result of the pandemic.</p>	<p>Gill Barr, the Board representative of the employee forum, facilitates the flow of communication between the forum and the Board. The HR Director updates the Board on results of engagement surveys and people matters generally in a formal presentation to the Board each January.</p>
<p>Shareholders</p>  <p>We aim to deliver a sustainable and rewarding business model.</p>	<p>Through our investor relations programme (see page 55 for more information), our annual report and accounts and our annual general meeting, we ensure shareholder views are brought into our boardroom and considered in our decision making.</p>	<p>Financial performance, strategy and business model and the dividend policy.</p>	<p>The Board and its Committees meet regularly throughout the year with meetings scheduled around key dates in the Company's corporate calendar and when necessary to consider key corporate transactions or events that may arise.</p>
<p>Convenience retailer partners</p>  <p>Our retailer partners offer their consumers one or more PayPoint services. Ranging from independent retailer partners with one store to large multiple retailer partners.</p>	<p>An account management team develops our relationships with multiple retailer partners, whilst our contact centre and field operations team support independent retailer partners. Independent retailers are also represented by a retailer partner forum, which has regular meetings across the year. In addition communications are sent out via weekly emails and newsletters.</p>	<p>Performance reviews, market trends and insights, sharing best practice, new clients and product development.</p>	<p>The Executive Board provides updates to the Board when required.</p>
<p>Consumers</p>  <p>We serve millions of consumers every day, helping them to make payments and collect parcels conveniently through our retailer partner network and omnichannel payments solutions.</p>	<p>Our communication platforms provide the environment for us to engage with consumers. Through our website and social media profiles we inform, update and resolve issues with consumers quickly and efficiently. Feedback and queries are collated to improve consumer experience.</p>	<p>New services and partnerships, network expansions, game releases and support on customer complaints.</p>	<p>The Executive Board provides updates to the Board when required.</p>
<p>Clients</p>  <p>Our client base operates across a broad and diverse range of sectors including commercial, not-for-profit and the public sector. They are critical to our business. Understanding their needs and requirements is essential to retention and development.</p>	<p>Dedicated account managers have client review meetings throughout the year to discuss performance and future innovations. We also have daily operational contact where required to resolve business as usual queries. For the larger strategic accounts, we will hold a mixture of operational, tactical, and strategic meetings throughout the year.</p>	<p>Service and performance versus key performance indicators, business challenges where we may be able to provide support, short and long term strategic goals to drive alignment, and PayPoint service evolution to enhance our clients' own service performance to their end user.</p>	<p>The Executive Board provides updates to the Board when required.</p>
<p>Local communities</p>  <p>Our network places us at the heart of local communities.</p>	<p>We support fundraising events by providing financial support to causes that are important to employees. We act as an enterprise advisor to a local secondary school, supporting the transition between school and the workplace.</p>	<p>37 different charities were supported during the year including Essex & Herts Air Ambulance and Children in Need.</p>	<p>The HR Director updates the Board via a formal presentation each January.</p>

Progress against our strategic priorities

PayPoint's strategy is to maximise its opportunity in the dynamic markets in which it operates by leveraging its leading retailer partners' network, scalable technology and payments platform. The strategy is executed through the following priorities identified in the 2018/19 annual report:

- Embed PayPoint at the heart of convenience retail.
- PayPoint becomes the definitive parcel point solution.
- Sustain leadership in 'pay-as-you-go' and grow digital bill payments.
- Innovate future growth and profits.

Progress against these priorities is set out below.

Priority 1: Embed PayPoint at the heart of convenience retail

PayPoint will continue to provide and develop new products and services which enhance our retailer partners' offer to their customers and help them operate their businesses more effectively. Core to this priority is PayPoint One, which includes EPoS and bill payment functionality, and other products such as card payments and ATMs.

Progress in 2019/20

PayPoint One was live in 16,098 sites at 31 March 2020, representing growth of 3,217 since last year. The original target of 15,800 was exceeded and whilst the revised target of 16,500 live sites at the year end was not met due to non-operational sites due to Covid-19, this target was achieved on 21 February 2020:

- Retirement of legacy T2 terminals from the UK independent retailer estate completed by 31 March 2020, 98.9%¹ of PayPoint's independent retailer partners are now using PayPoint One.
- Average weekly service fee revenue per site increased to £15.4 (2019: £15.1) benefitting from the annual price indexation. EPoS Pro was live in 838 sites, growth of 193 since last year.
- After a successful national trial, the Booker EPoS link is now available to PayPoint One Pro sites. Retailers will benefit from daily price updates, monthly consumer promotions, the ability to place orders through the PayPoint One mobile app and receive electronic delivery notes to update stock.

Card payments was live in 9,435 sites at 31 March 2020, a decline of 444 sites from 30 September 2019, largely due to non-operational sites from Covid-19:

- Card payment transactions grew by 20.6% to 136.8 million.
- Net revenue increased 10.9% to £8.7 million. The effect of the increased number of transactions was partly offset by lower average transaction values arising from the growth in contactless payments. The average transaction value was £11.97, a reduction from £12.60 achieved in 2019.
- Operational improvements and new pricing structures have reduced the card payments churn rate, excluding Covid-19 suspended sites, by 2.2ppts to 14.4% (2019: 16.6%).
- Launched roll-out of card payments net settlement functionality allowing the offset of bill payments cash due from retailer partners against funds due to retailer partners for card payments, this is now live in 399 sites.

ATMs were live in 3,620 sites at 31 March 2020, a decrease of 207 since 31 March 2019, largely due to non-operational sites from Covid-19:

- Secured a new significant ATM client and rolled out 141 ATMs to its leisure centres.
- PayPoint continued to focus on relocating machines from low performing sites to better locations.
- The average monthly transactions per site per month grew by 2.7% to 1,809 transactions. ATM transactions declined by 4.1% to 40.4 million, less than the general market decline of 11.3%² before Covid-19.
- Net revenue decreased 3.5% to £11.9 million, primarily due to the reduction in LINK interchange fees (5% in July 2018 and 5% in January 2019) and lower transactions.
- PayPoint has been actively converting surcharging ATMs to free ATMs, under LINK's Financial Inclusion scheme. This activity has contributed to building an estate of over 160 free PayPoint ATMs, that facilitate free access to cash to the most vulnerable in society.

1. Excludes retailer partners using the PPOS terminal and Multiple retailer partners using the legacy terminal.

2. <https://www.link.co.uk/about/statistics-and-trends/> : For the 12 months to 29 Feb 2020.

Continued focus on service delivery improvement:

- Continued investment into our EPoS platform to facilitate further expansion of features and ensure continued delivery of benefits to our retailer partners. This has included improved processing speed for transactions and so reducing our server use, implementing new operational monitoring to better manage the platform, redesigned EPoS configuration of communication with the till and redesigning back end reporting to be faster and report over longer periods.
- Introduced 'Early life project' and 'Retailer end to end management' initiatives to support retailers.
- A Retail Services Director has been recruited and will start on 1 July 2020, to take direct responsibility for the delivery of products and services to our retailer partner network and the management of our relationships in the network. The new structure will bring together our Field, Operations, Contact Centre and Product teams so all are focused on delivering improved value to retailers.
- Extended our in-house terminal maintenance and repairs to include PayPoint One and PPoS terminals. Terminal swap rates reduced by 57% driven by stability of PayPoint One and improved quality of repairs from in-house maintenance which ultimately improved customer service and experience.
- Deployed the lead to sales feature of Salesforce CRM, a cornerstone to delivery of our strategy, enabling paperless sign up supported by a system-driven work flow which has improved data accuracy and has reduced timeframes from prospecting to installation. In addition to reducing manual paper based processes, this investment has supported our move to remote working.

Priority 2: PayPoint becomes the definitive parcel point solution

Online retail shopping will continue to grow as retailer partners enhance their offering with ongoing improvements in convenience and service delivery methods. However, deliveries in the 'last mile' remain difficult for carriers who are operating in a competitive low-margin market. PayPoint's extensive network, which comprises over 8,000 sites, provides a solution for carriers and retailer partners, improving service levels for their consumers.

Progress in 2019/20

- Rolled out new partners' access to the PayPoint network with minimal operational impact on Collect+ network sites.
- Held over 9,000 training sessions with new and existing retailers on behalf of new parcel partners.
- Volumes grew by 12.7% to 24.5 million, primarily from new partner volumes.
- Parcel mobile app functional enhancements with parcel inventory management, character recognition and predictive text features.
- On 6 April 2020, PayPoint acquired the 50% of the joint operation that Yodel owned resulting in Collect+ becoming a fully owned brand within the PayPoint Group. It also reaffirmed the long-term partnership with Yodel with commitment to a multi-year contract. PayPoint also acquired the ownership of the Collect+ website domain which will now be developed to further the brand.

Priority 3: Sustain leadership in 'pay-as-you-go' and grow digital bill payments**UK**

Over-the-counter payments will remain an important part of the UK economy and we will continue to retain our leadership in this area. This business remains highly cash generative and enables us to invest in future growth and innovation. We intend to grow our presence in omnichannel payments by evolving the MultiPay platform offering and extending beyond the energy sector.

Progress in 2019/20

- 19 new clients were contracted including Monese; 22 contracts were renewed including EDF and Monzo Bank and 7 existing clients signed up for additional services, notably Shell taking our MultiPay service. Renewals represented 23.7% of our bill payments and top-ups annual net revenue.
- UK bill payment and top-ups net revenue increased 0.3% to £65.1 million, the impact from the ending of the British Gas contract was partially offset by the current year benefit from client contracts entered into in prior years (IFRS 15). Transaction volume decreased by 7.0%, primarily due to the end of the British Gas contract and a decline in top-ups. Client revenue mix continued to improve, with the average net revenue per transaction increasing to 19.4 pence, up 7.8%.
- Strong growth continued with MultiPay, transactions increased by 20.4% to 32.9 million transactions, net revenue increased 25.7%.
- Implemented new direct debit and PayByLink functionality for MultiPay.
- Strong growth in eMoney, transactions increased by 17.3% to 9.1 million, net revenue increased 19.9%.
- Executed detailed transition plans for British Gas account.

Progress against our strategic priorities **continued**

Romania

Romania is an important growth driver for PayPoint. Its technology platform, network strength and brand recognition make it uniquely placed as the Romanian market evolves. This evolution will include, over time, growth in automated, digital, parcel and card payments solutions. Cash bill payments remain a mass market proposition and will continue to be a robust category.

Progress in 2019/20

- Maintained leadership in the bill payment market with a 32% share of clients' cash bill payments, driven by 74% consumer awareness.
- 24 new clients secured in the year.
- Transactions increased by 2.0% to 114.6 million despite challenging market conditions, net revenue increased 5.5% to £14.6 million.
- Extended network into large multiple retailers; PayPoint was in 19,257 sites at 31 March 2020, an increase of 791 since 31 March 2019 due to continued sales efforts.
- Card payment sites increased by 244 to 1,548.

Priority 4: Innovate future growth and profits

Innovation has been a key to our success since PayPoint started over 20 years ago. As evidenced in the above priorities, we continue to innovate to maintain our competitive advantage, drive new products and services, improve our retailer experience and increase efficiency.

Progress in 2019/20

- Trialed a new self-service proposition in Romania with development of an automatic vending machine ('AVM') to offer a new, convenient channel to consumers.
- MultiPay PayByLink capability developed to extend functionality.
- Deployed the lead to sales feature of Salesforce CRM.
- Parcel mobile app functional enhancements.
- Continued investment into our EPOS platform.

Organisation and service delivery

Underpinning PayPoint's future success is the continued development and investment in our people, systems and organisation with the aim to create an efficient and high performance based culture with a focus on empowerment, engagement and customer service.

Progress in 2019/20

- Deployed the lead-to-sales feature of Salesforce CRM, enabling paperless sign up supported by a system driven work flow which has improved data accuracy and has reduced timeframes from prospecting to installation. In addition to reducing manual paper based processes this investment has supported our move to remote working.
- Implemented a new ERP system, Microsoft NAV, enabling streamlined processes and improved efficiency together with more analysis.

Strategy and ambitions for 2020/21

We are still assessing the impact of Covid-19 on our business and the longer-term trends in our key markets. For the short term our focus is on necessary tactical actions to support the business but the core strategic priorities for the business remain unchanged:

- Embed PayPoint at the heart of convenience retail,
- Become the definitive parcel point solution,
- Sustain leadership in 'pay-as-you-go' and grow digital bill payments.

To develop a strategy which both underpins these core strategic priorities and creates meaningful new opportunities for growth we need an organisational structure and renewed culture which delivers a step change in operational performance and accountability throughout the organisation. A new sense of energy and purpose in the business is required as we take the necessary actions to improve our engagement with clients and partnership with our retailer partner network.

With the benefit of external support the Board has identified a number of actions necessary to strengthen and invest in our business to deliver a stronger platform for long-term growth.

Priority 1: Embed PayPoint at the heart of convenience retail

Ambition for 2020/21

Our assessment of the market remains that the changing dynamics in the convenience retail sector are creating significant opportunities for PayPoint. However, to access these opportunities we need to deliver a different level of service and partnership with our retailer partner network to improve retailer sentiment we face today and in response to intensified network competition following the Post Office's acquisition of Payzone. To build on the successful roll-out of PayPoint One and retirement of legacy terminals we have a number of key objectives under way in the Retail Services business;

- A reorganisation of our retailer partner network facing resource, to deliver a more closely aligned Field Operations and Contact Centre, leveraging the benefits of our newly rolled out CRM system, to deliver a better service to our retailer partners. Combined with investment in our retailer portal, this will give our retailer partners a greater range of channels from which to interact with PayPoint and our support teams the real-time information needed to resolve issues quicker.
- To improve the overall quality of our interactions with retailers we will work with retailers to design a new multi-platform self-service portal. This will replace several existing separate portals. Ultimately, this will improve our retailer partners experience and reduce their need to call the Contact Centre.
- Undertake a detailed retailer network review, to understand better our retailer partners, the products and services they need to succeed in their businesses and the retailer proposition we can provide which delivers the best value. The outcome of this process will be increasing engagement and value for our retailer partners and a more efficient and service orientated retailer facing resource.
- Better use of the data we have within the business today to proactively manage our retailer partner network and monitor its performance. To achieve this the business is establishing a small number of key KPIs to speed up management response times to issues and opportunities in the network.
- Deliver more ambitious plans to grow our Card and ATM estate and support these plans with investment. PayPoint has strong offerings in both of these products, with a number of unique features which should be adding significantly more value to our existing retailer partner network. These products also offer opportunities to provide growth opportunities beyond our existing network.
- In offering support for access to banking services in the community, we need to provide withdrawal and deposit services to credit institutions and other authorised organisations and build on existing offerings we have already developed with a number of challenger banks and eMoney issuers.

Strategy and ambitions for 2020/21 continued

Priority 2: PayPoint becomes the definitive parcel point solution

Ambition for 2020/21

The Collect+ transition to a multi-carrier parcel proposition is now complete and there is a strong recognition from carriers, our retailer partners and consumers of the value our service brings to convenience and service delivery in parcels. For our retailer partners, Collect+ offers a combination of benefits, including a broadening of the footfall demographic and meaningful commission payment. Our next phase of volume growth in this business will be delivered through a maturing and optimisation of the network, underlying growth in consumer adoption of the pick up proposition and an increased focus on operational performance and improved/consistent consumer experience. To achieve this our objectives are:

- Integrate our Parcels Contact Centre into our overall retailer facing activities and deliver an improved level of retailer support (again benefitting from the roll-out of our CRM system).
- A retailer parcel network assessment to ensure we have the appropriate network capacity and skills/training levels in the network to support our next phase of growth.
- Continue to scale partners' access into the network, with a carrier by carrier plan to capture optimal network size, and identify new carrier prospects appropriate to the Collect+ network.
- Renew our focus and measurement of operational performance, consumer service and experience, including additional retailer training and support, refreshing our key KPIs to ensure there is full alignment with our carrier partners.
- Establish a market attractive send proposition and ensure this is operational ahead of the peak parcel volume season in 2020/21.

Priority 3: Sustain leadership in 'pay-as-you-go' and grow digital bill payments

UK ambition for 2020/21

Our focus is to maintain our leadership in bill payments and to grow our presence in omnichannel payments through the continued development of our MultiPay platform and extending this capability into new market segments.

As part of our strategic review we have undertaken a detailed assessment of our current market positioning in the bill payments market and the key underlying trends in our markets, to identify the specific actions required to both maintain our current market leading position and maximise the growth opportunities across a number of additional bill payment segments, such that we can offer a wider range of services, covering both cash and other payment channels. These actions include;

- Work with our major energy supply clients to develop a better understanding of the evolving needs of each one and identify how we can broaden out the services we can provide to meet their goals. Our approach will reflect our new organisational design and culture and comprehensive engagement from across the business, to deliver a more institutional management of each relationship, a better understanding of how we can help and work with each client as we broaden out the services we can provide, in response to the evolving needs of these clients.
- Continue to strengthen our relationships with our challenger energy suppliers, as they evolve their own business models in response to changes in the energy market. This includes winning new energy clients as the challenger energy suppliers continue to grow market share in this sector.
- Continue to identify and win new bill payment clients beyond the energy sector seeking access to the strength of the PayPoint retailer network and our strong technology platform.
- In MultiPay, building on the strong technology platform we have invested in, including the new PayByLink functionality, to accelerate our expansion into new sector verticals, including a greater penetration of the Housing Authority and Local Authority sectors, in addition to other new verticals.
- Extend the PayPoint CashOut voucher service, particularly in light of the Covid-19 environment.

Romanian ambition for 2020/21

- Consolidate PayPoint's share of client bill payments, and continue to secure new clients and offerings.
- Start replacing the legacy terminal with a modern lightweight and handheld terminal, which can also be card-enabled, to enhance the bill payment experience.
- Continue to deploy self-service machines (AVMs).
- Launch our Consumer App embedding the most important features of the PayPoint services portfolio and introducing mobile card payments for utilities and top-ups.

New Priority 4: Building a delivery focused organisation and culture

Innovating for future growth and profits is now embedded in each of the strategic priorities. This provides us with the opportunity to leverage our investment in PayPoint One and CRM to use the technology to deliver future growth, and whilst we will continue to invest, we need to ensure we can benefit from this and therefore have the above new priority for the coming year.

Ambition for 2020/21

One of the consequences of the current Covid-19 crisis will be a review of the number of aspects of the way our business and its resources are best utilised to support our clients and retailer network. Already we can see good examples as to how we can work smarter and more efficiently in the business which we must build upon.

- A strategic and organisational review was undertaken by the Board. A key conclusion was the recognition of the need for a more streamlined and operationally focused organisational structure to support our strategy with clear accountability for the client and retail service businesses and the alignment of resources to deliver better execution and engagement with our client and retailer network. To achieve this we have made some fundamental changes to the future organisational structure;
 - The importance of client focus has been underlined by adding a Client Services Director to the Executive Board. We are delighted that we have been able to internally promote Danny Vant to the role. He will focus on and assume responsibility for maintaining our leadership in bill payments and growing our presence in omnichannel payments through the continued development of our MultiPay platform and the extension of these capabilities into new market segments.
 - The Board has created a new role, Retail Services Director as a member of the Executive Board. This role will lead a newly established Retail Services function, incorporating all retail supporting teams, responsible for the end-to-end delivery of products and services to our retailer partner network and the management of relationships within the network, leveraging the benefits of our newly rolled out CRM system. An external appointment has been made who will join the business on 1 July 2020.
 - Nick Williams has been promoted to the role of Head of Strategic Partners and Product – Parcels, to lead the Parcels business and our focus on a multi-carrier parcel proposition. In doing so, he will drive the next phase of parcel growth and a greater focus on improvements to customer service and experience.

These changes will lead to a more efficient organisational structure with greater accountability and focus on client and retailer network relationships.



Strategy in action

Embed PayPoint at the heart of convenience retail

Strategic priority 1

Embed PayPoint at the heart of convenience retail

Commencing in 2020, we introduced a new initiative to improve the onboarding service for new retailer partners. Where we previously relied on a third party to manage installation of the award winning PayPoint One terminal into new sites, we now perform this service in-house.

Our team of dedicated Territory Development Managers have taken the responsibility for managing installations and training new retailer partners with great success:

- across the PayPoint network we have a c.13% EPoS adoption rate. Compare this to retailer partners who have received the enhanced early-life support, we are seeing a c.35% adoption rate on new sites since January 2020.
- we have seen vast improvements in first time settlement and settlement processes.

These changes are already delivering strong results. When asked to score their installation and training experience, 90% of retailer partners scored them as good or very good. The opportunity for our teams to establish positive relationships with retailer partners early in their PayPoint One journey is proving invaluable.

David John Mitchell from Burnt Mills Newsagents in Basildon, Essex said, 'The overall installation was good. The installer was helpful and friendly and when they realised an additional cable was needed he left immediately to go grab one and quickly returned to continue to with the installation.'

Ahmad Zuned from Legend Express in Whitechapel, London said, 'The installer came here and was very friendly and experienced. He came to set up the PayPoint One and taught me how to use it. I am now very comfortable with the system.'

“
Our goal is to ensure new PayPoint retailer partners receive a great onboarding experience and maximise their product usage. Bringing installation and training in-house ensures end-to-end control of the process, with quality checks and measurement to ensure ongoing improvement.”

Emma Allen
 Head of Retail Products

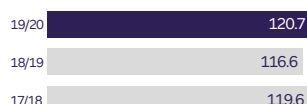
Key performance indicators¹

PayPoint has identified the following KPIs to measure progress of our strategic priorities.

Financial

Net revenue

£120.7m
+3.5%



Description and purpose

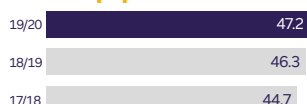
Revenue less commissions paid to retailers and the cost of mobile top-ups and SIM cards where PayPoint is principal. This reflects the benefit attributable to PayPoint's performance eliminating pass-through costs and is an important measure of the overall success of our strategy.

Overall performance ¹

See Finance review – 'Overview' on page 22

Operating margin

47.2%
+0.9ppts



Description and purpose

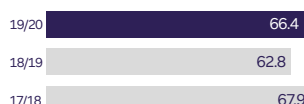
Operating profit before exceptional items as a percentage of net revenue. Operating margin provides a broad overview of the efficient and effective management of the cost base enabling shareholder returns and investment in the business.

Overall performance ¹

See Finance review – 'Operating margin' on page 25

Cash generation

£66.4m
+5.7%



Description and purpose

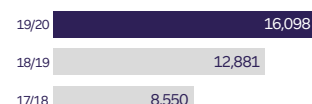
Earnings before exceptional items, tax, depreciation and amortisation adjusted for corporate working capital movements (excludes movement in clients' funds and retailers' deposits). This represents the cash generated by operations which is available for capex, taxation and dividend payments.

Overall performance ¹

See Finance review – 'Cash flow and liquidity' on page 26

PayPoint One sites

16,098
+25.0%



Description and purpose

The number, at the reporting date, of retailer sites in which at least one PayPoint One terminal was operational. A site may have more than one terminal (multiple lanes). This provides a measure of the extent of our network into which services and features can be sold driving future growth.

Embed PayPoint at the heart of convenience retail ²

See Strategic priorities on page 12

UK parcels processed

24.5m
+12.7%



Description and purpose

The number of parcels processed and registered through a PayPoint terminal or mobile app. Parcel volume provides a measure of the source of revenue where revenue is earned on a per parcel basis.

Become the definitive parcel point solution ³

See Finance review – 'Sector analysis' on page 23

Transaction value

£9,015m
-2.4%



Description and purpose

The value of bill payment (including MultiPay), top-up and eMoney transactions processed via our terminals or MultiPay platform where PayPoint provides the collection and settlement of funds. Transaction value provides a measure of the extent of the service PayPoint provides to clients. In certain instances, it also provides a measure of the source of revenue where revenue is based on a percentage of the transaction value.

Sustain leadership in 'pay-as-you-go' and grow digital bill payments ⁴

Transactions processed

448.8m
-5.1%



Description and purpose

The number of bill payment (including MultiPay), top-up and eMoney transactions processed in the year on our terminals or MultiPay platform. Transactions processed provides a measure of the source of revenue which is earned on a per transaction basis.

Sustain leadership in 'pay-as-you-go' and grow digital bill payments ⁴

Net revenue per transaction

17.5p
+6.9%



Description and purpose

The net revenue earned from bill payments (including MultiPay, excluding SPS), top-ups and eMoney divided by the annual number of transactions processed on our terminals and MultiPay platform. This provides an indication of profitability per transaction.

Sustain leadership in 'pay-as-you-go' and grow digital bill payments ⁴

See Finance review – 'Sector analysis' on page 23

Diluted earnings per share

66.3p
+2.3%



Description and purpose

Diluted earnings divided by the weighted average number of ordinary shares in issue during the year (including potentially dilutive ordinary shares). Earnings per share is a measure of the profit attributable to each share.

Shareholder returns ⁵

See note 10 to the financial statements on page 110

Dividends paid per share

84.0p
+1.4%



Description and purpose

Dividends (ordinary and additional) paid during the financial year divided by number of ordinary shares in issue at reporting date. Dividends paid per share provides a measure of the return to shareholders.

Shareholder returns ⁵

See Finance review – 'Dividends' on page 27

PayPoint One average weekly fee per site

£15.4
+1.9%



Description and purpose
The average weekly service fee across all PayPoint One sites based on the PayPoint One devices in store at the reporting date. This provides a measure of the weekly value derived from PayPoint One and EPoS services from each PayPoint One site.

Embed PayPoint at the heart of convenience retail ②

See Strategic priorities on page 12

UK card payment net revenue

£8.7m
+10.9%



Description and purpose
Card payment net revenue represents the rebate earned from card transactions processed by retailers through PayPoint's card payment service. This is an important measure of the overall success of our card payment solution.

Embed PayPoint at the heart of convenience retail ②

See Finance review – 'Sector analysis' on page 23

ATM net revenue

£11.9m
-3.5%



Description and purpose
ATM net revenue represents the fees earned less the commissions paid to retailers from consumers using PayPoint's ATMs located inside a retailer's store. This is an important measure of the overall success of our ATM product. Fees are earned from either interchange fees (from free-to-use ATMs) or surcharge fees (from pay-to-use ATMs) from cash withdrawals and balance enquiries.

Embed PayPoint at the heart of convenience retail ②

See Finance review – 'Sector analysis' on page 23

UK parcel sites

8,646
+21.2%



Description and purpose
The number, at the reporting date, of sites where the parcel proposition was enabled on PayPoint terminals. This currently represents the number of Collect+ branded sites and Amazon standalone sites. This provides an indication of the coverage of our network with a larger coverage being more attractive to clients and consumers wanting to use the product.

Become the definitive parcel point solution ③

See Strategic priorities on page 13

Non-financial

UK network stability one-mile urban population cover

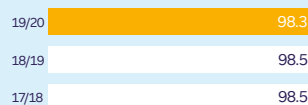
99.5%
-0ppts



Description and purpose
Total urban population covered within a one mile radius of a PayPoint site. This is monitored to ensure PayPoint is above our minimum SLA statistic of 95%.

UK network stability five-mile rural population cover

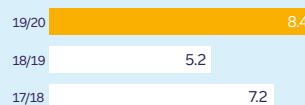
98.3%
-0.2ppts



Description and purpose
Total rural population covered within a five mile radius of a PayPoint site. This is monitored to ensure PayPoint is above our minimum SLA statistic of 95%.

UK retailer partner site churn

8.4%
+3.2ppts



Description and purpose
The percentage of the retailer network, that on an annual basis, exits PayPoint. This is calculated by taking the number of retailer partners who exited PayPoint in the period (excluding suspended sites), divided by the average number of total UK retailer partner sites for the period. This tracks the movement in total UK retailer partner sites. Included in retailer partners that left PayPoint in the year were 731 due to the legacy T2 terminal sunseting. Excluding this figure from retailer partners leaving, churn would have been 5.8%.

Employee engagement

68.0%
-1.0ppts



Description and purpose
Measures the overall employee engagement of our UK population, calculated by our survey provider. The survey provides insight into the health of our organisation, enabling the identification of what is important to our people so that appropriate action can be taken.

1. All these KPIs are non-IFRS measures or Alternative Performance Measures ('APMs').

Strategic focus

- ① Overall performance
- ② Embed PayPoint at the heart of convenience retail
- ③ PayPoint becomes the definitive parcel point solution
- ④ Sustain leadership in 'pay-as-you-go' and grow digital bill payments
- ⑤ Shareholder returns

Financial review

Year ended 31 March (£m)	2020	2019	Change %
Net revenue			
UK retail services	41.0	37.8	8.5%
UK bill payments and top-ups	65.1	64.9	0.3%
Romania	14.6	13.9	5.5%
Total net revenue	120.7	116.6	3.5%
Total costs ¹	63.9	62.8	1.8%
Profit before exceptional items and tax	56.8	53.8	5.6%
Profit before tax	56.8	54.7	3.8%
Cash generation	66.4	62.8	5.7%
Net corporate (debt)/cash	(12.0)	3.5	(444.7%)

1. Total costs is an alternative performance measure as explained in note 1 to the financial statements, a reconciliation to costs is included on page 25.

Overview

Profit before tax of £56.8 million (2019: £54.7 million) increased by £2.1 million, reflecting increased net revenue and the £2.1 million 'variable pay benefit' effect of the decision to cancel management bonuses due to Covid-19 and release of share-based payment accruals. The prior year includes the impact from the Yodel renegotiation of £0.7 million and a one-off benefit from improved VAT recovery of £2.4 million as well as an exceptional item of £0.9 million relating to a subsidiary disposal provision release. Underlying profit before exceptional items and tax of £56.8 million (2019: £50.6 million) grew by 12.3% (2019: 11.3%).

Revenue grew by £1.7 million (0.8%) to £213.3 million (2019: £211.6 million). Net revenue increased by £4.1 million to £120.7 million (2019: £116.6 million). Underlying net revenue, which excludes the prior year impact from the Yodel renegotiation of £0.7 million, increased by £4.8 million (4.1%) driven by growth in UK retail services, strong margin growth in Romania and a resilient performance in UK bill payments and top-ups.

UK retail services underlying net revenue, which excludes the Yodel renegotiation mentioned above, delivered growth of £3.9 million (10.5%) mainly from increased service fee net revenue. The £2.8 million (28.1%) increased service fee net revenue was primarily driven by the roll-out of PayPoint One to additional sites. Card payments net revenue increased by £0.8 million due to increased transaction volumes. ATM net revenue declined by £0.4 million (3.5%) due to the prior year reductions of LINK's interchange fees and a reduction in transactions. Underlying parcel net revenue, which excludes the £0.7 million prior year impact from the Yodel renegotiation, increased by £0.7 million due to a 12.7% increase in parcel volumes reflecting the benefit of new parcel partnerships.

UK bill payments and top-ups businesses net revenue remained stable at £65.1 million (2019: £64.9 million). There was a



Cash generation remained strong with £66.4 million (2019: £62.8 million) delivered from profit before tax of £56.8 million (2019: £54.7 million).



resilient performance in bill payments net revenue with growth of £1.1 million (2.2%) to £48.9 million (2019: £47.8 million) mainly due to the growth in MultiPay, partially offset by the current year benefit from client contracts entered into in prior years (IFRS 15) and improvement in net revenue per transaction, which offset a 6.4% decline in transactions and reflects the ending of the British Gas contract on 1 January 2020, this contributed £1.4 million in the results for the three months ending 31 March 2019. MultiPay continued to grow strongly, transactions increased by 20.4% to 32.9 million resulting in a £0.9 million (25.7%) increase in net revenue. As expected, UK top-up transaction volumes declined by 5.0 million (11.2%) to 39.5 million, which reduced net revenue by £0.9 million to £16.2 million. eMoney transactions grew by 1.3 million (17.3%) to 9.1 million, which increased net revenue by £1.2 million (19.9%). The prior year comparatives included the closed Irish business which generated £1.4 million gross revenue and £0.2 million net revenue.

In Romania net revenue increased by 5.5% to £14.6 million (2019: £13.9 million) primarily driven by price increases and increased transactions in bill payments and top-ups. Transactions grew by 2.4 million (2.0%) to 114.6 million (2019: 112.2 million).

Total costs increased by £1.1 million to £63.9 million (2019: £62.8 million). Underlying costs, which excludes the prior period VAT benefit of £2.4 million, decreased by £1.3 million (2.0%) due to a £2.1 million 'variable pay benefit' reduction in management bonuses and share-based payment expenses due to the decision to cancel management bonuses due to Covid-19 and release of share-based payment accruals. This was partly offset by increased costs for additional resources relating to the parcel partners integration, Contact Centre and client services team and amortisation of prior year contract set-up expenses.

Cash generation remained strong with £66.4 million (2019: £62.8 million) delivered from profit before tax of £56.8 million (2019: £54.7 million).

Net corporate debt increased by £15.4 million to £12.0 million (2019: £3.5 million net corporate cash). Tax payments were higher than the prior year due to HMRC bringing payments on account forward by six months. At 31 March 2020, £70.0 million (2019: £nil) was fully drawn down from the revolving credit facility to ensure PayPoint was in a strong position to withstand a sustained period of disruption to trading should it occur.

Sector analysis

UK retail services

UK retail services are services PayPoint provides to retailer partners which form part of PayPoint's networks. Services include providing the PayPoint One platform (which has a basic till application), EPoS, ATMs, card payments, parcels and SIMs.

	As at 29 February 2020	Year ended 31 March 2020	Year ended 31 March 2019	Change %
Number of retailers	17,161	16,663	17,608	(5.4%)
PayPoint terminal sites (no.)				
PayPoint One ¹	16,514	16,098	12,881	25.0%
Legacy (T2)	2,624	2,496	7,000	(64.3%)
PPoS ²	8,317	8,235	8,554	(3.7%)
Total sites	27,455	26,829	28,435	(5.6%)
Services in sites (no.)				
PayPoint One Base	8,547	8,304	6,337	31.0%
EPoS Core	7,113	6,956	5,899	17.9%
EPoS Pro	854	838	645	29.9%
Card payments	9,776	9,435	9,796	(3.7%)
ATMs	3,923	3,620	3,827	(5.4%)
Parcels	8,575	8,646	7,134	21.2%
Transactions (millions)				
Card payments		136.8	113.5	20.6%
ATMs		40.4	42.1	(4.1%)
Parcels		24.5	21.8	12.7%
PayPoint One average weekly service fee per site (£)		15.4	15.1	1.9%
Net revenue (£m)				
Service fees		13.1	10.3	28.1%
Card payments		8.7	7.9	10.9%
ATM		11.9	12.3	(3.5%)
Parcels and other		7.3	7.3	(1.0%)
Total net revenue (£m)		41.0	37.8	8.5%

1. PayPoint One has replaced the legacy terminal in independent retailer partners.
2. PPoS is a plug-in device and a virtual PayPoint terminal used on larger retailer partners' own EPoS systems who wish to use PayPoint services.

As at 31 March 2020, PayPoint had a live terminal in 26,829 UK sites (2019: 28,435 sites), a reduction of 1,606 from 31 March 2019, primarily as a result of temporarily suspended sites due to Covid-19. The PayPoint One roll-out continued resulting in PayPoint One sites increasing by 3,217 sites to 16,098 sites (2019: 12,881 sites) and, as a consequence, the number of UK sites with the legacy terminal reduced by 4,504 sites to 2,496 sites (2019: 7,000 sites). The sun-setting of the legacy terminal in independent retailers has been completed by the end of the financial year.

UK retail services: Underlying net revenue increased by £3.9 million (10.5%) to £41.0 million (2019: £37.1 million) excluding the prior year £0.7 million impact from the revised commercial terms with Yodel. The net revenue of each of our key products is separately addressed below.

Service fees: This is a core growth area and consists of service fees from PayPoint One and our legacy terminal. Service fee revenue increased by £2.8 million (28.1%) to £13.1 million (2019: £10.3 million) driven by the additional 3,217 PayPoint One sites compared to 31 March 2019. The PayPoint One average weekly fee per site increased by 1.9% to £15.4 (2019: £15.1) benefitting from the annual price indexation. Retailers taking the Core version of the product represent 43.2% (2019: 45.8%) of all PayPoint One sites and the Pro version represent 5.2% (2019: 5.0%).

ATMs: ATM net revenue declined by £0.4 million (3.5%) due to the prior year reductions of LINK's interchange fees and a 4.1% reduction in transactions to 40.4 million (2019: 42.1 million). ATM sites decreased by 207 sites to 3,620 sites (2019: 3,827 sites), with 283 sites temporarily suspended due to Covid-19 at 31 March 2020. PayPoint continued to optimise its ATM network by relocating existing machines to better performing locations.

Financial review continued

Card payments: Card payment transaction volumes grew by 20.6% to 136.8 million (2019: 113.5 million) benefitting from the market trend of growing card payments, in particular contactless payments. Across our network 9,435 retailer partners (2019: 9,796) were using the card payment solution, 361 sites lower than the prior year driven by competitor activity in the convenience market and 293 sites were temporarily suspended at 31 March 2020 due to Covid-19. Net revenue increased by 10.9% to £8.7 million (2019: £7.9 million), with the effect of increased number of transactions being partly offset by lower average transaction values due to the growth in contactless payments. PayPoint's revenue rebate is broadly based on a percentage of the transaction value processed.

Parcels and other: Parcel volumes increased by 12.7% to 24.5 million (2019: 21.8 million) benefitting from growth in our new partnerships in this market. Parcel sites increased by 1,512 from the prior year to 8,646 sites (2019: 7,134) which includes 1,608 standalone Amazon sites. Parcels and other net revenue remained stable from the prior year, however underlying net revenue, excluding the prior year £0.7 million Yodel impact, increased by 10.6%. Other services provided include SIM sales and other ad hoc items.

UK bill payments¹

Bill payments is our most established category and consists of prepaid energy, bill payments (including MultiPay) and CashOut services.

Year ended 31 March	2020	2019	Change %
Total transactions (millions)	296.9	317.2	(6.4%)
<i>Of which: MultiPay transactions (millions)</i>	32.9	27.3	20.4%
Transaction value (£m)	6,106.3	6,390.2	(4.4%)
Net revenue (£m)	48.9	47.8	2.2%
Net revenue per transaction (pence)	16.5	15.1	9.3%

UK bill payments net revenue increased by 2.2% (£1.1 million) to £48.9 million (2019: £47.8 million). Net revenue per transaction continued to increase and was up by 1.4 pence (9.3%) due to the ongoing improvement in mix to smaller, but higher yielding clients. This offsets the 20.3 million decrease (6.4%) in transaction volumes, mainly from the ending of the British Gas contract. MultiPay continued to grow strongly, transactions increased by 5.6 million (20.4%) to 32.9 million (2019: 27.3 million) and net revenue by 25.7% to £4.4 million (2019: £3.5 million). Net revenue benefitted from the £1.4 million swing relating to client contracts entered into in prior years (due to IFRS 15). In the current year £0.7 million net deferred revenue was recognised whereas in the prior year a net £0.8 million was deferred.

UK top-ups and eMoney

Top-ups include transactions where consumers can top up their mobiles, prepaid debit cards and lottery tickets. This sector also includes eMoney transactions where PayPoint provides the physical network for consumers to convert cash into electronic funds with online organisations.

Year ended 31 March	2020	2019	Change %
Transactions (millions)	39.5	44.5	(11.2%)
<i>Of which: eMoney transactions (millions)</i>	9.1	7.8	17.3%
Transaction value (£m)	684.1	607.0	12.7%
Net revenue (£m)	16.2	17.1	(5.6%)
Net revenue per transaction (pence)	41.0	38.7	5.9%

UK top-ups continued to be affected by market trends whereby UK direct debit pay monthly options displace UK prepay mobile. As expected, UK top-up and eMoney transactions declined by 5.0 million (11.2%) to 39.5 million (2019: 44.5 million) which led to a decline of £0.9 million (5.6%) in net revenue. The impact of the lower level of transactions on net revenue was offset by strong growth in eMoney transactions by 1.3 million (17.3%) to 9.1 million (2019: 7.8 million) and net revenue by 19.9%. eMoney transactions derive a substantially higher fee per transaction than traditional top-up transactions.

1. Ireland is included in the 2019 figures up to 31 October 2018 when Ireland ceased operations.

Romania

The Romanian business comprises mainly of bill payments and top-ups operating on a similar basis to our UK business. Cash payment remains a mass market proposition in the country and is expected to be the dominant payment method for the medium term.

Year ended 31 March	2020	2019	Change %
PayPoint terminal sites (no.)	19,257	18,466	4.3%
Transaction value (£m)	2,296	2,312	(0.7%)
Transactions (millions)			
Bill payments	100.0	99.1	0.9%
Top-ups	12.4	11.9	3.6%
Other	2.2	1.2	76.3%
Total transactions	114.6	112.2	2.0%
Net revenue (£m)	14.6	13.9	5.5%
Net revenue per transaction (pence)	12.8	12.3	4.1%

The number of sites returned to growth and increased by 791 sites to 19,257 (2019: 18,466) following completion of the Payzone integration programme. Bill payment transactions increased by 0.9% to 100.0 million (2019: 99.1 million) and top-up transactions increased by 3.6% to 12.4 million (2019: 11.9 million). The growth in other transactions was driven by card payment transactions with an increase of 244 sites to 1,548 sites (2019: 1,304 sites). Net revenue increased by 5.5% which reflects improved margins from contractual increases and benefits from the Payzone integration programme.

Total costs

Year ended 31 March (£m)	2020	2019	Change %
Other costs of revenue	8.0	9.0	(11.1%)
Depreciation and amortisation	9.5	9.8	(3.1%)
Administrative costs	46.2	43.8	5.5%
Finance costs	0.2	0.2	0.0%
Total costs	63.9	62.8	1.8%
Add back VAT recovery benefit related to prior years	-	2.4	(100.0%)
Underlying costs	63.9	65.2	(2.0%)

Total costs increased by £1.1 million to £63.9 million (2019: £62.8 million). Underlying costs, which excludes the prior period VAT benefit of £2.4 million, decreased by £1.3 million (2.0%) primarily due to a £2.1 million 'variable pay benefit' effect of reduction in staff bonuses and share-based payment expenses, following the decision to cancel management bonuses due to Covid-19 and the release of accruals due to the fall in value of the share-based payments. This was partly offset by increased costs for additional resources relating to the parcel partners integration, Contact Centre and client services team and the £1.4 million swing relating to client contract costs incurred in prior years (due to IFRS 15). In the current year £0.8 million net deferred expense was recognised whereas in the prior year a net £0.6 million was deferred.

Operating margin¹

Operating margin of 47.2% (2019: 46.3%) increased by 0.9ppts due to 3.5% increase in net revenue which was offset by a 1.8% increase in total costs as mentioned above.

Profit before tax and taxation

The tax charge of £11.1 million (2019: £10.3 million) on profit before tax of £56.8 million (2019: £54.7 million) represents an effective tax rate of 19.6% (2019: 18.8%), 0.8% higher than prior year due to higher adjustments in respect of prior year.

Statement of financial position

Net assets of £38.3 million (2019: £50.2 million) declined by £11.8 million as a result of the additional dividend programme. Current assets increased by £26.8 million to £203.5 million (2019: £176.6 million) due to increased cash as a result of the £70 million draw down of the revolving credit facility. There is a corresponding increase in current liabilities with an additional £0.2 million increase for the recognition of bringing the lease liability on-balance sheet in the year. Non-current assets of £54.5 million (2019: £54.9 million) decreased by £0.4 million, with a right-of-use asset of £0.9 million introduced for bringing the leases on-balance sheet in the year, capital expenditure of £8.4 million offset by depreciation and amortisation of £9.5 million.

In light of the recent Covid-19 pandemic the Group performed an impairment review on assets and no impairment was deemed necessary.

1. Operating margin % is an alternative performance measure and is calculated by dividing operating profit by net revenue.
2. Effective tax rate is the tax cost as a percentage of profit before tax.

Financial review **continued**

Cash flow and liquidity

The following table summarises the cash flow movements during the year.

Year ended 31 March (£m)	2020	2019	Change %
Profit before tax	56.8	54.7	3.8%
Exceptional items	–	(0.9)	(100.0%)
Depreciation and amortisation	9.5	9.8	(3.1%)
VAT and other non-cash items	0.4	(2.3)	(117.4%)
Share-based payments and other items	(0.4)	1.1	(136.4%)
Working capital changes (corporate)	0.1	0.4	(75.0%)
Cash generation	66.4	62.8	5.7%
Taxation payments	(15.8)	(10.0)	58.0%
Capital expenditure	(8.4)	(11.0)	(23.6%)
Loans and borrowings	70.0	–	0.0%
Lease payments	(0.3)	–	0.0%
Dividends paid	(57.4)	(56.6)	1.4%
Net increase/(decrease) in corporate cash and cash equivalents	54.5	(14.8)	(468.2%)
Net change in clients' funds and retailers' deposits	1.4	7.3	(80.8%)
Net increase/(decrease) in cash and cash equivalents	55.9	(7.5)	(845.3%)
Cash and cash equivalents at the beginning of year	37.5	46.0	(18.5%)
Effect of foreign exchange rate changes	0.4	(1.0)	(140.0%)
Cash and cash equivalents at the end of year	93.8	37.5	150.1%
Comprising:			
Corporate cash	58.0	3.5	1557.1%
Clients' funds and retailers' deposits	35.7	34.0	5.0%

Cash generation remained strong with £66.4 million (2019: £62.8 million) delivered from profit before tax of £56.8 million (2019: £54.7 million).

Taxation payments on account of £15.8 million (2019: £10.0 million) are higher compared to the same period in the prior year due to HMRC bringing payments on account forward by six months.

Capital expenditure primarily consists of PayPoint One terminals and EPoS and CRM development. Capital expenditure of £8.4 million (2019: £11.0 million) was lower than the prior year; fewer PayPoint One terminals were purchased and less new sites were added this year, CRM development reduced as we deployed the lead to sales feature and there were delays in the delivery of the T4 terminals in Romania.

As anticipated PayPoint transitioned to a net debt situation of £12.0 million. At 31 March 2020 the revolving credit facility was fully drawn down, £70.0 million (2019: £nil).

Dividends

Year ended 31 March	2020	2019	Change %
Ordinary dividends per share (pence)			
Interim (paid)	23.6	15.6	51.3%
Final (proposed)	15.6	23.6	(33.9%)
Additional dividend per share (pence)			
Interim (paid)	18.4	12.2	50.8%
Final	–	18.4	(100.0%)
Total dividend per share (pence)	57.6	69.8	(17.5%)
Total dividends paid in year (£m)	57.4	56.6	1.5%

From 1 April 2019 a programme of four equal dividends payable in July, September, December and March was implemented. Due to the need to preserve cash at a time of uncertainty as a result of Covid-19, the additional dividend programme announced in May 2016 and then suspended in March 2020 will not be reinstated.

We have declared a final dividend of 15.6 pence per share (2019: 23.6 pence per share) payable in equal instalments of 7.8 pence per share (2019: 11.8 pence per share) on 27 July 2020 and 28 September 2020 to shareholders on the register on 26 June 2020 and 28 August 2020 respectively. The final dividend is subject to the approval of the shareholders at the annual general meeting on 24 July 2020. No additional dividend has been declared (2019: 18.4 pence per share).

The final dividends will result in £10.7 million (2019: £28.8 million) being paid to shareholders from the standalone statement of financial position of the Company which, as at 31 March 2020, had approximately £58.5 million (2019: £79.8 million) of distributable reserves.

An interim ordinary dividend of 23.6 pence (2019: 15.6 pence) and an additional interim ordinary dividend of 18.4 pence (2019: 12.2 pence) were paid in equal instalments of 21.0 pence on 30 December 2019 and 9 March 2020.

Capital allocation

The Board's immediate priority is to continue to preserve PayPoint's balance sheet strength to ensure PayPoint emerges in a strong position from the Covid-19 crisis, consequently the additional dividend programme announced in May 2016 and then suspended in March 2020, which has returned £83.5 million to date to shareholders, will not be reinstated.

The Board's approach to the setting of the ordinary dividend has not materially changed and follows the following capital allocation priorities:

- Investment in the business through capital expenditure in innovation to drive future revenue streams and improve the resilience and efficiency of our operations;
- Investment in opportunities such as the Payzone Romania acquisition in September 2018 and the purchase of the 50% of the Collect+ brand not previously owned by PayPoint in April 2020;
- Progressive ordinary dividends targeting a cover ratio of 1.2 to 1.5 times earnings¹.

Going concern

The financial statements have been prepared on a going concern basis having regard to the identified principal risks and uncertainties and viability statement on pages 30 to 33. Specific consideration has been given to the impact of Covid-19 together with our cash and borrowing capacity in the going concern and viability assessment. Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group including dividends.

Rachel Kentleton

Finance Director

27 May 2020

1. Profit after tax divided by dividends.



Strategy in action

Becoming the definitive parcel point solution

Strategic priority 2

PayPoint becomes the definitive parcel point solution

The last 12 months have been a very exciting time for our parcels service with the introduction of some key operational improvements and new carrier launches, demonstrating why the Collect+ brand continues to be the first choice for consumers across the UK.

Our latest announcement on securing full ownership of the Collect+ brand is of huge significance. The new deal means PayPoint has now acquired the 50% of shares that were previously owned by Yodel, presenting us with a substantial opportunity for further expansion – both in terms of the partners we work with and the number of sites we have. Our long-standing partnership with Yodel remains as important as ever, with Yodel committing to a multi-year contract to continue as a parcel carrier for Collect+.

We were also very pleased to announce new partnerships with Amazon and FedEx, which alongside eBay, DHL and of course Yodel, brought to life our vision of making Collect+ a truly multi-carrier network. The introduction of Amazon Hub locations meant that for the first time, we could offer the parcel service to PayPoint retailer partners outside of our existing Collect+ locations, helping us to grow the parcel network.

We have trialled new in-store printers capable of printing industry-standard shipping labels. The introduction of these printers increases our ability to access the full send and return market, bringing increased numbers of consumers into sites. Our focus for this year is to expand the printer roll-out to our full network, and in return we expect our retailer partners to see an increase in footfall and transaction volumes.

Finally, over the past 12 months we have greatly expanded and improved upon the functionality of our Collect+ StoreScan app. Developed from retailer partner feedback, we introduced quality of life features such as: optical character recognition; predictive text and an inventory scan feature which allows retailer partners to check a parcel's status with a quick audit. These new features give retailer partners greater control over their parcel management and means they can operate their sites more efficiently.

With an excellent Trustpilot score of 4.6 out of 5 stars, consumers view Collect+ as a parcel service they can trust and rely on for collecting and returning their orders at a time and location that fits around their busy lives.

These examples demonstrate the value and convenience that Collect+ brings to consumers.



★★★★★ Updated 21 Mar 2020

As usual excellent service.

I have used Collect+ on several occasions and so far have always found the service reliable.

I've seen some bad reviews here with lost or delayed parcels but I can only speak as I find.

I took a parcel to my local pick up store yesterday morning with a standard delivery which is 2-3 working days. As it was a Friday drop off, I notified my customer to expect delivery either next Tuesday or Wednesday... I could not believe it when she emailed me to say it had arrived this morning! That is the quickest ever, so both my customer and myself are naturally very pleased with the service. Their prices are reasonable as well compared to others, certainly hugely cheaper than Royal Mail for 2 kg medium parcel!

★★★★★ Invited 22 Mar 2020

Such a easy system

Such a easy system, reasonable pricing. Plus I have a drop off just across the road.

Principal risks and uncertainties

The Board considers these to be the most significant risks and uncertainties faced by the Group.

Strategy

Risks are assessed through PayPoint's risk management and internal control framework which is a defined process for identifying and managing risk. The process applies throughout the Group and principal risks are reviewed in line with our strategic priorities. The Board is responsible for overseeing the risk management process and approves the level of risk acceptable under each principal risk category. It is also responsible for maintaining an appropriate control environment to manage risk effectively and the Board has delegated responsibility for reviewing the effectiveness of risk management and internal controls to the Audit Committee. The risk management and internal control framework aims to provide assurance and confidence to stakeholders about PayPoint's ability to deliver its objectives and manage principal risks.




Risk appetite

The risk appetite represents the level of risk considered appropriate to achieving our business objectives and is determined by the Board. PayPoint has no appetite for risk relating to the welfare of employees, retailers, consumers or other stakeholders. There is a greater appetite for risk in relation to activities which are directed towards creating additional demand for our services to drive revenues and increase financial returns.

Risk identification and management




The risk management process assesses risks on both strategically and granular functional level. The process involves assessing the impact of risks on the Group, the probability of risks occurring and developing and monitoring appropriate internal controls. Functional risk registers are maintained which form an important component of our governance framework.

Key

-  No change
-  Increased likelihood
-  Decreased likelihood

Functional risk registers detail key risks, the materiality and likelihood of risks, and controls in place to mitigate the impact of risks. The risk framework is designed to identify emerging risks by conducting horizon scanning to identify emerging trends and technologies as well as identifying and preparing for new legislation and regulation. The content of risk registers is discussed and agreed with senior management and reviewed and considered by the Executive Board. The Audit Committee receives and reviews information on the risk framework, principal risks and mitigating controls at each meeting, and advises the Board on risks. Further details are set out on pages 58-63.

Principal risks remain similar to last year however there are some key changes. Brexit is no longer considered a principal risk but Covid-19 has evolved as a principal risk and uncertainty for the Group. The table below sets out our principal risks, their movement during the year, and key mitigating controls. They do not comprise all risks faced by the Group and are not set out in order of priority.

Risk area	Potential impact	Mitigation strategies
 <p>Credit and operational risk</p>	<p>PayPoint processes large volumes of payments creating significant credit risks and risk of fraud and error. Significant credit exposures exist with large retailers and other counterparties, and failure of a large retailer or counterparty may result in significant financial loss. Effective operational controls are essential to settle funds securely and timely, and inadequate or failed controls may result in fraud, liquidity risk, contractual breaches or other financial loss.</p>	<p>PayPoint has effective credit and operational procedures and controls in place. Retailers and counterparties are subject to ongoing credit assessments, and effective debt management processes are implemented. Settlement processes and controls are continually assessed and enhanced, and new systems and technology implemented. Effective governance is in place with segregation of duties and approval processes enforced to protect against fraud and error.</p>
 <p>People and culture</p>	<p>Failure to attract and develop key talent and continue evolving our culture may impact service levels and delivery of strategic initiatives. If we do not develop our employees and maintain an appropriate culture, our business performance and reputation may be damaged resulting in reduced revenue and growth.</p>	<p>The Executive Board define and advocate PayPoint's values, and employee development and culture are key strategic priorities. Talent management and people development are well established, and employment guidelines and ethical principles are implemented to assist maintaining a strong culture. Values and ethical principles are aligned with employee objectives and employee and retailer engagement surveys are regularly conducted to assess how we deliver on our values. PayPoint is protecting its employees through the Covid-19 pandemic by allowing employees to work from home and offering additional support and flexibility.</p>
 <p>Losing key clients and retailers</p>	<p>PayPoint has diversified portfolios of clients and retailers however some are more strategically important. Our business relies on an appropriate mix of clients and retailers and losing a key client or retailer, such as losing British Gas as an energy client in 2019, has the ability to adversely impact the business model and reduce revenue.</p>	<p>PayPoint builds strategic relationships with key clients and retailers and continually seeks to improve its service levels; including conducting retailer engagement surveys to monitor and enhance our performance. Key clients and retailers are on long-term contracts, and new clients and retailers are routinely onboarded maintaining and diversifying portfolios. New products and channels are also developed to diversify revenue streams and mitigate the impact of losing key clients or retailers in particular markets.</p>

Risk area	Potential impact	Mitigation strategies
Competition and markets 	<p>The markets in which PayPoint operates, and the competition in those markets continue to evolve. The decline in cash usage, and changes in consumer trends and government policy may impact our core markets, and failure to implement effective strategies in response to changes will negatively impact revenue. Industry consolidation in the UK has increased the competitive environment, and our market proposition and service levels need to remain strong to maximise business performance.</p>	<p>PayPoint closely monitors consumer and technological trends and engages with clients and retailers to continually improve service levels. The Executive Board regularly reviews markets, trading opportunities, pricing and competitor activity, and the Board oversee and challenge strategic direction. PayPoint invests in new products, services and technology and adapts to consumer trends such as growing its parcel and online payments businesses to capitalise on market changes.</p>
Innovation and implementation 	<p>Failure to innovate and implement new products, services and technology would impede business performance and our ability to achieve strategic goals. Our business relies on continued product enhancements and failing to improve products due to poor design, build or roll-out would ultimately reduce revenue. Continued system infrastructure improvements are essential in maintaining resilient and effective services, and ineffective infrastructure upgrades may impact future performance.</p>	<p>PayPoint is committed to innovation and investing in new technology and products to support its continued growth. Products and services are continually reviewed and developed to enhance our proposition and service levels, consistent with customer needs and expectations. Various improvement programmes are under way and effective change management processes are deployed by dedicated project teams. The Executive Board oversees all major projects to ensure governance and implementation are effective.</p>
Key partners and suppliers 	<p>PayPoint has a diverse range of suppliers and partners, however some suppliers and partners are more strategically important and not so easily substituted. If supply of goods or services is disrupted or relationships cease before alternative arrangements can be implemented, PayPoint may experience difficulty maintaining service levels potentially resulting in revenue loss, reputational damage or penalties. Uncertainties around the Covid-19 pandemic may significantly impact PayPoint's partners and suppliers, increasing the trend of risk.</p>	<p>PayPoint has effective partner and supplier selection processes and long-term contacts are implemented for strategic partner and suppliers. We aim to develop strong relationships with key partners and suppliers, and single points of failure are avoided where practicable, with alternative suppliers and partners contracted and continuity plans implemented. Impact assessments are conducted for critical dependencies and mitigation measures implemented.</p>
Business interruption 	<p>Service delivery interruption caused by system failure, loss of premises, or other disruption may impede performance and harm our reputation. Clients, retailers and consumers rely on resilient systems and continued service delivery, and failure to promptly recover services may result in revenue loss, contractual breaches, penalties and increased costs. Uncertainties around the Covid-19 pandemic and the significant changes in working practices may impact PayPoint's service delivery, increasing the trend of risk.</p>	<p>Comprehensive continuity plans have been implemented to mitigate risk of disruption from Covid-19. Systems are continually upgraded and resilience is built into systems and processes. Effective change management processes are deployed minimising risk of disruption, and systems are regularly tested and continually monitored for outages. PayPoint has a Major Incident Response Plan and business continuity and disaster recovery plans are implemented and regularly tested. Third party data centres are used with failover capabilities, and business continuity premises and work from home arrangements are implemented.</p>
Legal and regulatory 	<p>PayPoint is required to comply with numerous legal and regulatory requirements, and breaches of these obligations may result in costly corrective actions, reputational damage and prosecution. Regulatory landscapes continue to evolve, and changes in regulations and license requirements may adversely impact our business. PayPoint is subject to numerous contractual requirements and failure to meet obligations may result in penalties and financial loss.</p>	<p>PayPoint's legal team work closely with management to advise on regulatory matters and adopt strategies to ensure regulatory adherence. Legal teams are engaged on key contracts and legal matters, and compliance teams oversee compliance programmes, monitoring and reporting. Emerging regulations are incorporated into strategic planning, and we engage with regulators to ensure we have appropriate frameworks to support new products and markets. External counsel is engaged where required.</p>
Cyber security and data protection 	<p>Cyber attacks on PayPoint's systems and networks may significantly impact service delivery and data protection causing harm to PayPoint, our clients, retailer partners and other stakeholders. Although PayPoint continues to upgrade and enhance its cyber security capabilities, attacks are a constant threat, with increased ransomware attacks on businesses over the last 12 months. Covid-19 has heightened cyber risk with significant reliance on home working tools and criminals exploiting vulnerabilities. Failure to comply with service delivery, contractual requirements or data privacy requirements may result in significant fines and reputational damage.</p>	<p>PayPoint has a robust IT security framework and deploys industry standard security systems with cyber intelligence capabilities. Systems are constantly monitored for attacks with teams in place to respond to incidents, and cyber security response plans are regularly tested. Home working tools, security alert processes and employee cyber awareness were enhanced in response to specific Covid-19 threats. We engage with law enforcement and partners on cyber crime, and proactively manage compliance with data privacy requirements. Additionally, PayPoint's Audit Committee has a cyber security and IT sub-committee which oversees cyber security capability.</p>

Principal risks and uncertainties continued

Covid-19

The global Covid-19 pandemic continues to significantly impact individuals, businesses, markets and economies, and the unprecedented period of uncertainty presents significant risk to PayPoint across all business areas. Whilst the majority of PayPoint retailer partners have remained open during the pandemic to provide vital services to communities, transaction volumes for some products have been impacted and may continue to be impacted. Although PayPoint has taken affirmative action to mitigate numerous risks arising from the pandemic, there remains a high degree of uncertainty over future events and the consequences for PayPoint. The table below details the strategic, financial, operational and cyber security risks resulting from Covid-19 and the strategies to mitigate risk.

Risk area	Potential impact	Mitigation strategies
Strategic risk	Cash usage significantly declined during the Covid-19 lockdown reducing PayPoint's revenue for ATMs and other cash-based products. It is anticipated Covid-19 will accelerate a structural decline in cash usage which will impact our business model and revenue. Covid-19 may also result in other market changes which could potentially impact PayPoint.	PayPoint continually diversifies its product range to reflect market changes and our card payment revenue significantly increased during the Covid-19 lockdown. Our online MultiPay platform continues to grow in significance, with the recent introduction of innovative new features including PayByLink. The acquisition in April 2020 of the 50% of shares in Collect+ PayPoint did not previously own has significantly strengthened our parcels proposition in order to take advantage of the growth in online sales.
Financial risk	During the Covid-19 lockdown PayPoint has experienced reduced revenues which is expected to continue until an effective Covid-19 vaccine is available. Reduced revenue heightens PayPoint's liquidity risk, and the deterioration in economic conditions also heightens credit risk.	To maintain liquidity through a sustained period of disruption, the £70 million revolving credit facility was fully drawn down and additional dividend payments and employee bonuses cancelled. Government Covid-19 support schemes are closely monitored, and a review of short-term cost reduction and deferment measures is being conducted across the business. There is also increased focus on settlement processes to ensure heightened credit risk is appropriately mitigated.
Operational risk	Covid-19 has heightened the risk of supplier failure, potentially impacting PayPoint service delivery. The sales pipeline and new initiatives have also been impacted with prospects delaying new ventures and other sales initiatives also temporarily postponed. Additionally, increased working from home has impacted the robustness of settlement processes and employee welfare remains a heightened risk.	IT and operational processes have been enhanced to ensure effective service delivery and robust control. PayPoint is working closely with suppliers to ensure continued service delivery with contingencies being assessed for areas at risk. Most employees are working from home and safety measures have been implemented to ensure the safety of employees working in the office.
Cyber security risk	Covid-19 has increased cyber threats from cyber criminals and other malicious groups who are targeting individuals, businesses and organisations by deploying Covid-19 related scams and phishing emails. Significant working from home has also heightened cyber security risks.	PayPoint has effective cyber security controls and has increased focus on addressing security alerts as soon as they arise. Security education has been increased with more frequent emails sent to employees highlighting increased security dangers. The IT change portfolio has also been reviewed with higher risk projects temporarily postponed.

Viability statement

In accordance with the 2018 UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three-year period, taking account of the Group's current financial and trading position, the principal risks and uncertainties (as set out on pages 30 to 32) and the strategic plans that are reviewed at least annually by the Board.

The Directors believe that a three-year period is an appropriate period over which a reasonable expectation of the Group's longer-term viability can be evaluated and is aligned with the Group's most recent strategic and financial planning time horizon, which was reviewed by the Board in March 2020 and revisited in May 2020, in light of the impact of Covid-19 on the commercial activities of the business. It reflects the nature of PayPoint's key product and client relationships and the markets in which we operate as described on page 6 of this report.

PayPoint's strategic and financial planning process reflects the Director's best estimate of the future prospects for the Group including assumptions around key client renewals and the development of our key product and service lines. In light of Covid-19, normal trading patterns have been significantly impacted as can be seen in the table to the right.

Consequently, the Directors have prepared a scenario that assumes that the trading trends seen since 18 April 2020 continue for the next three financial years, this is a deep downside scenario that assumes no recovery from current depressed trading patterns.

Service	Full year	1–17 April	18 April–
	19/20 vs 18/19	FY20/21 vs FY19/20	17 May FY20/21 vs FY19/20
	% increase/ (decrease)	% increase/ (decrease)	% increase/ (decrease)
Bill payment transactions ¹	(0.9)%	(31.5)%	(24.8)%
Top-up transactions	(11.2)%	(20.1)%	(19.0)%
ATM transactions	(4.1)%	(39.9)%	(33.1)%
Card payment transactions	20.6%	75.3%	74.4%
Parcels	12.7%	(54.9)%	(22.8)%

Additionally, the Directors have carried out an assessment of the principal risks and uncertainties and applied several different but plausible scenarios to further test the Group viability. These viability scenarios include:

- Failure to renew significant client contracts
- Significantly higher than historically seen churn in the retail partner network as retailer partners becoming out of contract choose not to renew their contract with PayPoint
- The financial impact of technical failure from cyber attacks
- Collapse of significant Romanian banks causing a loss of client settlement funds
- Multiple retailer groups going into receivership

As mitigating actions to offset the impact of what would be a significant and unusual set of circumstances to happen together, we have assumed achievable reductions in expenditure and a reduction in the level of future dividends following the payment of the final dividend of 15.6 pence per share declared in respect of financial year ending 31 March 2020.

As at 31 March 2020 the Group had £12.0 million of net debt. The Group has in place a five-year £70 million revolving credit facility ('RCF') and £5 million ancillary facilities, expiring on 28 March 2023. The agreement includes a £20 million accordion (uncommitted) facility. At 31 March 2020, the Directors had drawn down a total of £70 million of the Group's bank facility to ensure continued liquidity in the face of any potential banking crisis and potential unforeseen liquidity issues as a result of Covid-19. A monthly analysis of cash flow has been prepared for the above scenarios to ensure working capital movements within a reporting period do not trigger a covenant breach. The principal covenants are the requirement of leverage of net debt to be no more than three times EBITDA and interest cover of no more than four times.

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period from the date of this announcement to 31 March 2023.

1. Excludes the impact of British Gas contract not being renewed.



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Strategy in action

Market opportunity in Romania

Strategic priority 3

Sustain leadership in 'pay-as-you-go' and grow digital bill payments

PayPoint in Romania is a strong consumer brand with 74% brand awareness due to PayPoint's large market share (32% of Romanian bill payments are made through a PayPoint terminal). Whilst the cash payment market remains a mass proposition and is expected to be the dominant payment method in the immediate future, PayPoint is well positioned to take advantage of new payment methods and has developed many exciting innovations over the past year.

PayPoint successfully developed a new self-service terminal (AVM) which provides access to a new channel for bill payments, top-ups, eMoney and other services. Our in-house team developed, tested and deployed PayPoint's solution on a modern hardware unit within less than a year following the pilot.

A new software terminal has been developed in-house and will be deployed on an 'off the shelf' hardware unit from a strategic partner and will be rolled out to replace the existing terminal. The new terminal is a lightweight handheld portable solution with a colour touchscreen. Most terminals will have an integrated card solution which will enhance the bill payment experience for both retailer partners and consumers and ensures PayPoint can continue to support retailer partners as card payments become embedded in the country.

“
This new Romanian terminal ensures PayPoint remains at the forefront of bill payments and it will enable new features and services to be added, ensuring PayPoint remains a key partner for retailer partners and enabling them to adapt as consumer habits change.
 ”

Emma Allen
 Head of Retail Products

Purpose and values

Our purpose

We exist to help make a positive difference to people's lives.

This is done through:

- bringing together consumers, local retailers, big businesses and government
- using smart technology to create services that people love
- balancing the needs of every customer served to ensure success for all
- being there whenever and wherever customers need us
- offering a supportive, fulfilling place to work for our people

Our purpose forms the foundations that guide us in the way we work with all of our stakeholders, including our people, and underpins our retailer pledge. Further information can be found in the Responsible Business section on page 40.

Case study

Response to Covid-19

The Covid-19 pandemic is an unprecedented situation that required PayPoint to respond quickly in order to ensure the continuity of vital services to local communities throughout the country.

Our priority has been to continue to support our clients, retailer network and people so that communities are able to access the services they need and our business continues to function effectively. We quickly moved to an operating model which combines remote working; continued essential activity in the field in support of our retailer network; and a very small amount of essential office-based activity. This has allowed us to safeguard our people whilst remaining fully operational and enabling us to provide additional support to our clients and our retailer network with regular communications and care calls. We have made our network available to local authorities to provide financial support, through our CashOut service, to the most vulnerable in their local communities. We have also increased resources and provided a dedicated call line in our contact centre to further support these consumers. A number of measures have been implemented to support the convenience retail community amid the Covid-19 outbreak. The initiatives include a campaign to celebrate Retail Heroes, a £25,000 contribution to the NFRN Covid-19 Hardship Fund, fee increase waivers, service fee changes and a new partnership with Deliveroo.

Like most businesses our trading will inevitably be impacted by the crisis and we have had to review our cost base as a result. As an employer we have recognised that for the continued success of the business we need the support of all our people and therefore decided to prioritise job security with a commitment that we would not furlough any employees or make redundancies as a result of the Covid-19 crisis for a minimum of three months. We were able to do this by cancelling management bonuses and postponing annual salary increases. However, in recognition of how hard everyone worked in support of the business during the last financial year and continues to work during the Covid-19 crisis we agreed to make a discretionary award of £200 to all employees, with the exception of the Executive Board, in June 2020.

We have been communicating with our people on a regular basis and supporting them with the transition to home working so that they are able to continue to provide a great service to our clients and retailers. In April 2020 we ran a survey to get feedback from our UK people with regards to our handling of the crisis and the support that we are providing and 79% of our people responded. 89% of respondents confirmed that they feel supported by PayPoint at this time. We are responding to the feedback received in the survey and continue to do all we can to get through the crisis together and emerge in the strongest position possible.

Our values

Our six values reinforce our purpose and are at the core of our culture.

Accountable

Customer focused

Ambitious

Enquiring

Team player

Passionate

We actively engage with our people to bring these values to life in the work that we do. Our values are incorporated into our recruitment and induction processes, and demonstration of the values forms a key element of our bi-annual performance reviews. People who role model our values are recognised via our annual awards event and monthly values award programme.



Value award winner: Enquiring

Michele Roberts, Sales Support Manager, won the Enquiring award at our annual awards event. This award recognises individuals who challenge the status quo, solve problems and identify improvements to what we do. Michele received multiple nominations for this award. She has a relentless drive to identify issues and create relevant, appropriate solutions in the pursuit of higher sales and lower churn. She is always challenging her team to ask the right questions in order to provide our retailer partners with the best possible outcome, both for them and for PayPoint. She is always helpful to our field based teams and constantly looking for ways to improve the way we work. A credit to our business and a fantastic, supportive colleague.



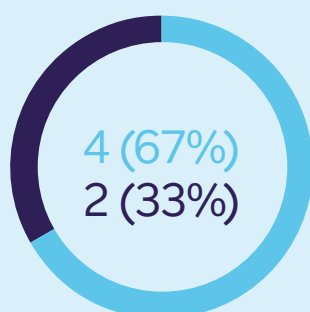
Value award winner: Customer focus

Davina McHugh won the Customer focused award at our annual awards event. This award recognises individuals who understand customer needs and build excellent processes, services and solutions to deliver customer satisfaction. Davina is a Customer Care Administrator in our Retail Collections team and works with retailers to create a better customer experience, handles any queries on their account and manages risk on a daily basis. Davina really cares about all our customers and makes a difference every day by helping, giving great advice and support, following all issues through to conclusion and ensuring that we deliver the best possible retailer experience. Since being promoted to this role earlier in the year, she has constantly worked on improving the collection processes and has reduced Retail Collections complaints to their lowest level ever.

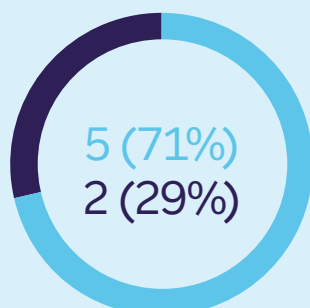
People and culture

Gender balance as at 31 March 2020

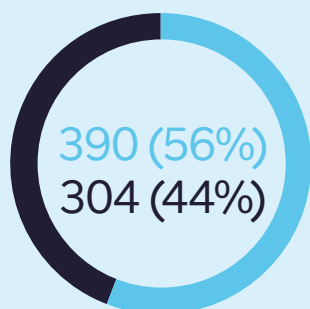
Board



Leadership team¹



All employees



● Male
● Female

Employees

PayPoint employed, on average, 694 people during the period. We aim to create a positive working environment that enables us to attract and retain a talented workforce. We recruit externally from a wide range of industries and we welcomed over 150 new starters to the business during the year. Employee turnover in the UK remained stable year-on-year with voluntary turnover of 16%. Total turnover in the UK was 24%, reflecting the use of fixed term contractors to support the business during peak periods. Turnover in Romania fell during the year from 44% to 37% but remained higher than we would like, reflecting local market conditions.

Engaging our people

We continue to see a strong response to our engagement surveys with 88% of our UK based people completing the latest engagement survey in June 2019. Our overall engagement score was 68% which is broadly in line with the previous survey in December 2018.

Each team develops and implements actions that are relevant to them. At a Company level our priority has been communication, which became increasingly important during the year as a result of changes in leadership; and more generally around the business, as we implemented a CRM system and transitioned away from the British Gas contract. We keep our people informed of Company performance and new developments through different channels including formal business updates, staff briefings and regular team meetings. Staff briefings have changed in format and increased in frequency to monthly; changes that have been positively received by our people. Briefings are recorded and made available to employees who are unable to join. We have also reviewed our senior management communication with the introduction of weekly meetings to review trading and ensure clarity of focus for the week ahead.

Our employee forum continued into its second year during which the forum met twice formally in addition to a number of informal meetings. The forum is attended by functional employee representatives who have been elected by their colleagues in the UK business, the HR Director and Gill Barr, who represents the Board. The focus of the forum has continued to be the consideration of the issues raised by the engagement survey and their feedback is shared with the Board via the Board representative as well as being considered in the development of the survey action plan. The forum works well at an operational level, as a way of gathering engagement

survey feedback and actions and providing feedback and suggestions into employee related activities and events. The existing representatives will end their term in July 2020 when we plan to recruit an increased number of representatives. Objectives will be broadened to include feedback on Company purpose and values, the strategy and direction of the Company, in addition to the engagement survey.

We continue to see a high level of participation in our share incentive plan which is open to all UK employees with a 44% participation rate. We also launched a discretionary all-employee bonus scheme in order to engage all of our people in delivering our objectives for the year ending 31 March 2020. This plan has been cancelled as a result of the Covid-19 crisis however we will be making a payment of £200 to all employees in June 2020 in recognition of their support and commitment to the Company during this difficult time.

PayPoint values diversity and it is important to us that our working environment is one where all are treated equally and which is free from discrimination in respect of gender, ethnicity, religion, sexual orientation, age or disability. We are committed to offering equal opportunities to all our people. Our Diversity and Inclusion Policy can be found on our website.²

The overall gender balance across all employees within the business on 31 March 2020 was 44% female and 56% male. We recently published our third gender pay report which can be found on our website.³ We remain committed to ensuring that there is at least one male and female candidate presented for each vacant position where possible and have made positive progress in female hiring and promotions generally, but the candidate pipeline for our most senior roles has been predominantly male, both internally and externally. We will continue to ensure that our external recruitment partners present us with the best female talent on shortlists but we cannot rely on this and therefore internally we are focusing on ensuring that we have strong development plans in place for internal talent. This includes a programme of Board mentoring for identified senior managers.

Externally we continue to support young people in our community with a commitment to the local schools community and the continued development of young talent. PayPoint started to work as an enterprise advisor to a local secondary school in 2016. This means that we support students with the transition from school to the workplace.

This year we have seen 10% of our people volunteer in various activities such as mock interviews, careers fairs, careers workshops, an event aimed specifically at female students meeting women in different careers as well as accommodating the increasing request for work experience placements. PayPoint has also signed the Tech She Can charter which is a PWC initiative designed to encourage more girls to study IT and view it as a career choice.

We celebrated International Women's Day in March 2020 by organising an external speaker and encouraging women from across the business to share their inspirational stories.

PayPoint is committed to treating applicants with disabilities equally and supporting people who become disabled during their career with the Company. This includes making reasonable adjustments both to the recruitment process for applicants and to the working environment for employees, in order that they can achieve their full potential.

Wellbeing

We have continued to support the wellbeing of our people during the year with a particular focus on mental health. This included participating in a number of stress and mental health awareness events with a variety of activities including sharing resources to help

people manage and relieve their own stress levels, encouraging participation in our weekly yoga sessions, a therapy dog session and a series of live interactive webinars from experts on a range of different topics. We have also been communicating wellbeing tips regularly during the Covid-19 crisis to support our people through this unprecedented time. This is in addition to regular support provided by our trained mental health first aiders.

People development

We are committed to supporting the development of our people through a combination of online courses, apprenticeships, further education and in-house and external courses based on business and individual need. We continue to invest in our apprenticeship programmes with a focus on management skills in addition to more specialist programmes in areas including data science and HR, and were delighted to announce that one of our apprentices, Lara Powers, Operations Manager, was recognised by our provider Qube Learning as their Higher Apprentice of the Year. Lara is a fantastic advocate for the apprenticeship scheme and is passionate about the confidence that it has given her to develop. She has actively supported the launch of further schemes as well as encouraged her own team to take part.

Other training priorities during the year included the development of sales and strategic relationship skills including negotiation skills training and a trusted advisor programme. We also launched an internal mentoring programme to support career development. During the year 24% of UK vacancies were filled internally and we continue to focus on ensuring that we have good development plans in place for our people to create a strong pipeline of internal talent.

Human rights

PayPoint supports fundamental human rights, such as the right to privacy, safety and to be treated fairly, with dignity and respect. Our employment standard sets out our commitment to good employment practices and the principles to govern the practices adopted in each of our businesses. All employees have a right to safe conditions of work, consideration of their welfare, fair terms of employment, reward and treatment, clarity and openness about what is expected. We have a zero tolerance approach to slavery and we are committed to acting ethically and with integrity in all of our business dealings and relationships. PayPoint's statement on modern slavery can be found on the website⁴.

1. Leadership Team includes the Executive Board, Managing Director, PayPoint Romania and Interim Finance Director.
2. <https://corporate.paypoint.com/investor-centre/corporate>
3. <https://corporate.paypoint.com/investor-centre/csr/about-our-people>
4. <https://corporate.paypoint.com/modern-slavery-act>



Receiving the Higher Apprentice of the Year award is truly one of my greatest achievements.

Qube Learning has helped me grow, expand my knowledge and I feel like I can do anything!

The programme has been life changing, my advice to anyone considering this route is don't be afraid, whatever age you are it's a great time to start learning. Qube Learning and PayPoint motivated me to succeed and saw my capabilities when no one else did, and I can now look forward to a very bright future.



Lara Powers
Operations Manager

Responsible business

In addition to our people, our key stakeholders are our retailer partners and consumers, our clients, our shareholders and the community.

To ensure that our business is run responsibly we review our practices against the 'Five Principles of a Purpose Driven Business' set out by Blueprint for Business:¹

1. Has a purpose which delivers long-term sustainable performance

Our purpose helps us to ensure that we consider the impact of our business on all of our stakeholders so that we can both truly serve society and generate a sustainable return for our shareholders.

We had 684 shareholders as at 31 March 2020. As required, each year we publish results for the half-year and full-year and provide trading updates for performance during Q1 and Q3. Shareholders are invited to attend the annual general meeting (although the current environment is prohibiting this for our forthcoming meeting) and Executive Directors meet with major shareholders twice a year to discuss the Group's results. We make webcasts of presentations available on our website. In addition to this, we regularly invite existing and prospective shareholders to our offices in Welwyn Garden City.

Our purpose (outlined on page 36) forms the foundations that guide us in the way we conduct our business and work with our stakeholders.

2. Honest and fair with customers and suppliers

Our success is built on a reputation for high standards in all areas of business which we achieve by working in accordance with our ethical principles. These principles apply throughout the PayPoint Group and are used to define the standards and working practices that we adopt.

They guide our day to-day actions and give our people clarity on acceptable behaviour. Our 2019 statements on ethical principles and modern slavery can be found on our website². A validation exercise is currently under way to support our 2020 modern slavery statement which will be published by 30 September 2020. We operate an anti-bribery and corruption policy which was put in place in response to the UK Bribery Act 2010. Further information regarding this can be found on page 63 in the Audit Committee report.

Retailer partners

We provide retail products and services to approximately 46,000 PayPoint sites in the UK and Romania, who in turn provide services to millions of consumers.

We provide a leading and differentiated set of services, through highly reliable technology that enables our retailer partners to run their businesses more efficiently as well as generating consumer footfall from their surrounding communities. The breadth of products and services offered by PayPoint is greater than any other bill payment network.

Our commitment to our retailer partners has been articulated in the following public pledge:

- listen and communicate openly with you
- support you and deliver excellent service
- always innovate to improve our products and services
- champion the importance of convenience retailers

It is fundamental that we work to deliver measurable service enhancements, and embed the pursuit of these at the heart of our operating culture.

We regularly survey our retailer partners, in conjunction with an independent third-party organisation, to better understand where and how we can improve our service. Throughout the year we hold retailer forums, comprised of leading independent retailers from our network, to discuss progress, receive feedback and work collaboratively to improve the customer experience in-store.

In addition, we work collaboratively with the Association of Convenience Stores ('ACS') to ensure we maintain a current view of industry topics, and this relationship also provides regular training and insight sessions for our head office teams to understand the prevailing challenges and opportunities within convenience retail. We continue to offer free of charge ACS membership to PayPoint One retailer partners, providing access to industry events, advice and best practice. Our major retailer partnerships are managed through a national accounts team, who agree partnership plans and review progress via regular account meetings.

Consumers

Open early until late seven days a week, we serve millions of consumers every day, helping them to make payments and access parcel services conveniently through our retailer network and omnichannel payments solutions.

Our MultiPay platform is designed to provide a simpler and more convenient way for consumers to pay essential bills such as gas, electricity and rent. Over the last year we have broadened our payment capability by adding direct debits to our digital payment services and PayByLink which offers consumers a frictionless and effective way to pay for services.

We allow businesses to accelerate their ambitions to digitalise their own platforms and provide consumers with a more seamless journey through the recent development of APIs allowing companies to connect to our MultiPay system. We are uniquely placed to be able to provide consumers with complete flexibility to choose to pay using whichever method is most convenient for them.

Clients

We have over 590 clients across the UK and Romania.

We assist clients by providing convenient services for consumer payments with a high standard of service and open communication. Our contracts with clients contain clear obligations with respect to the services being provided underpinned by measurable service levels which are set to ensure a high standard of delivery across key elements, including system and service availability, file delivery and funds settlement.

During the reporting period, 21 clients went live in the UK and 24 in Romania including Monese, Selwood Housing, Nabuh Energy, First Bank and Glovo. In addition to this we have also provided a further seven new services to existing clients including Shell Energy where we now offer web and app payment services, as well as the traditional cash payment service.

We continue to have a dedicated Client Management team, enhancing our engagement with clients to ensure we are able to align our strategy and roadmaps to the needs of the clients we partner with.

3. A good citizen

Our convenience retail network places us at the heart of local communities, supporting our retailer partners to offer a strong portfolio of services to their customers. Our cash bill payment solutions enable less privileged people to access services that may otherwise be unavailable to them, and 85% of our ATM network is 'speech-enabled', the largest proportion of an independent network in the UK.

We support the communities where our people live and work by providing them with the financial support they need to serve their causes. PayPoint has a charity committee made up of volunteers which leads and provides support to fundraising activities carried out by our people for charities which are important to them. During the year the Committee supported over 40 of our people with their fundraising efforts as well as hosting events including bake sales, quiz nights, and a relay race. £19,000 was donated to 37 local and national charities including Essex & Herts Air Ambulance, Mind and Children in Need, of which £14,000 was funded by the Company.

We offer our network to collect for the BBC's Children in Need telethon free of charge.

4. A responsible and responsive employer

Information about our employment practices can be found in the People and Culture section on page 38.

5. A guardian for future generations

We are committed to supporting young people in our community and we work as an enterprise advisor to a local secondary school, supporting their students with the transition from school to the workplace. Further information can be found in the People and Culture section on pages 38 to 39.

Environment

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

We measure our carbon footprint in accordance with the 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 energy consumption and business travel. Energy consumption arises from our offices in the UK and Romania and has increased this year due to the insourcing of our terminal refurbishment capability. We visit existing and prospective retailers in the UK and Romania and routes are pre-planned to ensure efficiency where possible. Management regularly visit our offices in Romania to review and improve performance but do aim to avoid unnecessary travel. We have a cycle-to-work and a car share scheme to encourage less motor vehicles and we encourage electronic documents to reduce unnecessary printing. PayPoint's services help consumers to reduce the number of unnecessary car journeys through the convenience of our outlets which are usually available within a short walking distance.

We recycle wherever possible, including paper, cans, plastic cups, cardboard, toners, print cartridges and computer equipment. We have a Green Team of volunteers from around the business to support with environmental initiatives and during the year they launched a crisp packet recycling scheme. Since September over 50 bin bags of crisp packets have been recycled and turned into plastic pellets to be transformed into park benches, plant pots, watering cans and cool bags. The Green Team have more recycling plans for this coming year including battery, glasses, specialised clothing and mobile phone recycling.

Our phase 2 Energy Saving Opportunity Scheme ('ESOS') assessment was completed in November 2019 and we have implemented a number of additional energy saving opportunities as a result including the installation of LED lights and the replacement of desktop computers with laptops. We are also reviewing ways of working and anticipate an increase in home working which will contribute to a reduction in our overall carbon footprint.

1. <https://www.blueprintforbusiness.org/>
2. <https://corporate.paypoint.com/investor-centre/corporate>

Responsible business continued

GHG emissions and waste

In this section we report on all required GHG emissions in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The new Streamlined Energy & Carbon Reporting ('SECR') regulations came into effect on 1 April 2019 and we follow the guidelines to comply with these new regulations.

We report using a financial control approach to define our organisational boundary. A range of approaches can be taken to determine the boundaries of an organisation for the purposes of GHG reporting including financial control, operational control or equity share.

The methodology used to calculate our emissions is based upon the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance' (March 2019) issued by DEFRA which make it clear that, in most cases, whether an operation is controlled by the organisation or not does not vary based on whether the financial control or operational control approach is used. Using the latest UK Government GHG Conversion Factors, PayPoint's Global GHG emissions in the year decreased to 1,200 tCO₂ from 1,310 tCO₂ in 2018/19.

The overall waste tonnage has increased this year mainly due to the introduction of the terminal refurbishment function which is now fully operational.

	Units	Year ended 31 March 2020	Year ended 31 March 2019
Scope 1 (direct emissions from fuel combustion)	tonnes CO ₂ e	349	320
Scope 2 (indirect emissions from purchased electricity, heat and cooling)	tonnes CO ₂ e	534	615
Scope 3 (business travel, waste ¹ and water)	tonnes CO ₂ e	317	375
Total		1,200	1,310

Intensity measurement:

Total tonnes of CO₂e per employee²

1. Includes waste from UK. Romania does not track waste.
2. We have used the average number of employees to calculate our intensity measure as most of our emissions are directly related to business travel and energy consumption at our head office locations.
3. The prior year comparatives have been updated to reflect the floor consumption in PayPoint's Romania office.

Waste:

	Year ended 31 March 2020 (tonnes)	Year ended 31 March 2019 (tonnes)
Landfill	24.3	16.7
Recycled	26.3	19.0
Total	50.6	35.7
% recycled	52.0%	53.2%

Non-financial information statement

This is our Group Non-Financial Information statement, prepared in order to comply with sections 414C and 414CB of the Companies Act 2006.

A description of our business model and strategy, as well as the non-financial KPIs relevant to our business can be found on pages 1 to 45. The Company has the following policies in place which are available to all employees online:

Reporting requirement	Where to find further information	Page	Relevant policies if applicable
Environmental matters	<ul style="list-style-type: none"> Responsible business 	41	–
Employees	<ul style="list-style-type: none"> People and culture Principal risks Audit Committee Report 	38 30 58 63	<ul style="list-style-type: none"> Diversity Recruitment and Selection Health and Safety Whistleblowing Code of Ethics
Society and communities	<ul style="list-style-type: none"> Responsible business 	41	<ul style="list-style-type: none"> Charitable donations
Respect for human rights	<ul style="list-style-type: none"> People and Culture www.corporate.paypoint.com 	39 –	<ul style="list-style-type: none"> Modern Slavery Statement Human Rights
Anti-bribery and corruption	<ul style="list-style-type: none"> Audit Committee Report 	63	<ul style="list-style-type: none"> Anti-bribery and corruption

Section 172(1) Statement

Board decision making

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires directors to have regard to, amongst other matters, the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging our section 172 duties, we have regard to the factors set out above. In addition, we also have regard to other factors which we consider relevant to the decisions being made. Those factors for example include the interest and views of our clients; our retailer partners; regulatory bodies; and our relationship with our lenders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision making, we aim to make sure that our decisions are consistent and appropriate in all circumstances.

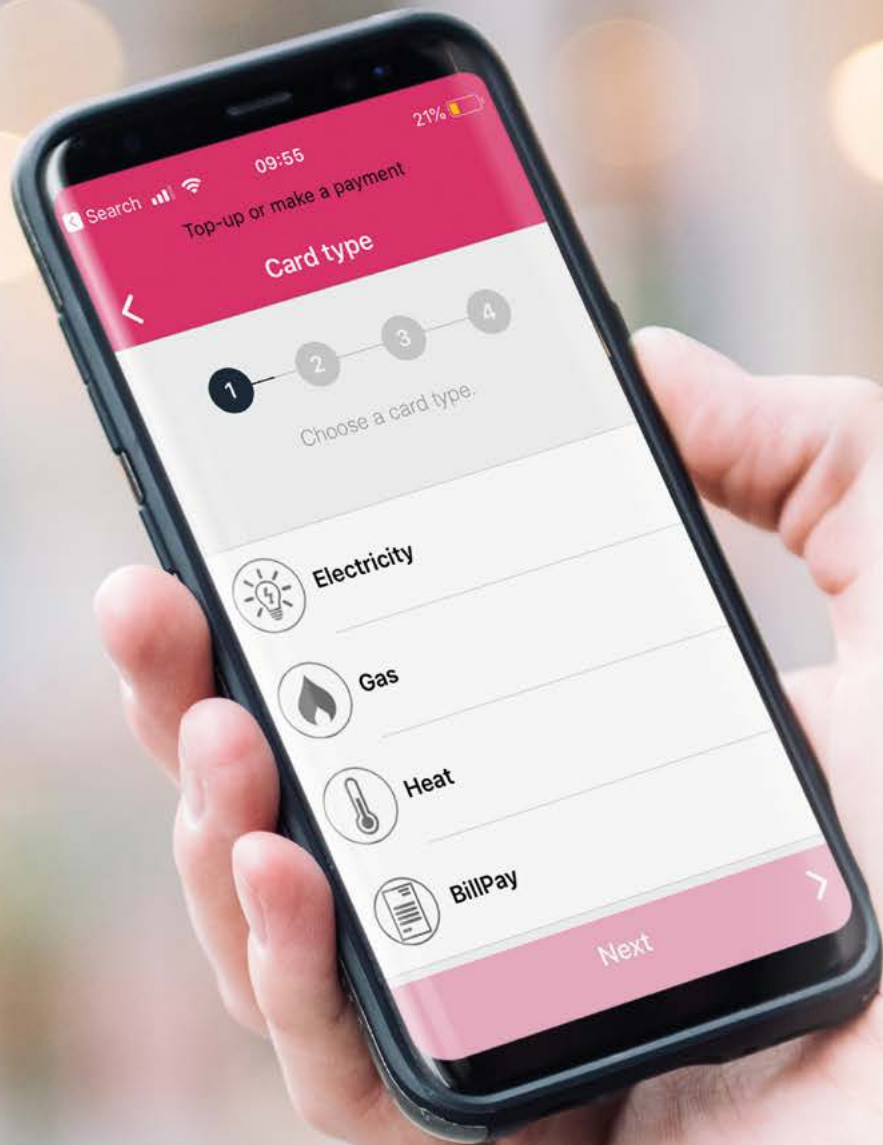
We delegate authority for day-to-day management of the Company to the Executive Board and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held periodically at which the Directors consider the Company's activities and make decisions. For example, each year we make an assessment of the strength of the Company's balance sheet and future prospects relative to market uncertainties and make decisions about the payment of dividends. For the year ended 31 March 2020, we are recommending a final dividend of 15.6p per share. The need to consider the long-term viability of the Company and its expected cash flow and financing facilities has been further heightened in light of the current Covid-19 crisis.

How we consider our stakeholders

By the time the government announced the lockdown on 23 March 2020, PayPoint had already started to implement an operating model which combines remote working, continued activity in the field in support of our retailer network and some essential office-based activity. Board meetings have also included updates on our response to the Covid-19 outbreak. Stakeholders were communicated with frequently via email, digital newsletters and messages from the Chairman on developments as the crisis has progressed. The Board also provided a trading update to the market on 19 March 2020 which is available via the regulatory announcements section of our corporate website. The case study on page 36 illustrates how we engaged with our stakeholders during the pandemic.

The Strategic Report on pages 1 to 45 is approved by the Board of Directors and signed on behalf of the Board.

Nick Wiles
Chief Executive
27 May 2020



Strategy in action

Innovate future growth and profits

Strategic priority 4

Over the last 12 months, we have introduced several new payment solutions into our omnichannel platform, MultiPay, including PayByLink and direct debit capabilities.

Our innovative cloud-based PayByLink portal was developed with client feedback in mind to make collecting high volumes of low value debt easy and cost-effective via SMS. In addition, our flexible direct debit solution offers the full range of benefits of a competitive solution alongside unique features such as real-time visibility of payments and an intuitive portal to set up and manage direct debits in house.

During the year, PayPoint renewed an exclusive contract with Shell Energy Retail, allowing its customers to make payments online powered by the MultiPay portal. Shell Energy Retail provides 100% renewable electricity, as well as gas and broadband to hundreds of thousands of homes across Britain. Shell Energy wanted

to offer its prepayment customers an online payments facility to suit the flexibility of modern life. PayPoint was the only provider able to offer a one-stop shop solution to complement Shell Energy's requirements including cash in-store, online, and mobile app payments. Since launching, more than half of energy tops-ups now take place online.

Shell Energy have also recently signed an agreement to implement the new PayByLink service to collect arrears from their credit customers. This latest development demonstrates our capability to offer a fully rounded service proposition for Shell through several MultiPay channels, complementing the needs of their customers and business.

“
Our partnership with PayPoint means that our customers can make their energy payments easily; through mobile and online top-ups or at the 26,000 PayPoint sites in the UK. PayPoint's MultiPay platform gave us a simple route to market that was well integrated and provided us with a number of payment options to suit a range of customers.”

Ed Kamm
Chief Commercial Officer,
Shell Energy Retail

Board of Directors

Giles Kerr
Chairman



Appointed to the Board in October 2015 becoming Chairman in May 2020.

Career

Gile's former roles include chief financial officer at the University of Oxford, Group finance director at Amersham plc, Arthur Anderson & Co and non-executive director roles at BTG plc, Victrex plc, Elan Corporation Inc and Adaptimmune Therapeutics plc

Board skills and experience

Giles has considerable financial expertise and experience which brings benefits to the Board and in his role as Chairman of the Audit Committee.

Other principal roles

Non-executive director of Senior plc, Abcam plc and Arix Bioscience plc.

Committee memberships

Chairman of the Nomination Committee and a member of the Remuneration Committee. Giles also continues to act as Chairman of the Audit Committee until such time as a new Chair of the Audit Committee can be appointed.

Nick Wiles
Chief Executive



Appointed to the Board in October 2009, Chairman in May 2015, Executive Chairman in December 2019 and Chief Executive in May 2020.

Career

Nick retired as chairman of Nomura in 2012 after more than 25 years in investment management and banking.

His career started as an analyst and fund manager at Mercury Asset Management before moving to Cazenove, where he spent the majority of his career and was a partner prior to incorporation and a vice chairman of JP Morgan Cazenove. He was previously a non-executive director of Strutt & Parker and senior independent director at Primary Health Properties plc, prior to its merger with MedXplc.

Board skills and experience

Nick's expertise ensures the effective operation and governance of the Board and its Committees. He facilitates constructive challenge on the development and implementation of the Company's strategy whilst providing an investor perspective.

Other principal roles

None.

Committee memberships

Member of the Market Disclosure Committee.

Rachel Kentleton
Finance Director



Appointed to the Board in January 2017.

Career

Rachel is a qualified accountant and was previously group director, strategy and implementation at EasyJet and a member of the airline management board. She has also held a number of finance roles at Unilever, NatWest, Diageo and SABMiller.

Board skills and experience

Rachel's experience in devising and implementing strategy and investor relations together with her financial acumen assists the Board in executing the Company's strategy.

Other principal roles

Independent non-executive director of Persimmon plc and chair of its audit committee.

Committee memberships

Member of the Market Disclosure Committee and the Cyber Security & Information Technology Sub-Committee.

Gill Barr
Independent Non-Executive Director



Appointed to the Board in June 2015.

Career

Gill has held senior strategy, marketing and business development positions at the Co-op, John Lewis, Kingfisher, Mastercard and KPMG. She was previously a non-executive director of Morgan Sindall plc and currently chairs the Customer Challenge Group for Severn Trent Water plc.

Board skills and experience

Gill brings her extensive experience as a retailer and offers a strategic perspective on drivers of growth. As a Non-Executive Director she is able to provide remuneration expertise owing to her chairmanship of the remuneration committees of the companies detailed below.

Other principal roles

Non-executive director of McCarthy & Stone plc, N Brown Group plc and Wincanton PLC.

Committee memberships

Member of the Audit, Nomination and Remuneration Committees. Board representative for the employee forum.

Rakesh Sharma OBE FREng CPhys MinstP
Senior Independent Director



Appointed to the Board in May 2017 becoming Senior Independent Director in May 2020.

Career

Rakesh started his career as an electronic design engineer at Marconi in 1983 before moving to Dowty as chief engineer in 1989. He was chief executive of Ultra Electronics Holdings Plc ('Ultra') having previously held several senior and management positions within Ultra and has managed businesses and divisions across the full range of that company's wide portfolio including in the b2b fintech sector.

Board skills and experience

Rakesh's brings executive management and cultural change experience to the Board. Additionally his long association in the global security sector brings skills in cyber security and information technology. Rakesh also supports the younger generation though his pro bono activities for a multi academy trust and Riverbank Academy, a special educational needs school. In addition, Rakesh mentors young start-ups and is a motivational speaker.

Other principal roles

None.

Committee memberships

Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. Member of the Cyber Security & Information Technology Sub-Committee.

Ben Wishart
Independent Non-Executive Director



Appointed to the Board in November 2019.

Career

Ben has previously served as CIO of Morrisons plc and Whitbread plc and has held various senior information technology roles at Tesco plc. He is currently global chief information officer of Ahold Delhaize.

Board skills and experience

Ben brings a deep understanding of technology to the Board. He has proven leadership and governance skills on technology matters within a global business.

Other principal roles

None.

Committee memberships

Member of the Audit, Nomination and Remuneration Committees. Chairman of the Cyber Security & Information Technology Sub-Committee.

Leadership Team



Nick Wiles
Chief Executive

See **Board of Directors** for biography.



Rachel Kentleton
Finance Director

See **Board of Directors** for biography.



Lewis Alcraft
Chief Operating Officer

Lewis was appointed to his current role of Chief Operating Officer in May 2020. He was previously Chief Commercial Officer leading PayPoint's commercial strategy development and execution.

On joining the business in 2007, Lewis led PayPoint's relationship with BBC TV Licensing, before moving on to various roles including heading PayPoint's product and client teams.

In 2015, he was appointed Commercial Director leading PayPoint's broader commercial agenda, across retail and client partners.

Prior to PayPoint, Lewis was a senior client manager at CPM, a marketing agency within the Omnicom group of companies.



Alan Dale
Head of UK Finance

Alan, an ACA qualified finance executive, joined PayPoint three years ago and has significant finance leadership experience having held senior finance roles with financial services companies including GE Capital.



Mugur Dogariu
Managing Director, PayPoint Romania

Mugur has been Managing Director of PayPoint Romania since August 2008 and has overseen impressive growth in the retail network to over 18,000 sites across Romania, as well as transaction growth from over one million in 2008/2009 to 100 million in 2018/2019 after the acquisition of Payzone, the main competitor.

Mugur previously held senior management roles in sales and marketing for Nestlé and Rhône Poulenc. Mugur holds an Executive MBA from ASEBUSS and the Kennesaw State University, as well as a Professional Certificate in Management from the British Open University and a degree from the University of Agronomic Sciences and Veterinary Medicine of Bucharest.



Jon Marchant
Chief Information Officer

Jon joined PayPoint in early 2011 and is responsible for all aspects of IT management.

As an experienced IT and operations leader and change specialist, he has worked in several blue chip financial services and retail organisations during his career including Halifax, Co-operative Group, Capital One and Scottish Widows.



Danny Vant
Client Services Director

Danny joined the business in 2019 and was appointed to his current role of Client Services Director in 2020, leading the commercial and strategic development of the client portfolio and managing relationships with the multiple retailers.

Before joining PayPoint Danny worked for Mitie Plc in the FM sector managing a number of businesses, predominantly within the security sector. Danny also worked in consultancy for

Newton Europe specialising in process efficiency improvements across a diverse range of sectors, including healthcare and defence. Prior to this Danny started his career as a graduate in the logistics industry, spending six years working in the parcel carrier industry for Target Express.



Katy Wilde
Human Resources Director

Katy joined PayPoint as HR Director in 2012 with responsibility for the development and implementation of our people agenda.

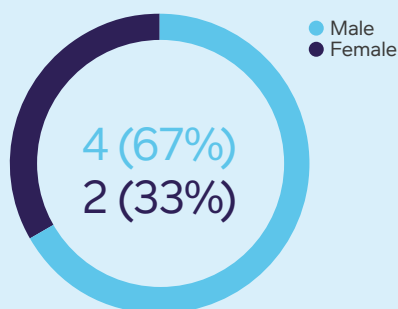
Prior to joining PayPoint, Katy worked for RSA Insurance Group where she held a number of senior business partnering roles in the UK and latterly in the emerging markets business where she was responsible for ensuring the delivery of the HR agenda across 22 countries in Central and Eastern Europe, Asia, the Middle East and Latin

America. Prior to that Katy spent seven years at General Electric where she held HR roles in both their consumer finance and insurance businesses. Katy has a degree in International Business and Modern Languages from Aston University and is a Chartered Member of the CIPD.

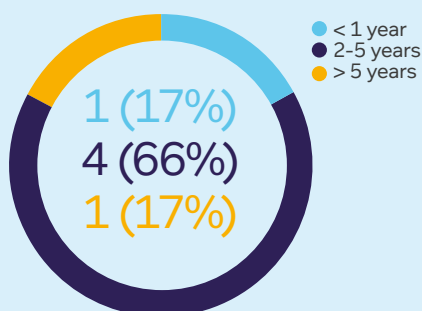
Corporate Governance Report

Governance at a glance¹ Board diversity, composition and activity

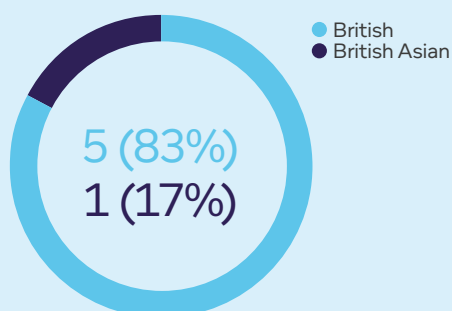
Gender of the Board



Tenure of the Board



Ethnicity of the Board



1. Correct as at 31 March 2020.

Board skillset

- Technology
- Transformation
- Strategy
- Marketing
- Financial
- Retailing
- Operational
- Cyber Security
- Executive Management
- Governance
- Cultural Change
- Risk
- Investor Relations

The Board considers that throughout the year under review, it has complied with the provisions of the UK Corporate Governance Code (the 'Code') as published by the Financial Reporting Council in July 2018.

This report describes how the provisions of the Code have been applied by the Company.

Membership and attendance at scheduled Board meetings held during the year

The table below shows Directors' attendance of the scheduled Board meetings held during the year.

Member	Role	Attendance at scheduled meetings during the year	
		Eligible to attend	Attended
Executive Directors			
Nick Wiles ¹	Executive Chairman	8	8
Rachel Kentleton	Finance Director	8	8
Non-Executive Directors			
Giles Kerr ²	Senior Independent Director	8	8
Gill Barr ³	Independent Non-Executive Director	8	7
Rakesh Sharma ⁴	Independent Non-Executive Director	8	8
Ben Wishart ⁵	Independent Non-Executive Director	4	4

1. Assumed the role of Executive Chairman in December 2019 to support and lead the Executive Board following Patrick Headon's departure from the Company. Prior to December 2019, Nick was the Chairman of the Board and with effect from 20 May 2020 he was appointed Chief Executive.
2. Giles stepped down as Senior Independent Director on 20 May 2020 and was appointed Chairman effective from the same date.
3. Gill Barr was unable to attend the Committee meeting held in May due to incurring an injury on her way to the meeting.
4. Rakesh Sharma was appointed Senior Independent Director on 20 May 2020.
5. Four scheduled Board meetings were held post Ben's appointment to the Board on 14 November 2019.

Corporate governance framework

The Board provides effective leadership to the Group within a wider corporate governance framework with clearly defined roles and responsibilities as illustrated in the chart opposite. The governance framework supports the rigorous challenge by the Board of strategy, performance and accountability, which encourages the proper implementation of the strategic aims of the Company.

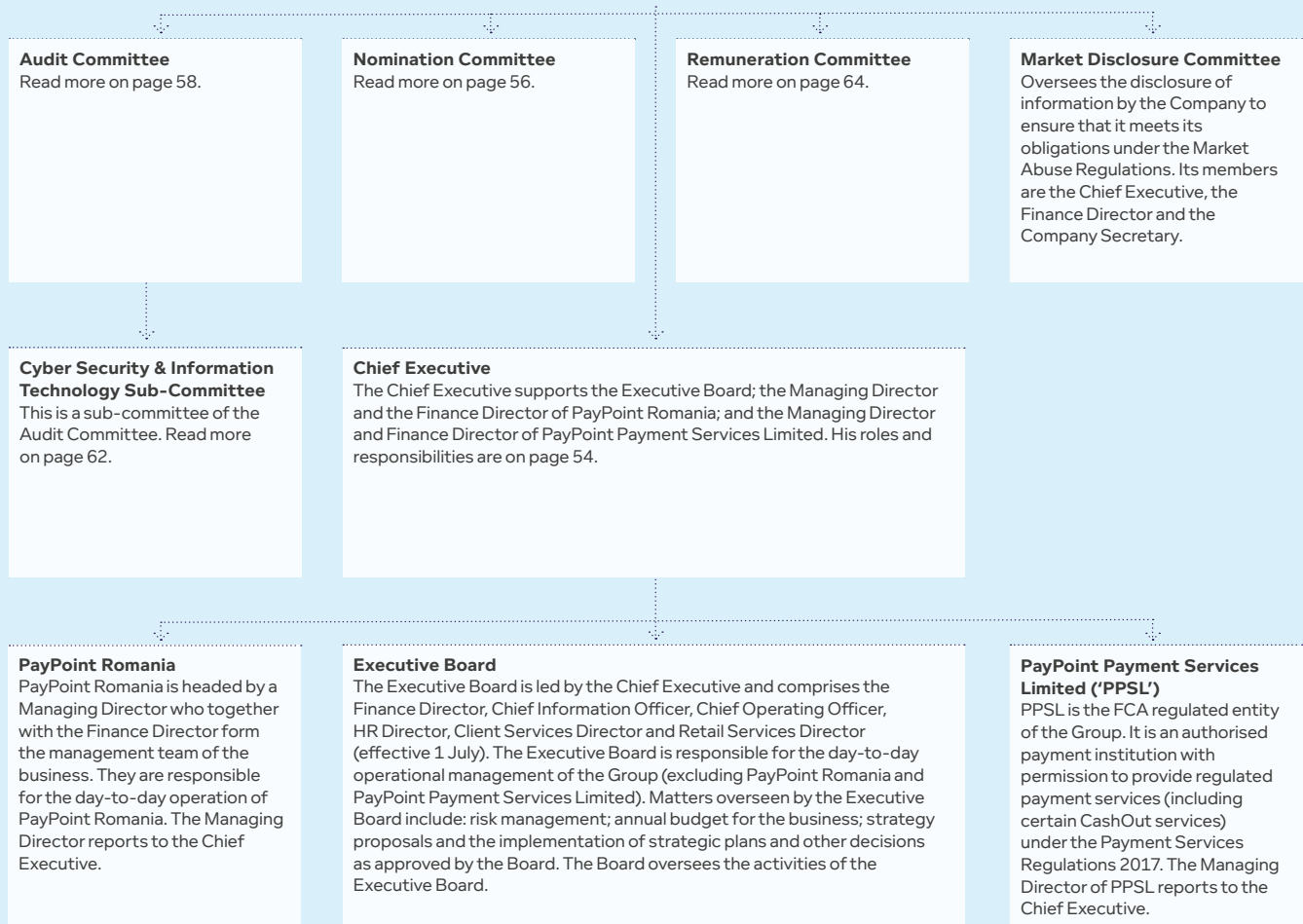
This results in the growth of the business and protection of the interests of shareholders and wider stakeholders.

Corporate Governance Framework

The Board

The Board is collectively responsible for the long-term success of the Company and is accountable to the shareholders of the Company. The Board provides effective leadership by setting the strategic aims of the Company and overseeing the efficient implementation of these aims in order to achieve sustainable growth of the business. It monitors operational and financial performance against agreed goals and objectives whilst ensuring that the appropriate controls and systems exist to manage risk. The Board ensures that there are the necessary financial resources and people with the necessary

skills to achieve the strategic goals the Board has set. The Nomination, Audit, and Remuneration Committees support the Board in carrying out its role which is formally set out in 'the Matters Reserved for the Board', full details of which can be found on the Company's website www.corporate.paypoint.com. The details of the roles of each of those Committees can be found on pages 56 to 67. In addition, the Executive Board carries out strategic objectives delegated to it by the Board and the roles of each member of the Executive Board is set out on pages 48 to 49.



Corporate Governance Report **continued**

Board composition

At the date of this report, the Board comprises six Directors: the Chief Executive; the Finance Director; the Senior Independent Director; and three Independent Non-Executive Directors. The size of our Board allows time for full discussion and debate of matters and enables all Directors' views to be heard. The Non-Executive Directors have a broad range of skills and experience bringing balance and diversity to the Board. The biographies, skills and competences of each of our Directors is set out on pages 46 to 47.

The composition of the Board is subject to ongoing review and a key consideration for any new Board appointment will be the additional breadth a new Director could bring.

The process undertaken to appoint Ben Wishart to the Board in November 2019 is set out in the Nomination Committee Report on page 57.

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 at the annual general meeting. In accordance with the provisions of the Code all Directors submit themselves for election or re-election at each annual general meeting. The Board's recommendations in respect of the election/re-election of each Director can be found in the Notice of Meeting on page 128.

The Directors have disclosed all their significant external commitments which the Board has considered and is satisfied that all the Directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

Independence statement

The Board considers its Non-Executive Directors to be independent. The Board has determined that each is independent in character and judgement, and is free from any business or other relationship which could affect the exercise of his/her judgement.

Induction

On joining the Board, all new Directors receive a full, formal and tailored induction. One-to-one meetings are held with each member of the Executive Board and other senior management in the business and external advisors as appropriate. The induction includes the provision of relevant current and historical information about the Company together with applicable business policies. The Company Secretary assists in the induction of new Directors and undertakes a review with new Directors post induction to consider any initiatives which would improve the process.

Training and support

Directors are provided with clear and accurate information on matters to be considered at the Board and its Committee meetings. This information is provided in a timely manner to ensure an appropriate level of review by each Director ahead of the meetings. In addition to Board meetings, Directors held Board dinners during the year at which relevant items were identified beforehand and discussed in detail.

In the course of the year, the Board is briefed on any significant changes in the law, regulations, governance, best practice or developments within PayPoint which affect their roles both on the Board and on Board Committees. Experts and advisors are brought in as necessary to present to the Board or its Committees on technical subject matters.

The Non-Executive Directors are provided with schedules of relevant training by external providers which they are encouraged to attend at their convenience.

The Directors have access to the Company Secretary as well as members of the Executive Board and senior management, and they can also seek independent professional advice if this is deemed necessary for the proper performance of their duties.

Insurance

The Company maintains appropriate insurance cover in respect of legal action against the Directors.

Conflicts of interest

Under the Articles of Association, the Board has authority to approve any conflicts or potential conflicts of interest that are declared by individual Directors. Conditions may be attached to such approvals and Directors will generally not be entitled to participate in discussions or vote on matters in which they have or may have a conflict of interest.

A register of conflicts of interest 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. No material conflicts were reported by the Directors during the year.

Meetings

The Board and its Committees meet regularly throughout the year with meetings scheduled around key dates in the Company's corporate calendar, and when necessary to consider key corporate transactions or events that may arise. There were eight scheduled meetings during the year under review. In addition, a further eight meetings were held to give consideration to and approval of ad hoc matters.

Two strategy sessions were also held during the year. The first was held in October 2019 when the Leadership Team and members of the senior management team provided updates to the Board on key topics and on initiatives to grow and develop the PayPoint business. This was followed by a strategy session

in February 2020 when the Board received updates on the progress made in implementation of the strategy since the last session.

The Chairman sets the agenda for the Board and ensures that adequate time is available for discussion of all agenda items. He ensures informed decisions are reached in an effective manner by facilitating open discussion and debate of agenda items by Board members. The Non-Executive Directors meet ahead of each Board meeting to discuss the business of the meeting and any related issues. Consultations with management and with external advisors are held when necessary to aid the Board's decision making process. The table below shows the key areas of Board activity during the year.

<p>Strategy and business review</p> 	<ul style="list-style-type: none"> • two scheduled strategy sessions followed by progress reviews throughout the year • regular business and performance updates across all divisions • as a result of Covid-19 implemented an operating model to minimise disruption of service and support to clients and retailer network whilst ensuring the safety of all employees
<p>Internal control and risk management</p> 	<ul style="list-style-type: none"> • considered the implications for the Group post withdrawal from the EU • considered the impact of Covid-19 for the Group • approved the renewal of insurance policies for the Group • approved the principal risks and uncertainties facing the Group
<p>Financial</p> 	<ul style="list-style-type: none"> • approved half year, full year and trading updates • approved the proposed dividends for the financial year 2019/20 and subsequent suspension of the additional dividend payments, effective March 2020 pursuant to Covid-19 • reviewed management presentations to analysts for the full and half year results • considered and approved the plan for financial year 2019/20 • approved the full draw down of the revolving credit facility • reviewed Group forecasts and scrutinised the built-in risks and opportunities • received monthly management accounts ahead of every full Board meeting • received management reports
<p>Governance</p> 	<ul style="list-style-type: none"> • approved the notice of annual general meeting • reviewed and approved the Board policy on diversity and inclusion • reviewed investor feedback from the full and half year roadshows • approved the 2019 Modern Slavery Statement • appointed the Senior Independent Director ('SID') to lead the internal evaluation of the Board, and subsequently reviewed the evaluation report presented by the SID • approved revisions to the terms of reference of the Audit and Nomination Committees • approved revisions to the Schedule of Matters Reserved to the Board and the share dealing policy • considered shareholder analysis summary reports
<p>People</p> 	<ul style="list-style-type: none"> • management of the departure of Patrick Headon, Chief Executive, in December 2019 and the succession planning process • reviewed the PayPoint culture, purpose and values; approaches to recruitment, performance management, training and development; diversity including gender and ethnic balance and pay gap; employee engagement; and talent pipeline within the organisation • reviewed the Group health and safety reports • received regular updates on the employee forum from Gill Barr, Non-Executive Director, the appointed Board representative for the employee forum • appointed Ben Wishart as an Independent Non-Executive Director, effective 14 November 2019 • reviewed the PayPoint gender pay gap report and approved the commitments and actions therein, prior to publication of the report • implemented remote working to safeguard employees further to Covid-19

Corporate Governance Report **continued**

Division of roles and responsibilities

There is clear and effective division of roles and responsibilities on the Board as shown below:

Board leadership

Chairman – Giles Kerr

Giles Kerr is responsible for the effective leadership, operation and governance of the Board and its Committees. He ensures that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives. His current responsibilities include:

- setting the Board's agenda and ensuring the Board receives accurate, timely and clear information on all matters reserved to its decision and on the Group's performance and operations
- ensuring compliance with the Board's approved procedures
- arranging informal meetings of the Directors, including meetings of the Non-Executive Directors at which the Executive Directors are not present, as required to ensure that sufficient time and consideration is given to complex, contentious or sensitive issues
- chairing the Nomination Committee, and, in that role, initiating change and succession planning to retain and build an effective and complementary Board, and to facilitate the appointment of effective and suitable members and chairs of Board Committees
- ensuring effective communication with shareholders led by the Chief Executive and Finance Director, and ensuring that members of the Board develop an understanding of the views of major investors
- promoting the highest standards of integrity, probity and corporate governance at Board level and throughout the Group
- acting as Chairman of the Audit Committee until such time as a new Chair of the Audit Committee can be appointed

Running the business

Chief Executive – Nick Wiles

Nick Wiles is responsible for running the Group's business and for proposing and developing the Group's strategy and overall commercial objectives. He leads the Executive Board, the responsibilities of which are set out on page 51. His other main responsibilities include:

- providing input to the Board's agenda and ensuring that the Executive Board gives appropriate priority to providing timely reports to the Board containing clear and accurate information
- implementing the agreed strategy with the support of the Executive Board
- ensuring that the Chairman is alerted to forthcoming complex, contentious or sensitive issues affecting the Group
- providing information and advice to the Chairman in respect of succession planning for membership of the Executive Board
- leading the communication programme with shareholders

Finance Director – Rachel Kentleton

Rachel Kentleton is responsible for all financial reporting, investor relations, tax, treasury and financial control aspects of the Group. As a member of the Executive Board she also provides support to the Chief Executive in the development and implementation of the strategy, and in the wider activities of the Group, as required. She is also the Managing Director of PayPoint Payment Services Limited, the FCA regulated entity within the Group.

Constructive challenge and independent oversight

Senior Independent Director – Rakesh Sharma

Rakesh Sharma supports the Chairman in his role by acting as a sounding board for the Chairman and a trusted intermediary for other Directors in resolution of any significant issues that may arise. His other main responsibilities include:

- chairing the Nomination Committee when it is considering succession to the role of Chairman of the Board
- chairing the Remuneration Committee
- meeting with the Non-Executive Directors at least once a year to appraise the Chairman's performance and on such other occasions as are deemed appropriate
- being available to shareholders if they have concerns which contact through the normal channels of the Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate
- having sufficient contact with major shareholders and financial analysts to obtain a balanced understanding of the issues and concerns of such shareholders

Non-Executive Directors – Gill Barr and Ben Wishart

The Non-Executive Directors bring a strong independent element to the Board, and provide constructive challenge and support to strategic and other matters addressed by the Board. They are expected to attend all scheduled Board and Committee meetings, and to devote such time as is necessary for the proper performance of their duties.

During the year, the Chairman held meetings with the Non-Executive Directors without the presence of the Executive Directors. There were no unresolved concerns about the running of the Company.

Board support

Company Secretary – Sarah Carne

Sarah Carne was appointed Secretary to the Board and all its Committees in December 2019. She provides advice and assistance to the Board on corporate governance practices and development. Her other responsibilities include:

- supporting the Board and Committee Chairs in annual agenda plan setting
- ensuring information is made available to the Board members in a timely fashion
- arranging the induction of new Directors and coordinating training requirements for the Non-Executive Directors as required
- organising internal Board and Committee evaluations at the request of the Chairman
- membership of the Market Disclosure Committee of the Board

Performance evaluation

In accordance with the Code, an external evaluation is conducted of the Board, its Committees and each individual Director at least once every three years. The last such external evaluation was carried out in 2018.

Progress against the 2019 internal Board evaluation

The actions taken to address the output from the 2019 evaluation were:

Matter	Action
To increase focus on areas such as retailer sentiment and the implementation of new systems.	The Audit Committee closely monitored the progress of Salesforce CRM which was successfully launched in February 2020. The system removes manual processes between the Company and the retailer thereby providing efficiencies and improving the retailer experience.
To continue close monitoring of strategic initiatives to ensure adequate resources are available for implementation.	Progress against strategic initiatives are continually reviewed by the Board through to completion.
To continue to review the composition of the Board.	The Board appointed Ben Wishart as an Independent Non-Executive Director on 14 November 2019. Ben complements the Board through his skills in digital, IT, cyber security and business transformation.

Approach for the 2020 Board evaluation

During 2020, Giles Kerr, our then Senior Independent Director, conducted an internal evaluation on behalf of Board. The evaluation took the form of informal discussions with each member of the Board. Key themes included: CEO succession planning; the monitoring of the delivery of strategic actions; and the growth of the business. Giles presented the findings of the evaluation at the Board meeting held in February and the following actions were agreed:

- to continue to focus on establishing a leader for the business; and
- to review the strategic priorities of the Company.

Accountability

Financial and business reporting

Please refer to the following pages of this annual report for information on how the Board has carried out the financial and business reporting obligations as stipulated under the Code:

- page 85 for the Board's responsibility statement setting out the steps taken to present a fair, balanced and understandable assessment of the Company's position and prospects
- pages 1 to 45 for the strategy and business model which explains how the Company generates and preserves value over the longer term and the strategy for delivering the objectives of the Company
- page 83 for the statement that the financial statements have been prepared on a going concern basis

Risk management and internal control

The Board has overall responsibility for establishing and maintaining sound risk management and internal control systems, and for monitoring of these systems to ensure that they are effective and fit for purpose. The Audit Committee provides support to the Board in this regard and oversees the monitoring process. Further information on the risk management and internal control system is set out in the Audit Committee Report on pages 62 to 63.

The Board has carried out a robust assessment of the nature and extent of principal risks facing the Group and how these risks could affect the business, financial condition or operations of the Group. The explanation of these principal risks including how they are being mitigated can be found on pages 30 to 32, and a statement on how the Directors have assessed the prospects of the Group taking into account the current position and principal risks is on page 33.

Remuneration

Details of how the provisions of the Code have been applied in respect of Directors' remuneration are set out in the Remuneration Committee Report on pages 64 to 81.

Engagement with stakeholders

In its decision making, the Board has regard to each Directors' duty to promote the success of the Company on behalf of the Company's stakeholders, to foster the Company's relationships with its people, shareholders, partners, consumers, clients and local communities to consider the effect of the principal decisions taken by the Company during the financial year on the Company's stakeholders. One such principal decision that affected all stakeholders recently was how to continue operating the business successfully during the pandemic – details of which can be found on page 36.

Engagement with and feedback from our people across the business is vital, especially as we drive forward with an organisational structure and renewed culture to deliver our strategy. Gill Barr, our Board representative for the employee forum, feeds back issues raised by the members of the forum for debate by the Board.

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 its financial performance to all shareholders.

The PayPoint website provides further information for shareholders and the annual general meeting is an ideal forum for interaction between the Board and shareholders and this interaction is strongly encouraged. In addition, the Company maintains a full investor relations programme. Formal roadshows take place in London and Edinburgh with existing and prospective shareholders after the full and half year in May and November respectively. In May 2019 this roadshow was attended by the then Chief Executive, Patrick Headon and Finance Director, Rachel Kentleton. After the interim results in November the roadshow was attended by the then Executive Chairman Nick Wiles and the Finance Director Rachel Kentleton. Regular interactions happen with the equity analysts that cover PayPoint as do sales team presentations and Company presentations to investor conferences organised by the sale side such as Barclays and JP Morgan Cazenove.

The Board acknowledges the importance of an open dialogue with its institutional shareholders and welcomes correspondence from private investors. Meetings are held with investors throughout the year both at their offices and in the form of site visits to PayPoint's operations. The Senior Independent Director is available to address any unresolved shareholder concerns.

Nomination Committee Report

Nomination Committee Responsibilities

The Committee's key role is to ensure that the Board has the appropriate skills, knowledge and experience to operate effectively and deliver our strategy. It is responsible for continuously reviewing the size, structure and composition of both the Board and its Committees taking into account the challenges and opportunities facing the Company. The Committee identifies and recommends to the Board, candidates to fill Board vacancies based on merit and objective criteria and ensures that appointment processes are formal, rigorous and transparent. The Committee also oversees the development of a diverse pipeline for succession. Further details of the Committee's responsibilities can be found in its terms of reference, on the Company's website www.corporate.paypoint.com.

Membership and attendance (as at 31 March 2020):

Member	Date appointed as member	Attendance at meetings during the year	
		Eligible to attend	Attended
Nick Wiles (Chairman, w/e/f 8 May 2015)	22 October 2009	8	8
Giles Kerr	20 November 2015	8	8
Gill Barr ¹	1 June 2015	8	7
Rakesh Sharma	12 May 2017	8	8
Ben Wishart ²	14 November 2019	4	4

1. Gill Barr was unable to attend the Committee meeting held in May due to incurring an injury on her way to the meeting.
2. Four Committee meetings were held post Ben's appointment on 14 November 2019.



Giles Kerr
Chairman,
Nomination Committee

Dear Shareholders,

On behalf of the members of the Nomination Committee, I am pleased to present my first Nomination Committee Report for the year ended 31 March 2020.

The Committee met eight times during the year. The key areas of focus included the:

- review of the structure and development of the Board and the required skills of the senior executive management team to support the Board
- appointment of Ben Wishart, an Independent Non-Executive Director, in November 2019
- management of the departure of Patrick Headon, Chief Executive, in December 2019, following his unexpected leave of absence
- CEO succession planning process
- launch of mentoring programme
- renewal of the Company's diversity policy
- annual review of the Directors' conflicts of interest register
- annual review of its terms of reference

Following each Committee meeting, a summary of the Committee's activity is provided to the Board together with any recommendations.

Changes to the Board

Our primary focus during the year has been to manage the CEO succession process following Patrick Headon's departure from the Board in December 2019. During that process, Nick Wiles assumed the role of Executive Chairman to support and lead the Executive Board.

The Nomination Committee discussed at length the skills and experience needed for a successful leadership of the Company. Some of the key attributes considered by the Committee in terms of the candidate specification included: the ability to operationalise strategy into day-to-day business performance and dive into the operational detail when required; strong communication and influencing skills; decisive; high degree of financial literacy and financial astuteness; high integrity and a strong commitment to organisational and ethical values. Based on the agreed skillset, the Committee engaged Ridgeway Partners, an independent executive search firm that has no other connection with the Company, to carry out an external search. They undertook a thorough review of the candidate market and produced a shortlist of suitable candidates.

As announced on 20 May 2020, the Board were delighted to announce the appointment of Nick Wiles as Chief Executive. His appointment provides continuity to lead the business as it emerges from the Covid-19 crisis in an increasingly competitive environment. Following that appointment I have taken over from Nick as Chairman and Chair of the Nomination Committee and Rakesh Sharma has stepped into the role of Senior Independent Director.

We also welcomed Ben Wishart to the Board, as a Non-Executive Director, in November 2019. Ben's recruitment process is outlined below.

Succession planning

As part of a natural transition following the Board changes set out on the previous page, we also announced in May that Rachel Kentleton, Finance Director, would be leaving the business to develop her career. Succession for the Finance Director role has been provided by Alan Dale who has been at PayPoint for the past three years as Head of UK Finance and has worked closely with Rachel in building a strong finance team and on delivering improvements to systems and data in the business.

Alan will be appointed as Interim Finance Director when Rachel leaves the business over the summer after an orderly handover.


During the year we have promoted Danny Vant to the role of Client Services Director, a role of the Executive Board and also Lewis Alcraft to Chief Operating Officer. Their biographies can be found on pages 48 and 49 of this report.

To assist with our succession planning process, we recently launched a senior management mentoring programme whereby each of our Non-Executive Directors mentor up to two senior managers over an initial period of 12 months.

Diversity

The principles of our policy on diversity and inclusion apply to all employees of the Group. We embrace the principles on diversity enshrined in the UK Corporate Governance Code which include diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. Diversity is a vital part of the continued assessment and enhancement of our Board composition, and we recognise the benefits of diversity amongst its members. The policy is reviewed annually by the Committee. For more information on our policy please refer to page 38.

All Board appointments are made on merit, in the context of balance of the skills, experience, independence and knowledge which the Board as a whole requires to be effective, taking account of diversity in the manner described above. The Committee engages with executive search firms in a manner which enhances opportunities for diverse candidates to be considered for appointment. Responsibility has been delegated to our HR Director for the operation of the diversity and inclusion policy across the rest of the Group and ensuring its maintenance and review. Efforts to increase diversity in the senior management pipeline towards Executive Board positions continues to be supported, and the development of diversity in senior management roles within PayPoint will be encouraged.

 See Governance at a glance page 50.

At the date of this report, the Company meets the voluntary targets as set out in the Hampton-Alexander Review in respect of gender balance in the boardroom, and the targets of the Parker Review in respect of ethnic diversity on UK boards. It is the Company's intention to continue to take these targets into consideration in any succession planning process.

Directors' time commitment

All Directors are aware of the need to allocate sufficient time to the Company in order to discharge their responsibilities effectively. The Nomination Committee monitors attendance, committee composition, length of service and the extent of the Directors' external commitments on an ongoing basis.

Having reviewed the length of service of the Non-Executive Directors, Rakesh Sharma's first three-year term expired on 11 May 2020. Following Rakesh's agreement, the Committee recommended to the Board that he be reappointed for a further three years effective from 24 July 2020.

The terms and conditions of appointment of Non-Executive Directors and the service contracts of Executive Directors are made available for inspection at the annual general meeting.

Directors' conflicts of interest

The Nomination Committee annually reviews and considers the interests and other external appointments held by the members of the Board. All conflicts declared were approved at its meeting in March 2020. The Directors have a continuing duty to inform the Board of any potential conflicts immediately so that such conflicts may be considered and, if authorised, included within the register of conflicts. We recognise that the Non-Executive Directors have other business interests outside the Company and that other directorships bring significant benefits to the Board. All key external roles are given within the Director biographies on pages 46 and 47. Non-Executive Directors are required to obtain the approval of the Chairman before accepting any further appointments.

A register of related parties is maintained and updated by the Company Secretary in order that any related party transactions are identified and the necessary disclosures made.

The Nomination Committee Report was approved by the Board on 27 May 2020 and signed on its behalf by:

Giles Kerr
Chairman, Nomination Committee



Appointment of Ben Wishart as a Non-Executive Director

At the Committee's meeting in May the Committee revisited the priorities following the 2018 external evaluation and the internal evaluation led by Giles Kerr in 2019. One of those priorities was to appoint an additional Non-Executive Director to supplement existing Board skills with a particular emphasis on digital, IT and cyber security skills and business transformation. Ridgeway Partners led the external search and provided a candidate shortlist. Ridgeway Partners interviewed the candidates on that list and then selected candidates to be interviewed by the Non-Executive Directors. The Non-Executive Directors considered the requirements for the position in detail and discussed the candidates in that context. The Committee then made a recommendation to the Board which approved the appointment of Ben effective from 14 November 2019.

Audit Committee Report

Audit Committee Responsibilities

The Committee's key role is to support the Board in fulfilling its oversight responsibilities by reviewing and monitoring the integrity of the Company's financial reporting to shareholders and any formal announcements relating to the Company's financial performance. The Committee also supports the Board in matters relating to the relationship with the External Auditor and in respect of the internal control and risk management systems of the business. Significant financial reporting issues and judgements, together with any changes in accounting principles, are reviewed by the Committee and reported through to the Board. As requested by the Board, the Committee reviews the content of the annual report and accounts and advises the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. Further details of the Committee's responsibilities can be found in its terms of reference, on the Company's website www.corporate.paypoint.com.

Membership and attendance:

Member	Date appointed as member	Attendance at meetings during the year	
		Eligible to attend	Attended
Giles Kerr (Chairman)	20 November 2015	4	4
Gill Barr ¹	1 June 2015	4	3
Rakesh Sharma	12 May 2017	4	4
Ben Wishart	14 November 2019	2	2

1. Gill Barr was unable to attend the Committee meeting held in May due to incurring an injury on her way to the meeting.



Giles Kerr
Chairman,
Audit Committee

Dear Shareholders,

I am pleased to present the Audit Committee Report for the year ended 31 March 2020. The report sets out the remit of the Committee, its areas of focus during the year and the Company's relationship with its external auditors, KPMG LLP.

- The Committee has satisfied itself that the PayPoint plc 2020 annual report and accounts is fair and balanced. We have sought to make the report as clear, understandable and informative as possible to provide the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee therefore supports the Board in making its formal statement on page 85.

The Committee met four times during the year, with meetings timed to coincide with the financial and reporting cycles of the Company. In addition, the Committee met with both the Company's external auditor and Head of Risk and Internal Audit once during the year without management being present.

In the year under review the work undertaken by the Audit Committee was as follows:

Financial reporting:

- reviewed the annual and interim financial statements
- considered significant accounting policies, financial reporting issues, judgements and estimates
- considered findings as set out in the reports from the external auditors
- considered and recommended to the Board, the going concern basis for preparation of the financial statements
- considered and recommended to the Board, the viability statement. In doing so the Committee had regard to an assessment which modelled the possible occurrence of significant risks and events, and which showed that the Company would continue to be viable and profitable over the three-year period
- reviewed PayPoint's treasury policy
- considered the potential risks associated with Covid-19

Internal audit and risk management:

- appointed Stuart Evans as the Head of Risk and Internal Audit to enhance the control framework
- monitored the restructuring of the risk and internal audit function and related processes
- monitored progress against the approved audit plan, key findings from internal and third party reviews undertaken and implementation of recommendations
- monitored resource requirements for risk and internal audit and approved the annual audit budget
- considered any reported frauds and any concerns raised via the Company's whistleblowing process

- ratified proposals for the renewal of insurance policies
- reviewed the Company's risk framework and any changes thereto prior to approving the principal risks of the Company
- monitored the implementation of the CRM system
- enhanced the governance framework and approved the internal audit charter
- enhanced alignment with the Internal Audit Code of Practice recently issued by the Chartered Institute of Internal Auditors

Governance:

- provided advice to the Board on whether the Company's annual report, taken as a whole, was fair, balanced and understandable and that it complied with all legal and regulatory requirements
- carried out an annual review of its terms of reference
- reviewed reports from the Cyber Security & Information Technology Sub-Committee. See page 62 for details on the role of the sub-committee

External audit:

- agreed the scope of the 2020 audit together with the fees and terms of engagement. Details of the amounts paid to the external auditors for the audit services for 2020 are given on page 109, note 8 to the financial statements
- considered the regulations contained within the Competition and Markets Authority Audit Order to ensure that the Company carries out specific functions in relation to audit services.
- reviewed the Audit Quality Review Report, published in July 2019, regarding the overall quality of audit work provided by KPMG for listed companies
- approved KPMG's independence and assessed their performance during the year

Significant judgements and critical estimates in relation to the financial statements:

In preparing the financial statements for 2020, there were several areas requiring the exercise by management of judgement or a high degree of estimation. Throughout the year, the finance team worked closely with the external auditor to ensure the Company provides the required level of disclosure. The Committee also continued to focus on revenue recognition during the year due to the level of transactions and the complexity of the systems. This section outlines the significant areas of judgement that have been considered by the Committee in discussion with management and the external auditor. In addition, the Committee and the external auditor have discussed the other areas of focus of the audit as set out in the independent auditor's report on pages 86 to 92.

Audit Committee Report **continued**

Significant financial judgements and critical estimates for the year ended 31 March 2020

Viability and going concern

Each year the Directors consider the Group's viability over a three-year period.

Based on a satisfactory assessment the Directors conclude that it is appropriate to prepare the financial statements on a going concern basis.

If this were not the case then different valuation principles would be applied to the assets and liabilities.

Covid-19 impact on viability and going concern

There may be short-term and long-term impacts of the pandemic on the activities of the Group.

Whilst no business can mitigate against the impact of Covid-19, actions to reduce disruption in the short term were undertaken. Details of these are included in the principal risks and uncertainties found on page 32.

Recognition of cash and cash equivalents (Critical judgement)

The nature of bill payments services means that PayPoint collects and holds funds on behalf of clients and also retains retailer deposits as security for those collections.

The recognition of cash, retailer receivables and the related client payables is a key judgement area as those funds pass through the settlement process. Cash processed but moved to accounts held in trust for clients is not shown in the statement of financial position neither is the matching liability to pay those funds to the client.

PayPoint uses the following criteria to determine whether clients' funds and retailers' deposits are recognised on the statement of financial position:

- a) existence of a binding agreement clearly identifying the beneficiary of the funds;
- b) the identification, ability to allocate and separability of funds; and
- c) identification of the holder of those funds at any point in time.

How the Audit Committee addressed these significant financial judgements and critical estimates

A paper is reviewed and approved by the Committee setting out the Directors views and considerations in support of the conclusion.

The paper is based on Group's current financial and trading position, principal risks and uncertainties and strategic Board plans.

The viability is further tested by applying a number of plausible downside scenarios and considering mitigation actions.

The potential impacts have been considered as part of the viability and going concern process outlined above.

Two specific scenarios of systematic risk in the markets in which we operate was assessed including the impact on retailers and clients. The deep downside scenario assumed trading trends seen in April 2020 continue for the next three years.

The Committee approves relevant accounting policies and considers the treatment of transactions with management.

Where there is a binding agreement specifying that PayPoint holds funds on behalf of the client (i.e. acting in the capacity of a trustee) and those funds have been separately identified as belonging to that beneficiary, the cash and the related liability is not shown in the statement of financial position. In all other situations the cash and corresponding liability are recognised on the statement of financial position.

This is consistent with the judgement in prior years.

Significant financial judgements and critical estimates for the year ended 31 March 2020

Agent vs principal (Critical judgement)

The nature of bill payments services means that PayPoint collects and holds funds on behalf of clients and also retains retailer deposits as security for those collections.

A critical judgement for revenue recognition is PayPoint's assessment of whether it is acting as a principal or agent. By acting as a principal the total sales proceeds are shown in revenue and related cost in cost of revenue. If acting as agent then the net margin of sales proceeds and cost of revenue is shown in revenue.

This includes evaluating:

- a) which party was responsible for fulfilling the promise to provide the service
- b) inventory risk before the service is transferred to a customer
- c) discretion in establishing the price for the service

Useful economic lives of intangible assets (Critical estimate)

A critical estimate for the amount of amortisation that is recognised in the profit or loss account and the carrying value of the asset in the statement of financial position.

The useful life used to amortise intangible assets relates to the expected future performance of the assets and management's judgement of the period over which economic benefit will be derived from the asset.

Capitalised development expenditure (Critical estimate)

A critical estimate at the statement of financial position date that has a risk of causing an adjustment to the carrying amount of assets and liabilities through estimation uncertainty is the evaluation of capitalised development expenditure shown in intangible assets.

An estimate is required of how additions to intangible assets will generate probable future economic benefits whilst judgement is required in determining the technical feasibility of completing the intangible asset.

How the Audit Committee addressed these significant financial judgements and critical estimates

The Committee approves relevant accounting policies and considers the treatment of transactions with management.

In most cases it was clear that PayPoint acts in the capacity of an agent for clients, however in the case of mobile top-ups in Romania due to the nature of the product this becomes a key judgement area. Revenues are recognised on the principal basis considering the level of service responsibility, inventory risk and price discretion held by PayPoint.

This is consistent with the judgement in prior years.

The Committee approves relevant accounting policies.

A paper is reviewed and approved by the committee setting out the treatment of each intangible asset and the rationale for the relevant useful economic life.

This process includes considering whether there is any impairment of the relevant intangible asset.

For development costs the Group has determined the useful life based on historical experience with similar products and platforms controlled by the Group as well as anticipation of future events which may impact their life such as changes in technology.

The Committee approves relevant accounting policies.

A paper is reviewed and approved by the committee setting out the rationale and treatment of additions to intangible assets.

For additions to intangible assets the Group applies relevant accounting criteria and considers historical experience with similar products and platforms controlled by the Group as well as anticipation of future benefits that will be derived from the assets upon completion.

Audit Committee Report **continued**

Cyber Security & Information Technology Sub-Committee

The Cyber Security & Information Technology Sub-Committee ('Cyber Sub-Committee') is a sub-committee of the Audit Committee overseeing Group cyber security and IT matters.

Its key responsibilities include to:

- advise the Audit Committee on cyber and information security risks faced by the Group
- assess the adequacy of policies, resources and funding for cyber and information security
- review the Group's cyber and information security breach response plan
- review cyber incident reports and assess the adequacy of proposed actions
- ensure effective business continuity plans

The Cyber Sub-Committee comprises two Non-Executive Directors: Rakesh Sharma and Ben Wishart as Chairman of the sub-committee; the Finance Director and the Chief Information Officer, Jon Marchant (who is a member of the Executive Board). The Company Secretary is the secretary to the sub-committee.

During the year the Cyber Sub-Committee held two meetings at which the Head of Compliance & Continuity was also in attendance by invitation. The matters considered by the sub-committee during the year included: the monitoring of cyber security issues and vulnerabilities; implementing remediation and improvements as required; the implementation of a cyber security strategy; and the annual review of both the information and cyber security policy and the sub-committee's terms of reference.

External audit

The effectiveness of the audit process is underpinned by appropriate audit planning and risk identification at the outset of the audit cycle. The auditor provides a detailed audit plan identifying its assessment of the risks and other key matters for review. For the year ended 31 March 2020, the primary risks identified were: the impact of Covid-19; risk of revenue recognition and carrying value of investments.

The Committee reviews and challenges the work undertaken by the auditor to test management's assumptions on these matters. An assessment of the effectiveness of the audit process in addressing these items is based on the auditor's reports for the half year and year end. The Committee seeks feedback from management on the effectiveness of the audit process. No significant issues were raised with respect to the audit process for the period and the quality of the audit process was assessed to be good.

In accordance with its policy on auditor independence and the provision of non-audit services by the external auditor, the Committee reviews and monitors the auditor's independence and objectivity. This is done by considering the auditor's statement of confirmation of independence, and discussing any identified threats to independence and the safeguards applied to mitigate those threats. The Committee also considers all relationships between the Company and the audit firm, including their network firms and whether those relationships appear to impair the auditor's independence and objectivity. As part of the audit planning process, the auditor provided a statement of confirmation of independence to the Board and the Audit Committee, which confirmed that in their professional judgement KPMG was independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff remained unimpaired.

KPMG was appointed as the Company's auditors on 15 August 2017 following a formal auditor tender process. The lead audit partner, Michael Harper, has been in post for three years. The Committee considers that it would be appropriate to conduct an external audit tender by no later than the year ending 2028. The Committee recommends that KPMG be reappointed as the Company's statutory auditor for the year ended 31 March 2021. It believes the independence and objectivity of the external auditor and the effectiveness of the audit process are safeguarded and remain strong. There are no contractual obligations restricting the Committee's choice of auditor. The notice of the annual general meeting at which a resolution for reappointment of the auditor will be proposed, can be found on pages 124 to 131.

Non-audit services

In accordance with the FRC Revised Ethical Standard 2016, the Committee has a policy on auditor independence and the provision of non-audit services by the external auditor. This policy is a guide to the types of work that it is acceptable for the external auditor to undertake, and provides clarity on the process to be followed for approval of the provision of non-audit services by the external auditor. The policy also covers the 70% cap on non-audit fees as prescribed by the EU audit regulation. It states that subject to prior approval by the Finance Director, the fees for permitted non-audit services provided by the external auditor must not exceed a specified amount and must have a cumulative annual total of less than 23% of that year's audit fee before VAT.

The ratio of non-audit fees to audit fees paid to the auditor for the year was 11.5%, with non-audit services limited to assurance services for the half year review. Details of the auditor's remuneration for the statutory audit and non-audit services, are set out in note 8 to the financial statements.

Risk management and internal control

The Board is responsible for establishing and maintaining the Group's internal control framework and regularly reviewing its effectiveness. The Board has delegated responsibility for reviewing the effectiveness of risk management and internal controls to the Committee. The Committee performs robust assessments of the risks which could significantly impact the Group's performance, future prospects and reputation. Risks are assessed through the Company's risk management and internal control framework which is a defined process for identifying and managing risk. The risk framework is also designed to identify emerging risks by conducting horizon scanning to identify emerging trends and technologies as well as identifying and preparing for new legislation and regulation. The Committee receives and reviews information on the risk framework, principal risks and mitigating controls at each meeting, and advises the Board accordingly.

The risk framework is designed to manage rather than eliminate risk and risk management processes are implemented to identify, quantify and mitigate risk. Risk management is embedded at all levels throughout the organisation in order to safeguard assets, remain compliant and drive business performance. Following the appointment of the Head of Risk and Internal Audit during the year, the risk management framework was restructured, transitioning from a principal risk-based framework to a functional risk framework. The risk management process assesses risks on a top down and bottom up basis and involves assessing the impact of risks, the probability of risks occurring and developing and monitoring appropriate internal controls.

The Head of Risk and Internal Audit identifies risks through discussions with senior management and Executive Board members for each functional area. Risks identified are documented in functional risk registers which contain a risk description, assessment of materiality, probability, residual risk, mitigating controls and risk owners. At least annually, risks are assessed and agreed with Executive Board members and form the basis of principal risks which are assessed by the Committee. The Head of Risk and Internal Audit attends all Committee meetings and presents information on the risk framework, principal risks and mitigating controls at each meeting.

Internal audit

Internal Audit is an independent assurance function providing services to the Committee and all levels of management. Internal Audit helps the Group accomplish its objectives by bringing a systematic, disciplined approach to risk management. Its remit is to provide independent and objective assurance, assist management in implementing effective controls and help protect the Group. Internal Audit's responsibilities include delivering the annual audit plan, driving remediation of audit issues, assessing effectiveness of internal controls, the prevention and detection of fraud, and supporting management in assessing and mitigating risks.

The Committee is responsible for ensuring the Group has a rigorous internal audit programme covering all business areas and risks. During the year, the internal audit framework was restructured, transitioning from an outsourced model with Grant Thornton UK LLP providing internal audit services, to an insourced model supported by co-sourcing.

Whistleblowing

PayPoint continuously seeks to prevent malpractice in its business. However, if it occurs, whistleblowing processes are implemented to provide employees with guidance and ensure concerns raised are appropriately addressed. Our whistleblowing policy ensures colleagues are encouraged to raise concerns about the conduct of others, breaches and irregularities, without fear of reprisal. Whistleblowing is discussed at each Committee meeting and all whistleblowing occurrences are reported to the Committee together with details of investigations and any corrective action necessary.

Anti-bribery and corruption

PayPoint has a zero-tolerance to bribery and has an anti-bribery and corruption policy detailing employee responsibilities to ensure the Group's employees remain compliant with anti-bribery and corruption laws. All employees undertake anti-bribery and corruption training at induction and ongoing role-based training is provided. Anti-bribery and corruption risk management is discussed at Committee meetings.

The Audit Committee Report was approved on 27 May 2020 and signed on its behalf by:

Giles Kerr
Chairman, Audit Committee

Directors' Remuneration Report

Membership and attendance

The members of the Committee and their attendance at meetings is set out in the table below. In addition to the members of the Committee, the HR Director and the Company's independent advisor from FIT Remuneration Consultants LLP ('FIT'), attend and receive papers for each meeting. After each meeting, the Chairman of the Committee reports to the Board on the matters discussed and recommendations and/or actions to be taken.

Member	Date appointed as member	Attendance at meetings during the year	
		Eligible to attend	Attended
Rakesh Sharma (Chairman)	12 May 2017	5	5
Gill Barr ¹	1 June 2015	5	4
Giles Kerr	20 November 2015	5	5
Ben Wishart ²	14 November 2019	2	1

1. Gill Barr was unable to attend the Committee meeting held in May due to suffering an injury on her way to the meeting.
2. Ben Wishart was unable to attend the ad hoc Committee meeting held on 19 December 2019 due to other commitments.



Rakesh Sharma
Chairman,
Remuneration Committee

Dear Shareholders,

I am pleased to present our Directors' Remuneration Report, prepared by the Remuneration Committee and approved by the Board, for the financial year ended 31 March 2020.

The report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Listing Rules of the UK Listing Authority and the prevailing UK Corporate Governance Code (the 'Code').

The report is divided into three sections:

- this **Annual Statement** of the Remuneration Committee Chairman for the year ended 31 March 2020, which summarises remuneration outcomes and how the Remuneration Policy will operate for the year ending 31 March 2021;
- the **Directors' Remuneration Policy** (the 'Policy'), which presents our proposed Remuneration Policy given that our current Policy, originally approved by shareholders at the 2017 annual general meeting, will shortly reach the end of its three-year life; and
- the **Annual Report on Remuneration**, which provides further detail on how the Remuneration Policy was implemented in the year ended 31 March 2020, and how the Remuneration Policy will operate for the year ending 31 March 2021.

The Directors' Remuneration Report excluding the Policy will be subject to an advisory shareholder vote at the annual general meeting ('AGM') on 24 July 2020. The proposed Policy, which is intended to last for three years from the forthcoming AGM or until another Policy is approved in a general meeting, will be subject to a binding vote at the same meeting. In addition, a resolution to amend the terms of the 2019 Restricted Share Plan to enable Executive Directors to participate subject to shareholders approving the new Policy will also be proposed.

Committee activities during the year

The Committee met five times during 2019/20 and details of members' attendance at meetings are provided on page 64. The main Committee activities during the year (full details of which are set out in the relevant sections of this report) included:

- approving the 2018/19 annual Directors' Remuneration Report;
- agreeing Executive Director base salary increases from 1 July 2019;
- agreeing the performance against the targets and payout for the 2018/19 annual bonus awards;
- setting the performance targets for the 2019/20 annual bonus and bonus deferral levels;
- approving the release of the 2016 deferred bonus awards;
- approving the vesting of the 2016 LTIP awards;
- agreeing the award levels and performance targets for the 2019 LTIP awards;
- considering the results, implications and required disclosures of the Gender Pay Gap Reporting;
- considering the implications of the 2018 UK Corporate Governance Code on the Committee's Terms of Reference, the Policy and this report;
- evaluating the salary review process for the Executive Board;
- considering the CEO Pay Ratio legislation;
- agreeing the arrangements in respect of Patrick Headon stepping down as Chief Executive and Nick Wiles being appointed as Executive Chairman;
- carrying out a review and update of the Policy for approval by shareholders at the AGM to be held in July 2020; and
- considering the treatment of remuneration of the Board, Leadership Team and the wider employee population in light of Covid-19.

In addition, the Committee has considered how the Policy and practices are consistent with the six factors set out in Provision 40 of the 2018 UK Corporate Governance Code:

- **Clarity** – our Policy is well understood by senior management and our employees more generally and has been clearly articulated to our shareholders;
- **Simplicity** – the Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. As such, our executive remuneration policies and practices are as simple to communicate and operate as possible, while ensuring that they are aligned to our strategy;
- **Risk** – our Policy is based on: (i) an incentive plan based on financial and non-financial targets; (ii) a combination of cash and equity (both in terms of deferred bonus and annual share awards); (iii) an annual grant of Restricted Share Awards; and (iv) a number of shareholder protections (i.e. bonus deferral, shareholding guidelines, malus/clawback provisions) which have been designed to reduce the risk of inappropriate risk-taking;
- **Predictability** – our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits. The scenario charts in the Policy illustrate how the rewards potentially receivable by our Executive Directors vary based on performance and share price growth;
- **Proportionality** – there is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the structure of our short and long-term incentives, together with the structure of the Executive Directors' service contracts, ensures that poor performance is not rewarded; and
- **Alignment to culture** – PayPoint's strategy is fully supported through the metrics in the annual bonus which measure how we perform against the main KPIs that underpin the delivery of our strategy.

Board changes

As per the announcements on 26 September 2019 and 19 December 2019, Patrick Headon stepped down from the Board in December 2019 following a temporary leave of absence from the Company to receive treatment for a medical condition. Nick Wiles was appointed Executive Chairman in support of the Executive Board and, as per the announcement on 20 May 2020, was appointed Chief Executive. Giles Kerr took over from Nick Wiles as Chairman and Rakesh Sharma became Senior Independent Director on the same date. In addition, it was announced that Rachel Kentleton will step down from her role as Finance Director over the summer of 2020. Details of the respective remuneration arrangements are set out in the Annual Report on Remuneration.

Pay and performance

In accordance with its terms of reference, the Committee continues to ensure the clear linkage of Executive Directors' pay and performance to the strategy and enhancement of shareholder value.

In recognition of the challenges facing the business in light of Covid-19, a review of remuneration was undertaken in order to ensure that remuneration decisions were reflective of the underlying performance of the business and to identify actions that could be taken to preserve EBITDA and the cash flow required to withstand a sustained period of disruption to trading. As part of this review, the Executive Board unanimously proposed to waive their 2019/20 bonus entitlement and 2020 salary increases. The Committee accepted this proposal and as such, no bonuses will be payable for the year ended 31 March 2020 and the Company-wide pay review scheduled for July 2020 will no longer take place. However, in recognition of the hard work and support of our people during the year and throughout the Covid-19 crisis, a discretionary award of £200 is being made to all UK employees, with the exception of the Executive Board, in June 2020.

The LTIP awards granted in 2017 will be performance-tested in July 2020 and a decision with regard to the vesting of the awards will be made at that time, based on the formulaic outcome of the performance conditions and consideration of the underlying performance of the business.

Finally, the deferred annual bonus awards which were granted in 2017 in respect of the 2016/17 annual bonus awards will vest in June 2020.

The Committee is comfortable that remuneration for the year ended 31 March 2020 is appropriately aligned to the Company's performance that has been delivered over the one-year performance period of the annual bonus and three-year performance period for the LTIP awards.

Discretion

The Committee has full discretion to vary performance related pay and, in light of the current challenging circumstances, has chosen to exercise discretion by accepting the proposal of the Executive Board to forgo any 2019/20 bonus award and salary increase. These decisions have not been taken lightly but are believed to be the right thing to do at this time.

Directors' Remuneration Report continued

Proposed changes to the Policy

Following a review of the Policy, which will shortly reach the end of its three-year life, and following consultation with major investors and investor representatives, the following changes to the Policy will be proposed:

- LTIP awards will be replaced by Restricted Share Awards ('RSAs'). The ability to grant LTIP awards, up to 300% of salary, will therefore be removed from the Policy. Following the 2020 AGM, and then annually thereafter, Executive Directors may receive RSAs:
 - of up to 75% of salary for the Chief Executive and up to 62.5% of salary for the Finance Director role. This represents a c.60% reduction for the Chief Executive role's LTIP (175% of salary) and a 50% reduction to the Finance Director role's normal LTIP award level (125% of salary). For information, from a review of LTIP vesting levels over the last 13 years, the average vesting level was 52%;
 - which will normally vest 50% after three years from grant, 25% after four years from grant and 25% after five years from grant, subject to: (i) continued employment; (ii) satisfactory personal appraisals during the relevant vesting periods; and (iii) a positive assessment of performance against an underpin (see below); and
 - which, once vested, may not be sold until at least five years from the grant date.
Underpin: For RSAs granted to Executive Directors to vest, the Committee must be satisfied that PayPoint's underlying performance and delivery against its strategy and plans is sufficient to justify the level of vesting having regard to such factors as the Committee considers to be appropriate in the round (including revenue, earnings and share price performance) and the shareholder experience more generally (including the risk of windfall gains).
- The maximum pension contribution rate of 20% of salary will be removed. Going forward, pension provision for new Executive Directors and employees promoted to the Board will be aligned, in percentage of salary terms, to the general workforce contribution rate;
- Shareholding guidelines for other Executive Directors will be increased from 150% to 200% of salary, in line with that operated for the Chief Executive. In addition, the guidelines will be amended to include unvested deferred bonus shares on a net of tax basis (as per the Investment Association's ('IA's') recent update to its Remuneration Principles);
- A post cessation shareholding guideline will be introduced. Going forward, Executive Directors will need to retain shares equal to 100% of the shareholding guideline up until the first anniversary of cessation. Between the first and second anniversary of cessation they will need to retain shares equal to 50% of the guideline. Own shares purchased, shares acquired through buyout awards and share awards granted prior to the 2020 AGM will be excluded from the post cessation guideline; and
- Malus and clawback provisions in the incentive plans will be enhanced.

Policy implementation for the year ending 31 March 2021

A summary of the proposed approach to the implementation of the Policy is as follows:

- In respect of base salary levels:
 - Nick Wiles will receive a salary of £470,000 following his appointment as Chief Executive (the same salary paid to him as Executive Chairman and to the previous Chief Executive). However, the Committee accepted Nick's proposal to reduce his base salary by 20% for a period of three months with effect from 1 April 2020 in light of the challenges facing the business in the current crisis; and
 - Rachel Kentleton's salary will remain at £325,171 until she steps down from the Board.
- Nick Wiles will receive a workforce aligned pension (currently 5% of salary) and no changes will be made to Rachel Kentleton's pension (15% of salary) noting that she will shortly step down from the Board.
- Annual bonus potential for the year to 31 March 2021 will be set at 106% of salary. That said, target setting has currently been delayed in light of Covid-19. Full details of the annual bonus targets for the 2020/21 financial year and performance against the targets will be disclosed in next year's Annual Report on Remuneration.
- As detailed in the Policy section, RSAs to be granted in 2020 will, subject to shareholder approval:
 - be set at 75% for the Chief Executive and 62.5% of salary for the Finance Director role (although Rachel Kentleton will not be eligible for an award given she will be stepping down from the Board); and
 - vest 50% after three years from the grant date, 25% after four years from grant and 25% after five years from grant, subject to continued employment, satisfactory individual performance and a positive assessment of performance against the underpin (see Policy section). No shares can be sold until at least five years from grant, other than those required to settle any taxes.
- No changes will be made to the outstanding LTIP awards.

Consultation in respect of the new Policy

In formulating our revised Policy, the Committee consulted with our largest c.15 shareholders and the main representative bodies. The Committee is grateful for the level of support received for the proposals and as such, no changes have been made to the proposed Policy or in respect of the implementation of the Policy for the year ending 31 March 2021 as set out above. The planned engagement with our employee representatives has been delayed due to the current Covid-19 crisis and is scheduled to take place later in the year.

Conclusion

I hope you are supportive of our revised Policy and the approach to Policy implementation for the year ending 31 March 2021 which is a continuation of our considered and prudent approach to remuneration at PayPoint, and that you will therefore vote in favour of the remuneration related resolutions that will be tabled at the forthcoming AGM.

REMUNERATION POLICY

Policy scope

The Policy applies to the Chairman, Executive Directors and Non-Executive Directors.

Policy duration

Given that the current Directors' Remuneration Policy Report (approved at the 2017 AGM) will shortly reach the end of its three-year life, a new Policy will be put to shareholders for approval at the 2020 AGM. Subject to approval, the new Policy will apply from that date for a maximum of three years.

Changes from the current Policy

Following consultation with the Company's major investors and the main representative bodies, the Policy changes being proposed and which are included in the summary table overleaf are as follows:

- LTIP awards will be replaced by RSAs. The ability to grant LTIP awards, up to 300% of salary, will therefore be removed from the Policy. Following the 2020 AGM, and then annually thereafter, Executive Directors may receive RSAs:
 - of up to 75% of salary for the Chief Executive and up to 62.5% of salary for the Finance Director role;
 - which will normally vest 50% after three years from grant, 25% after four years from grant and 25% after five years from grant, subject to: (i) continued employment; (ii) satisfactory personal appraisals during the relevant vesting periods; and (iii) a positive assessment of performance against an underpin; and
 - which, once vested, may not be sold until at least five years from the grant date.
- The maximum pension contribution rate of 20% of salary will be removed. Going forward, pension provision for new Executive Directors and employees promoted to the Board will be aligned, in percentage of salary terms, to the general workforce contribution rate.
- Shareholding guidelines for other Executive Directors will be increased from 150% to 200% of salary, in line with that operated for the Chief Executive. In addition, the guidelines will be amended to include unvested deferred bonus shares on a net of tax basis (as per the IA's recent update to its Remuneration Principles).
- A post cessation shareholding guideline will be introduced. Going forward, Executive Directors will need to retain shares equal to 100% of the shareholding guideline up until the first anniversary of cessation, reducing to 50% of the guideline between the first and second anniversary. Own shares purchased, shares acquired through buyout awards and share awards granted prior to the 2020 AGM will be excluded from the post cessation guideline.
- Malus and clawback provisions in the bonus and RSP have been reviewed and additional triggers surrounding corporate failure and insolvency included.

Consideration of conditions elsewhere in the Company

When making decisions on Executive Director remuneration, the Committee considers pay and conditions across PayPoint. In particular, it is anticipated that salary increases for senior executives will have regard to those of salaried employees as a whole.

Consideration of shareholder views

The Remuneration Committee maintains a regular dialogue with its major shareholders and when determining remuneration, takes into account the guidelines of investor bodies and shareholder views. The Committee continues to monitor trends and developments in corporate governance and market practice to ensure the structure of the executive remuneration remains appropriate and commits to undergo a shareholder consultation in advance of any material changes to the Policy.

Executive Directors' remuneration

The table below summarises our policy on each element of the remuneration package for Executive Directors.

Element and link to strategy	Operation	Opportunity	Performance metrics
Fixed			
Base salary Takes account of personal contribution and performance against Company strategy.	Reviewed annually, with account taken of responsibility and skills, the individual Director's performance and experience, pay for comparable roles and pay and conditions throughout the Company.	Any base salary increases are applied in line with the outcome of the annual review and normal salary increases will have regard to those of salaried employees as a whole. Salary increases will be limited to no more than 15% a year, unless there is an exceptional change in the size or structure of the business which materially changes the scope of responsibilities (there will be no cap on salary levels for new recruits or promotions to the Board, or promotions within the Board).	The salary review takes into account individual and Company performance.

Directors' Remuneration Report **continued**

Executive Directors' remuneration **continued**

Element and link to strategy	Operation	Opportunity	Performance metrics
Fixed			
Pension Provides market appropriate benefits.	The Company makes contributions to personal pension plans or cash allowance in lieu of pension.	New Executive Directors: In line with the general workforce contribution rate (as a percentage of salary). Current Executive Directors: The Finance Director's pension provision will be maintained at 15% of salary until she steps down from the Board.	None.
Benefits Provides appropriate market benefits.	Benefits may include, but are not limited to car allowance, health insurance and employee share plans. In certain circumstances, the Committee may also approve the provision of additional allowances relating to the relocation of an Executive Director and other expatriate benefits to perform his or her role. All reasonable business related expenses will be reimbursed (including any tax due thereon).	Benefits vary by role and individual circumstances and are reviewed periodically. Benefits will not normally exceed 15% of salary. The Committee retains discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in insurance premiums).	None.
Variable			
Annual bonus and Deferred Annual Bonus Scheme ('DABS') Rewards delivery of the Group's annual financial and strategic goals and supports retention.	The Remuneration Committee reviews and agrees measures, targets and weightings at the beginning of each financial year. At the end of the year, the Remuneration Committee determines the extent to which targets have been achieved. Under the DABS at least 25% of any annual bonus award is deferred into conditional share awards, deferred cash or nil-cost options for at least three years, subject to continued employment. Dividends accrue on deferred awards as additional share entitlements over the deferral period but would only vest on awards that vest. Awards are subject to clawback and malus provisions (see notes to the Policy table).	150% of salary. A minority of the bonus would be payable for achieving threshold performance. Where appropriate, a sliding scale between threshold and maximum performance will be used to determine the payout under each metric.	The majority of the award will be based on financial targets. A minority of the award may be based on strategic/personal targets. The Remuneration Committee reviews and agrees targets at the beginning of each financial year and may subsequently adjust those targets as detailed in the notes to this table. The Remuneration Committee also has the discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards, to ensure that payments are a true reflection of performance of the Company over the performance period, e.g. in the event of unforeseen circumstances outside of management control. Any use of discretion will be explained in the respective Annual Report on Remuneration.

Element and link to strategy	Operation	Opportunity	Performance metrics
Variable			
Restricted Share Awards Drives sustained long-term performance, aids retention and aligns the interests of Executive Directors with shareholders.	Awards will vest in tranches from the third anniversary of grant (maximum vesting of 50%), fourth and fifth anniversary of grant. Once vested, awards may not be sold until at least five years from the grant date. Dividends may accrue as additional share entitlements over the vesting period and any holding period but would only be paid on awards that vest.	75% of salary.	Although no formal performance measures apply to RSAs, the extent to which a tranche of an award vests may be reduced by the Committee if a performance underpin assessed to the end of the financial year preceding the date of vesting is not achieved. In addition, the Committee may reduce the extent to which a tranche vests if it believes this better reflects the underlying performance of the Company over the relevant period.
Shareholding guidelines Encourages a long-term focus and aligns the interests of Executive Directors with shareholders.	Shareholding guidelines require Executive Directors to acquire a specified shareholding. In employment: Executive Directors are required to retain 50% of any share award acquired on vesting (net of tax) until the guideline level is achieved. Acquired holdings may be held by spouses or dependent family members. Post employment: Executive Directors will need to retain shares equal to 100% of the shareholding guideline up until the first anniversary of cessation. Between the first and second anniversary of cessation they will need to retail shares equal to 50% of the guideline. Own shares purchased, shares acquired through buyout awards and share awards granted prior to the 2020 AGM will be excluded from the post cessation guideline.	200% of salary.	N/A
All-employee share plans Encourage share ownership across all employees.	Operation of an HMRC approved all-employee share plan (currently a SIP). Executive Directors may participate on the same basis as all other eligible employees.	Up to the prevailing HMRC approved limits.	None.

Notes to the Policy table

Payments from previous awards

The Company will honour any commitments entered into prior to the approval and implementation of the Policy as detailed in this report. Executive Directors will be eligible to receive payment from any historical share awards made.

Clawback (aka recovery) and malus (aka withholding) provisions

Clawback and malus provisions operate based on the following triggers:

- misconduct
- material misstatement
- error in calculation
- serious reputational damage to the Company

In addition, for annual bonus/DABS awards made in the year ending 31 March 2021 onwards and RSAs granted post the 2020 AGM, corporate failure and insolvency triggers will operate.

These provisions are relevant for a period of up to three years post payment/vesting.

Directors' Remuneration Report **continued**

Use of discretion

The Remuneration Committee may exercise discretion in two broad areas for each element of remuneration:

- To ensure fairness and align Executive Director remuneration with underlying individual and Company performance, the Committee may adjust upwards or downwards the outcome of any short-term or long-term incentive plan payment within the limits of the relevant plan rules. Any adjustments in light of corporate events will be made on a neutral basis, i.e. the intention of any adjustment will be that the event is not to the benefit or detriment of participants. Adjustments to underlying performance may be made in exceptional circumstances to ensure outcomes are fair, both to shareholders and participants.
- In the case of a non-regular event occurring, the Committee may apply its discretion to ensure fairness and seek alignment with business objectives. Non-regular events in this context include, but are not limited to: corporate transactions; changes in the Company's accounting policies; minor or administrative matters; internal promotions; and external recruitment and terminations.

Any use of discretion by the Committee during the financial year will be detailed in the relevant Annual Report on Remuneration.

Performance measure selection

Profit before tax and exceptional items and revenue are normally the primary financial measures for the annual bonus plan with effect from 1 April 2020. At the sole discretion of the Remuneration Committee, exceptional items may be removed from operating profit and revenue where the inclusion of such items would be inconsistent with fair measurement, and actual tax may be adjusted to normalised rates if they are considered unsustainable. Performance targets relating to the annual bonus plan are set from the Company's annual budget, which is reviewed and signed off by the Board prior to the start of each financial year. Targets are based on a number of internal and external relevance points. Targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year.

Strategic targets for the annual bonus may be set each year based on the Company's prevailing strategic objectives at that time. Targets will be set on a measurable, quantifiable basis where possible, but due to the nature of the objective, may require some subjective assessment.

In respect of the RSAs granted to Executive Directors, the Committee must be satisfied that PayPoint's underlying performance and delivery against its strategy and plans is sufficient to justify the level of vesting having regard to such factors as the Committee considers to be appropriate in the round (including revenue, earnings and share price performance) and the shareholder experience more generally.

The Committee retains the discretion to alter the weighting, substitute or use new performance measures for future incentive awards, if they are believed to better support the strategy of the business at that time.

Remuneration Policy for other employees

PayPoint's approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies. All UK employees are eligible to participate in the Company's SIP. Senior managers participate in the annual bonus scheme with the same measure at the appropriate business level as is set for the Executive Directors at Group level, but each with personal targets in addition. Members of the Executive Board and senior managers (c.12 individuals) are eligible to receive RSAs as part of their reward package. Performance conditions are consistent for all participants, while award sizes vary by organisational level.

Non-Executive Director remuneration

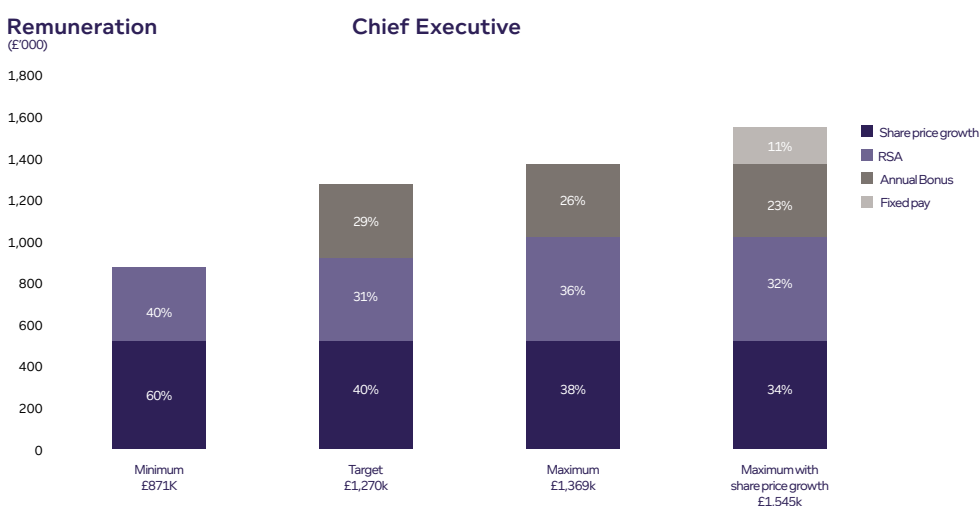
The remuneration of the Non-Executive Directors is within the limits set by the Articles of Association. Non-Executive Directors do not participate in any bonus plan or share incentive programme operated by the Company and are not entitled to pension contributions or other benefits provided by the Company.

Details of the policy on fees paid to our Non-Executive Directors are set out in the table on the following page.

Element and link to strategy	Operation	Opportunity	Performance metrics
<p>Fees To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company.</p>	<p>Fee levels are normally reviewed annually. 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 of the Committee).</p> <p>Additional fees are payable for roles with additional responsibilities including, but not limited to, the SID and the Chairs of the Audit and Remuneration Committees.</p> <p>Fee levels are benchmarked against sector comparators and companies of similar size and complexity. Time commitment and responsibility are taken into account when reviewing fee levels.</p> <p>All reasonable business related expenses may be reimbursed (including any tax due thereon).</p>	<p>Non-Executive Director fee increases are applied in line with the outcome of the annual fee review. Fees paid in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration.</p> <p>It is expected that Non-Executive Director fee levels will generally be positioned around the median but may fall within the second and third quartiles. Any increases will also have regard to general increases in Non-Executive Directors' fees across the market. In the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, or specific recruitment needs, the Board has discretion to make an appropriate adjustment to fee levels.</p> <p>Aggregate fees are also limited by the cap contained in the Company's Articles of Association.</p>	<p>Continued strong and objective contribution.</p>

Pay scenario charts

The charts below provide an illustration of the potential future reward opportunities for the Chief Executive, and the potential split between the different elements of remuneration under four different performance scenarios: minimum, target, maximum and maximum with share price. No scenarios are presented for the Finance Director given that she will step down from the Board during the summer.



The chart is based on:

- salary level effective 1 April 2020 (excluding any Covid-19 reduction);
- an approximated annual value of benefits;
- a 5% of salary pension;
- a 106% of salary maximum annual bonus (with target assumed to be 80% of the maximum);
- a 75% of salary RSA;
- share appreciation of 50% for the RSA; and
- for simplicity, the values of any SIP awards are excluded.

Directors' Remuneration Report **continued**

Approach to recruitment remuneration

External appointment

In the cases of hiring or appointing a new Executive Director from outside the Company, the Remuneration Committee may make use of all the existing components of remuneration, as follows:

Component	Approach	Maximum
Base salary	The base salaries of new appointees will be determined by reference to similar positions with comparative status, responsibility and skills in parallel with the individual Director's performance, experience and responsibilities, and pay conditions throughout the Company. Where new appointees have initial basic salaries set below market, any shortfall may be managed with phased increases over a period of two to three years, subject to the individual's development in the role.	N/A
Pension	New appointees will receive contributions to personal pension plans in line with the workforce.	
Benefits	New appointees will be eligible to receive benefits in line with existing policy. Reasonable relocation support may be provided if necessary.	
SIP	New appointees will be eligible to participate in the SIP in line with existing policy.	
Annual bonus	The structure described in the policy table will apply to new appointees with the relevant maximum being prorated to reflect the proportion of employment over the year. Depending on the timing of the appointment, it may be appropriate to operate different performance measures for the remainder of that initial bonus period.	150% of salary
RSA	New appointees will be granted awards under the RSP on the same terms as other executives, as described in the policy table.	75% of salary

In determining appropriate remuneration, the Remuneration Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of both PayPoint and its shareholders. In addition to the above elements of remuneration, the Committee may consider it appropriate to grant an award under a different structure in order to facilitate the recruitment of an individual, exercising the discretion available under the relevant Listing Rule (LR 9.4.2 R) to replace incentive arrangements forfeited on leaving a previous employer. Such buyout awards would have a fair value no higher than that of the awards forfeited. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining.

Internal appointment

In cases of appointing a new Executive Director by way of internal promotion, the Remuneration Committee and Board will be consistent with the policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to the Board, the Company will continue to honour these arrangements.

Non-Executive Directors

In recruiting a new Non-Executive Director, the Remuneration Committee will utilise the prevailing shareholder approved Policy.

Service contracts and exit policy

Executive Directors

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. In accordance with general market practice, each of the Executive Directors has a rolling service contract requiring 12 months' notice of termination on either side. Executive Director service contracts are available to view at the Company's registered office. Details of the service contracts of the Executive Directors of the Company are as follows:

Name	Company notice period	Contract date
Nick Wiles	12 months	19 May 2020
Rachel Kentleton	12 months	15 July 2016

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. Under normal circumstances, Executive Directors may receive termination payments in lieu of notice equal to pay and benefits for the length of their contractual notice period.

When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus and share incentive plans are typically treated in specific circumstances. Whilst the Committee retains overall discretion on determining good leaver status, it typically defines a good leaver in circumstances such as death, ill health, injury or disability, retirement with the Company's consent, redundancy or any other reason that the Committee determines. Bad leavers include those leaving employment due to resignation or misconduct, and retirement without agreement of the Company. Final treatment is subject to the Committee's discretion:

Event	Timing/vesting of award	Calculation of vesting/payment
Annual bonus Good leaver	Paid at the same time as continuing employees.	Eligible for an award to the extent that performance targets are satisfied and the award is prorated for the proportion of the financial year served.
Bad leaver	No annual bonus payable.	Not applicable.
Change of control	Paid immediately on the effective date of change of control.	Eligible for an award to the extent that performance targets are satisfied up to the change of control and the award is prorated for the proportion of the financial year served to the effective date of change of control.
DABS Good leaver	Continue until the normal vesting date. In the event of death of a participant, the award would vest immediately.	Outstanding awards normally vest at the normal vesting date on a time prorated basis to reflect the length of the vesting period served, although time prorating may be disappplied.
Bad leaver	Outstanding awards lapse.	Not applicable.
Change of control	Paid immediately on the effective date of change of control.	Eligible for an award prorated for the proportion of the financial year served to the effective date of change of control, unless the Board decides otherwise.
RSA Good leaver	Continue until the normal vesting date or vest immediately, at the discretion of the Committee.	Outstanding awards vest and the awards are prorated to reflect the length of the vesting period served, unless the Board decides otherwise.
Bad leaver	Outstanding awards lapse.	Not applicable.
Change of control	Vest immediately on the effective date of change of control.	Outstanding awards vest at the effective date of change of control, and the award is prorated for the proportion of the vesting period served to the effective date of change of control, unless the Board decides otherwise.
LTIP (past awards) Good leaver	Continue until the normal vesting date or vest immediately, at the discretion of the Committee.	Outstanding awards vest to the extent the performance conditions are satisfied and the awards are pro-rated to reflect the length of the vesting period served, unless the Board decides otherwise.
Bad leaver	Outstanding awards lapse.	Not applicable.
Change of control	Vest immediately on the effective date of change of control.	Outstanding awards vest subject to the satisfaction of performance conditions as at the effective date of change of control, and the award is prorated for the proportion of the vesting period served to the effective date of change of control, unless the Board decides otherwise.

Non-Executive Directors

The Non-Executive Directors do not have service contracts, rather they have 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	Start of current three year term	Unexpired term as at 31 March 2020	Date of appointment	Notice period
Gill Barr	26 July 2018	16 months	1 June 2015	one month
Giles Kerr	26 July 2018	16 months	20 November 2015	one month
Rakesh Sharma	12 May 2017	1½ months	12 May 2017	one month
Ben Wishart	14 November 2019	31½ months	14 November 2019	one month

Under the Company's Articles of Association, all Directors are required to submit themselves for re-election every three years. However, in order to comply with the Code, all Directors will be subject to annual re-election. Non-Executive Directors' letters of appointment are available to view at the Company's registered office.

Directors' Remuneration Report continued

Annual report on remuneration

The following section provides details of how PayPoint's Remuneration Policy was implemented during the financial year ended 31 March 2020 and how it will be implemented for the year ending 31 March 2021. The following pages contain information that is required to be audited in compliance with the Directors' Remuneration requirements of the Companies Act 2006. All narrative and quantitative tables are unaudited, unless otherwise stated.

Role of the Remuneration Committee

The Remuneration Committee is responsible for developing policy on remuneration for Executive Directors, the Executive Board and senior managers, and for determining specific remuneration packages for each of the Executive Directors. The Committee also reviews workforce remuneration and related policies and the alignment of incentives and rewards with culture. The Remuneration Committee is formally constituted with written terms of reference which set out the full remit of the Committee. The terms of reference are also available on the Company's website at www.corporate.paypoint.com.

During the year, the Committee sought internal support from the Chief Executive, the Executive Chairman and the HR Director, who attended Committee meetings by invitation from the Chairman, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the Executive Board and senior managers. None of the above were present for any discussions that related directly to their own remuneration. The Company Secretary attended each meeting as Secretary to the Committee.

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. To this end, the Committee continued to retain the services of FIT Remuneration Consultants LLP as the principal external advisors to the Committee during the financial year. The Committee is comfortable that the FIT team provides independent remuneration advice to the Committee and do not have any other connections with PayPoint that may impair their independence. FIT is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at (www.remunerationconsultantsgroup.com). During the year, FIT provided independent advice on a wide range of remuneration matters including the Remuneration Policy review and implementation, the Board changes and remuneration benchmarking. FIT provides no other services to the Company. The fees paid to FIT (on the basis of time and materials) in respect of work carried out for the year under review were £40,559 (excluding VAT).

Summary of shareholder voting

The following table shows the results of the binding vote on the Remuneration Policy Report at 26 July 2017 annual general meeting and the shareholder advisory vote on the 2019 Annual Report on Remuneration at 25 July 2019 annual general meeting.

	2017 – Remuneration Policy		2019 – Remuneration Report	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	56,250,235	96.12%	53,119,241	99.71%
Against	2,269,240	3.88%	156,027	0.29%
Total votes cast (excluding withheld votes)	58,519,475		53,275,268	
Total votes withheld ¹	787,946		106,163	
Total votes cast (including withheld votes)	59,307,421		53,381,431	

1. A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 March 2020 and the prior period:

	Nick Wiles ¹		Rachel Kentleton		Patrick Headon ²		Dominic Taylor ³	
	£'000		£'000		£'000		£'000	
	2020	2019	2020	2019	2020	2019	2020	2019
Base salary	231	–	323	316	341	–	–	502
Taxable benefits ⁴	4	–	21	21	18	–	–	26
Pension ⁵	–	–	48	47	20	–	–	80
Annual bonus ⁶	–	–	–	230	–	–	–	535
Long-term incentives ⁷	–	–	123	–	–	–	–	809
Other ⁹	–	–	37	58	–	–	–	12
Total	235	–	552	672	379	–	–	1,964

- Nick Wiles, previously the Non-Executive Chairman, has acted as Executive Chairman effective from 26 September 2019. The figures in the table above are in respect of remuneration paid from 27 September 2019 to 31 March 2020. Nick Wiles' fees for the period prior to 26 September 2019, in his capacity of Non-Executive Chairman, can be found in the single total figure of remuneration for the Chairman and Non-Executive Directors table.
- Patrick Headon was appointed to the Board on 1 April 2019 and, following a temporary leave of absence from the Company to receive medical treatment commencing 26 September 2019, stepped down from the Board on 19 December 2019. Details of his leaving arrangements can be found in the payments for loss of office section.
- Dominic Taylor stepped down from the Board effective 1 April 2019. Details of his leaving arrangements can be found in the payments to past Directors section.
- Taxable value of benefits received in the year by executives relate to a benefits allowance, car allowance, petrol, medical insurance, life assurance and private health insurance. In addition, as part of his joining arrangements, in March 2019 Patrick Headon received a one-off relocation allowance of £47,000 which is excluded in the figure above given that the amount was repaid post cessation.
- Pension during the year: the Company made contributions of 6% of salary to Patrick Headon and 15% of salary to Rachel Kentleton.
- Annual bonus: this is the total bonus earned in respect of performance during the relevant year, including any deferred amounts. Nick Wiles was not entitled to a bonus in respect of his role as Executive Chairman. Further details of annual bonus awards for 2019 can be found in the Annual Report on Remuneration.
- Long-term incentives: for 2020, this is the value of LTIP awards granted in 2017 based on interim performance measured to 31 March 2020 and which will vest on 26 July 2020. The share price used to calculate the estimated market value is based on the three-month average price to 31 March 2020 of £8.62. The value which is attributable to share price growth over the period since grant is £285 for Rachel Kentleton. Further details can be found on page 76. For 2019, the long-term incentive figures have been re-stated based on the value at vesting (as opposed to the estimated value used in last year's report).
- SIP matching and dividend shares awarded in the period valued at the average share price calculated over three months to 31 March 2020 of £8.62 (2019: £8.57). The SIP is an HMRC approved plan that allows participants to purchase shares using gross salary and receive matching award from the Company. There are no performance conditions.

Single total figure of remuneration for the Chairman and Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by the Chairman and each Non-Executive Director for the year ended 31 March 2020 and the prior year:

	Base fee £'000		Committee Chair fees £'000		Senior Independent Director fees £'000		Chairman fees £'000		Total £'000	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Chairman										
Nick Wiles ¹	–	–	–	–	–	–	83	165	83	165
Non-Executive Directors										
Gill Barr	49	47	–	–	–	–	–	–	49	47
Giles Kerr	49	47	9	9	6	5	–	–	64	61
Rakesh Sharma	49	47	9	9	–	–	–	–	58	56
Ben Wishart ²	18	–	–	–	–	–	–	–	18	–
Total	165	141	18	18	6	5	83	165	272	329

- Nick Wiles, previously the Non-Executive Chairman, has acted as Executive Chairman effective from 26 September 2019. The figures in the table above are in respect of remuneration paid up to 26 September 2019. Nick Wiles' remuneration for the period post 26 September 2019 in his capacity of Executive Chairman can be found in the single total figure of remuneration for Executive Directors table.
- Appointed to the Board on 14 November 2019.

Incentive outcomes for the year ended 31 March 2020**Annual bonus**

As a result of the Chief Executive stepping down from the Board during the year, the Finance Director was the only individual eligible for any bonus payment in respect of the year ended 31 March 2020. However, notwithstanding the actual performance against the targets set out below, in recognition of the challenges facing the business in light of the evolving Covid-19 crisis, the Finance Director proposed to forgo her bonus award in respect of the year ended 31 March 2020 and this proposal was accepted by the Committee.

Profit before tax and revenue targets:

Measure	Maximum value	Threshold (20% of maximum) £'000	Target (80% of maximum) £'000	Stretch (100% of maximum) £'000	Actual achieved £'000	Rachel Kentleton
Group profit before tax ¹	64% of salary	50,900 (90% of plan)	56,500 (100% of plan)	62,100 (110% of plan)	56,799	52% of salary (81% of max)
Net revenue	21% of salary	35,600 (90% of plan)	39,500 (100% of plan)	45,800 (110% of plan)	38,090	12% of salary (58% of max)

- The Group profit before tax value stated above reflects the decision not to pay an annual bonus in respect of the year ended 31 March 2020.

Strategic targets:

Given the decision not to pay an annual bonus in respect of the year ended 31 March 2020, performance against the following strategic targets has not been assessed formally.

Target	Performance and bonus earned
Embed PayPoint at the heart of convenience retail	10.6% of salary Threshold: 15,800 sites by 31 March 2020 (payout 20% of maximum) Target: 50% based on 16,658 sites by 31 March 2020, 50% based on achievement of revenue target by 31 March 2020 (pay out 80% of maximum) Maximum: 16,658 sites generating revenue target by 31 March 2020 (payout 100% of maximum)
CRM system	10.6% of salary Threshold: N/A Target: Sign up release delivered within six weeks of target release date and spend within budget Maximum: Planned sign up release benefits delivered and one additional release delivered by 31 March 2020
Maximum value	21% of salary
% of potential award	0% of maximum
% of salary award	0% of salary

Directors' Remuneration Report continued

2017 LTIP vesting

With respect to the LTIP awards granted on 26 July 2017, vesting is based 50% on TSR and 50% on EPS. The three-year performance period for these awards ends on 25 July 2020 for the TSR element and ended on 31 March 2020 for the EPS element with vesting on the third anniversary of the date of grant. Further details relating to these awards are provided in the table below, based on TSR calculations run to 31 March 2020:

Measure	Weighting	Targets	Outcome to 31 March 2020	% vesting
Relative TSR vs FTSE 250 Index (excluding companies in the Oil & Gas, Mining and Utilities sectors)	50%	0% vesting below median 25% vesting at median 100% vesting at upper quartile Straight-line vesting between these points	Between median and upper quartile	63.5% ¹
EPS	50%	0% vesting at less than 5% p.a. 25% vesting at 5% p.a. 100% vesting at 12% p.a. or more Straight-line vesting between these points	Below threshold	0%
Total LTIP vesting				31.8%

1. Estimate based on an assessment of performance measured to 31 March 2020.

Rachel Kentleton is the only current Executive Director for whom any awards may vest as follows:

Director	Interests held	Implied % vesting	Number of shares vesting	Date of vesting	Value £'000 ¹
Rachel Kentleton	44,767	31.75%	14,213	26 July 2020	£123

1. As the price on the date of vesting is unknown, the value of an award is calculated by multiplying the number of shares which vested by the average three-month share price to 31 March 2020 of £8.62.

Scheme interests awarded in the year ended 31 March 2020 LTIP

In the year under review, LTIP awards were granted with a face value of 175% of salary for the Chief Executive and 125% of salary for the Finance Director (noting that the award to the Chief Executive lapsed at cessation of employment). The awards will vest on the third anniversary of the date of grant, 10 June 2022, and will be subject to a holding period which will end on the fifth anniversary of the date of grant, being 10 June 2024. One half of each award is subject to a performance condition based on relative TSR vs the FTSE 250 index (excluding companies in the Oil & Gas, Mining and Utilities sectors). The other half of each award is subject to three-year EPS growth targets. Details of the awards granted are as follows:

Executive Director	Basis of award	Number of shares	Face value ¹	Potential award for minimum performance	Performance period	Performance measures
Patrick Headon	175% of salary	78,333 ²	£822,497	25% of face value	TSR: 10 June 2019 to 9 June 2022	50% on TSR relative vs FTSE 250 Index (excluding companies in the Oil & Gas, Mining and Utilities sectors): <ul style="list-style-type: none"> • 0% vesting below median • 25% vesting at median (20% for the Chief Executive) • 100% vesting at upper quartile (upper quintile for the Chief Executive) • straight-line vesting in between these points
Rachel Kentleton	125% of salary	38,710	£406,455		EPS: 1 April 2019 to 31 March 2022	

1. Face value is based on the middle market quotation of a share in the capital of the Company on the preceding dealing day of award, 10 June 2019, of £10.50.
2. Award lapsed in full on cessation of employment, 31 December 2019.

Payments for loss of office and to past Directors (audited)**Rachel Kentleton**

As per the announcement on 20 May 2020, Rachel will step down from the Board in the summer once an orderly handover has been completed. Full details of her remuneration arrangements will be disclosed on the Company's website in due course.

Patrick Headon

As per the announcement on 19 December 2019, Patrick Headon stepped down from his role of Chief Executive and Director of PayPoint plc effective from that date. The details of Patrick's remuneration arrangements in respect of his departure were as follows:

- Patrick remained an employee until 31 December 2019 and continued to receive his normal monthly salary, pension contribution and benefits up to that date (this amounted to £13,080).
- Following Patrick's cessation of employment, he received a payment of £244,212 in respect of five months' salary, pension and benefits (including an amount for holiday not taken), which is significantly less than the balance of his 12-month notice period.
- Relocation expenses paid at appointment (£47,000 gross of tax) have been repaid in accordance with the terms of Patrick's service contract.
- The LTIP award granted on 10 June 2019 over 78,333 shares lapsed in full on cessation of employment.
- No bonus will be payable for the year ended 31 March 2020.

Dominic Taylor

As per the announcement on 19 February 2019, Dominic Taylor stepped down as a Director of PayPoint plc with effect from 1 April 2019. He remained an employee until 31 December 2019 to ensure a thorough transition. No termination payments were made. Dominic continued to receive his normal remuneration arrangements until 31 March 2019 and, subsequent to stepping down from the Board:

- He received a reduced salary, payable on a monthly basis, which in total for the period 1 April 2019 to 31 December 2019, totalled £270,000.
- Dominic did not receive any benefits or pension for the period 1 April 2019 to 31 December 2019 and he was not eligible to participate in the annual bonus plan in respect of 2019/20 nor eligible to receive any LTIP awards.
- He received his annual bonus for the year ended 31 March 2019, which was payable at the normal payment date in cash.
- His unvested deferred annual bonus and LTIP awards will continue to vest at the normal vesting dates and in respect of his LTIP awards, vesting will be subject to time prorating and the extent to which the performance targets are met. The time prorating calculation for LTIPs will be based on the extent of the respective vesting periods the individual has served to the AGM on 25 July 2019, rather than the later default date under the LTIP rules, which is the date of cessation of employment (31 December 2019). On 4 June 2019, his LTIP awards granted in 2016 vested and he received 75,585 shares with a gross value of £808,760 and on 7 June 2019 his deferred annual bonus awards granted in 2016 vested and he received 3,921 shares with a gross value of £41,171 on 7 June 2019.

George Earle stepped down as a Director on 31 March 2017. On 4 June 2019, his LTIP awards granted in 2016 vested and he received 12,715 shares with a gross value of £136,051 and on 7 June 2019 his deferred annual bonus awards granted in 2016 vested and he received 761 shares with a gross value of £7,991 on 7 June 2019.

Tim Watkin-Rees stepped down as a Director on 31 March 2018. On 4 June 2019, his LTIP awards granted in 2016 vested and he received 43,310 shares with a gross value of £463,417 and on 7 June 2019 his deferred annual bonus awards granted in 2016 vested and he received 2,636 shares with a gross value of £27,678 on 7 June 2019.

CEO pay ratio

The data shows how the Chief Executive's single figure remuneration for the year ended 31 March 2020 (as taken from the single figure remuneration table) compares to equivalent single figure remuneration for full-time equivalent UK employees, on a Group basis, ranked at the 25th, 50th and 75th percentile.

CEO single figure: £510,234. This value has been calculated based on the combined total of the remuneration paid to: (i) Patrick Headon in respect of his role as Chief Executive (from 1 April 2019 to 19 December 2019); and (ii) Nick Wiles in respect of his role as Executive Chairman following Patrick's departure (19 December 2019 to 31 March 2020).

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option A	21:1	14:1	9:1

No components of pay and benefits have been omitted for the purpose of the above calculations. Option A was selected given that this method of calculation was considered to be the robust approach in respect of gathering the required data.

The underlying quartiles for salary and total remuneration numbers for full-time equivalent UK employees are set out below.

Year	Salary			Total pay and benefits		
	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2020	£22,440	£30,251	£53,674	£24,484	£37,352	£59,603

Directors' Remuneration Report continued

Percentage change in Chief Executive remuneration

The table below shows the percentage change in the Chief Executive's remuneration, comprising salary, taxable benefits and annual bonus, and comparable data for the average of all employees within the Company. As per the CEO pay ratio, the total remuneration has been calculated based on a combined total of the values paid to Patrick Headon and Nick Wiles.

	Change in remuneration from 2019 to 2020			Average % change for other employees ¹
	Chief Executive		% change	
	2020 £'000	2019 £'000		
Salary	470	502	-6.4%	3.4%
Taxable benefits	20	26	-23.1%	3.3%
Annual bonus	–	535	100%	100% ²

1. Increase in salary is for UK based employees who were employed by PayPoint for the entirety of both financial years, but excludes those who were promoted to a new role.

2. No bonus payout will be made to UK based employees for FY2019/20.

Relative importance of spend on pay

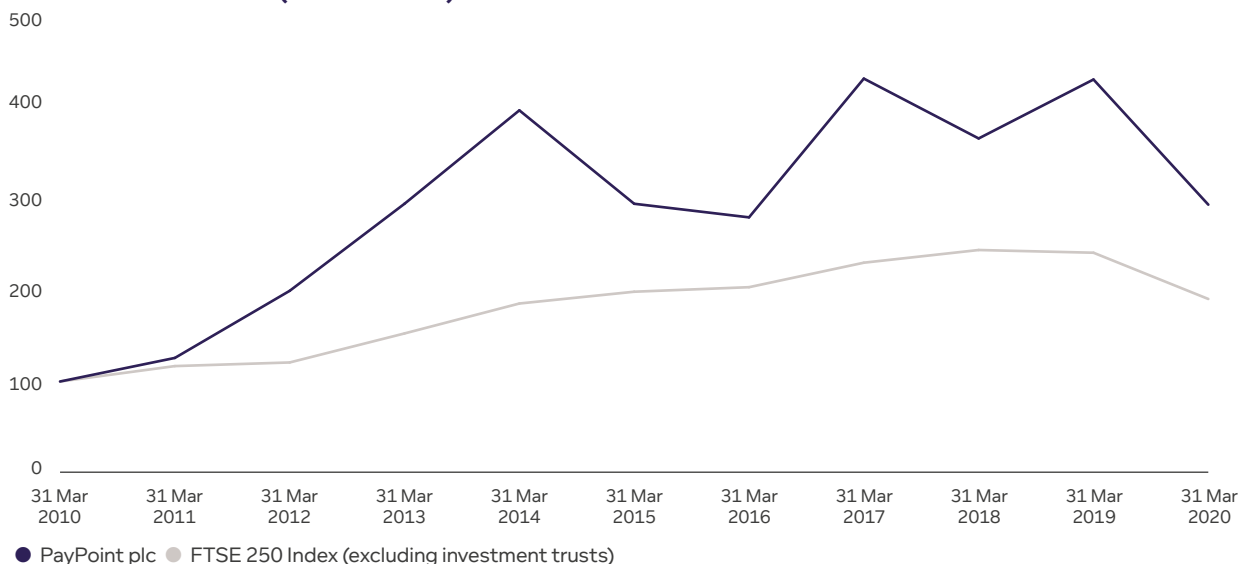
The table below shows the Company's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 March 2019 and ended 31 March 2020.

	Total employee pay expenditure £'000	Distributions to shareholders £'000
2020	30,878	57,419
2019	30,137	56,561
% change	2.5%	1.5%

Pay for performance

The graph below compares the value of £100 invested in PayPoint shares, including reinvested dividends, with the FTSE 250 Index (excluding investment trusts) over the last ten years. This index was selected because it is considered to be the most appropriate index against which the Total Shareholder Return of PayPoint could be measured.

Total Shareholder Return (rebased to 100)



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 ¹
Chief Executive single figure of remuneration (£'000)	677	1,067	2,639	2,247	1,215	911	1,121	1,280	1,803	510
Annual bonus payout (as % of maximum)	80.9%	88.7%	86.2%	91.4%	88.1%	31.0%	64.8%	66.7%	71%	0%
LTIP vesting (as % of maximum)	0%	40.10%	100%	100%	0%	0%	0%	30%	100%	31.8%

1. For the year ended 31 March 2020 the Chief Executive single figure of remuneration has been calculated based on the combined total of the remuneration paid to: (i) Patrick Headon in respect of his role as Chief Executive (from 1 April 2019 to 19 December 2019); and (ii) Nick Wiles in respect of his role as Executive Chairman following Patrick's departure (19 December 2019 to 31 March 2020).

Directors' shareholdings (audited)

The shareholdings of the Directors and their connected persons in the ordinary shares of the Company against their respective shareholding requirement as at 31 March 2020:

	Shares held			Current shareholding	Shareholding guidelines ²		
	Owning outright or vested ¹	Unvested and subject to holding period	Unvested and subject to performance conditions		% of salary	Shares	Met?
Rachel Kentleton	13,507	11,918	122,548	13,507	150% ²	37,722	No
Gill Barr	2,595						
Giles Kerr	7,500						
Rakesh Sharma	4,270						
Nick Wiles	45,000						
Ben Wishart	0						

1. Current shareholding includes SIP shares other than SIP matching shares and SIP dividend shares subject to a holding period.

2. Increasing to 200% of salary from the 2020 AGM. An average three-month share price to 31 March 2020 of £8.62 has been used to calculate the holding relative to this guideline.

The market price of the Company's shares on 31 March 2020 was £8.62 (31 March 2019: £8.57 per share) and the low and high share prices during the period were £4.47 and £10.88 respectively.

Directors' interests in shares in PayPoint long-term incentive plans and all-employee plans**Long-Term Incentive Awards (audited)**

	Type of Awards	Number of shares at 31 March 2019	Number of shares awarded during the period ³	Number of shares released during the period	Number of shares lapsed during the period	Number of shares at 31 March 2020	Share price at grant (£)	Value of shares awarded	Date of grant	Lapse/Release date
Dominic Taylor	LTIP ²	75,585	–	75,585	–	–	£9.40	£710,499	02.06.16	02.06.19
	LTIP ²	99,709	–	–	33,388	66,321	£8.60	£857,497	26.07.17	26.07.20
	LTIP ³	87,023	–	–	53,993	33,030	£10.10	£878,932	04.06.18	04.06.21
Patrick Headon	LTIP ⁴	–	78,333	–	78,333	–	£10.50	£822,497	10.06.19	10.06.22
Rachel Kentleton	9.4.2	5,370	–	5,370	–	–	£10.25	£110,095	02.02.17	02.02.19–20
	LTIP ²	44,767	–	–	–	44,767	£8.60	£384,996	26.07.17	26.07.20
	LTIP ³	39,071	–	–	–	39,071	£10.10	£394,617	04.06.18	04.06.21
	LTIP ⁴	–	38,710	–	–	38,710	£10.50	£406,455	10.06.19	10.06.22

- LTIP awards 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-performance period, at which point 25% of awards will vest, with full vesting occurring for upper quartile performance with pro rata vesting between points.
- 50% of LTIP awards 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 performance period, at which point 25% of awards will vest (20% for the Chief Executive's awards), with full vesting occurring for upper quartile (upper quintile for the Chief Executive's awards) performance with pro rata vesting between points. 50% of LTIP awards will only vest if the Company's EPS grows by 5% p.a., at which point 25% of awards will vest (20% for the Chief Executive's awards), with full vesting occurring for EPS growth of 12% p.a. with pro rata vesting between points.
- 50% of LTIP awards 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 performance period, at which point 25% of awards will vest (20% for the Chief Executive's awards), with full vesting occurring for upper quartile (upper quintile for the Chief Executive's awards) performance with pro rata vesting between points. 50% of LTIP awards will only vest if the Company's EPS grows by 4% p.a., at which point 25% of awards will vest (20% for the Chief Executive's awards), with full vesting occurring for EPS growth of 10% p.a. with pro rata vesting between points.
- 50% of LTIP awards 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 performance period, at which point 25% of awards will vest (20% for the Chief Executive's awards), with full vesting occurring for upper quartile (upper quintile for the Chief Executive's awards) performance with pro rata vesting between points. 50% of LTIP awards will only vest if the Company's EPS grows by 4% p.a., at which point 25% of awards will vest (20% for the Chief Executive's awards), with full vesting occurring for EPS growth of 10% p.a. with pro rata vesting between points.

Deferred Annual Bonus Scheme¹ (audited)

	Number of shares at 31 March 2019	Number of shares awarded during the period	Number of shares released during the period	Number of shares lapsed during the period	Number of shares at 31 March 2020	Value of shares awarded	Date of grant	Release date
Dominic Taylor	3,921 ²	–	3,921	–	–	£38,857	07.06.16	07.06.19
	9,093 ³	–	–	–	9,093	£84,341	05.06.17	05.06.20
	24,260 ⁴	–	–	–	24,260	£245,026	04.06.18	04.06.21
Rachel Kentleton	1,378 ³	–	–	–	1,378	£12,782	05.06.17	05.06.20
	5,062 ⁴	–	–	–	5,062	£51,126	04.06.18	04.06.21
	–	5,478 ⁵	–	–	5,478	£57,519	10.06.19	10.06.22

- The release of shares is dependent upon continuous employment for a period of three years from the date of grant.
- £9.91 per share.
- £9.27 per share.
- £10.1 per share.
- £10.50 per share.

Directors' Remuneration Report continued

Share Incentive Plan (audited)

	Number of Partnership Shares purchased at 31 March 2019	Number of Matching Shares awarded at 31 March 2019	Number of Free Shares ¹ awarded at 31 March 2019	Number of Dividend Shares ² acquired at 31 March 2019	Total shares at 31 March 2019	Number of Partnership Shares ³ purchased during the period	Number of Matching Shares ⁴ awarded during the period	Number of Dividend Shares acquired during the period	Dates of release of Matching and Free Dividend Shares ⁵	Total shares at 31 March 2020
Patrick Headon	–	–	–	–	–	92	–	5	N/A	–
Rachel Kentleton	487	487	0	111	1,085	169	169	118	23.04.2021 22.03.2022	1,541

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 period (at prices from £4.73 to £10.58).
4. Matching Shares are ordinary shares of the Company awarded conditionally on a monthly basis during the period (at prices from £4.73 to £10.58).
5. The dates used are based on the earliest allocation of the matching shares.

Implementation of Remuneration Policy for year ending 31 March 2020

Base salary

Current base salary levels, and those from 1 July 2020 (the normal salary review date) are as follows:

	From 1 July 2019 ¹	From 1 July 2020	% increase
Nick Wiles	£470,000	£470,000	0%
Rachel Kentleton	£325,171	£325,171	0%

1. From appointment as Executive Chairman for Nick Wiles.

Nick Wiles was appointed temporary Executive Chairman on 26 September 2019 and his fee on appointment was set at £470,000. Following the year end, Nick was appointed Chief Executive on the same salary. In recognition of the challenges facing the business due to the Covid-19 crisis, the Board accepted Nick's proposal to reduce his base salary by 20% effective 1 April 2020 for a period of three months.

Benefits

Rachel Kentleton's benefits will continue to comprise a car allowance, petrol, medical insurance, life assurance and permanent health insurance. Nick Wiles will receive an annual benefits allowance in respect of car allowance, petrol, life assurance, medical insurance and permanent health insurance.

Pension

Pension provision is offered in the form of pension and/or a salary supplement. Nick Wiles will receive a cash supplement of 5% from appointment as Chief Executive and Rachel Kentleton will continue to receive a cash supplement of 15% of salary until she steps down from the Board in the summer.

Annual bonus

Annual bonus potential will be set at 106% of salary. However, target setting for the bonus schemes for the year ending 31 March 2021 has been delayed in light of Covid-19. Full details of the annual bonus targets for the 2020/21 financial year and performance against the targets will be disclosed in next year's Annual Report on Remuneration.

RSA (policy limit: 75% of salary)

RSAs to be granted in 2020 will, subject to shareholder approval:

- be set at 75% of salary for the Chief Executive and 62.5% of salary for the Finance Director role (albeit Rachel Kentleton will not receive an award given that she is due to step down from the Board); and
- vest 50% after three years from the grant date, 25% after four years from grant and 25% after five years from grant, subject to continued employment, satisfactory individual performance and a positive assessment of performance against the underpin (see below).

No shares can be sold until at least five years from grant, other than those required to settle any taxes.

For RSAs granted to Executive Directors to vest, in addition to continued service, the Committee must be satisfied that PayPoint's underlying performance and delivery against its strategy and plans is sufficient to justify the level of vesting, having regard to such factors as the Committee considers to be appropriate in the round (including revenue, earnings and share price performance) and the shareholder experience more generally (including the risk of windfall gains).

Chairman and Non-Executive Director fees

Chairman and Non-Executive Director fees are as follows:

	From 1 April 2020	From 1 April 2019
Base fees		
Chairman ¹	£165,000	£170,000
Non-Executive Director	£48,500	£48,500
Additional fees		
Chairman, Audit Committee	£9,200	£9,200
Chairman, Remuneration Committee	£9,200	£9,200
Senior Independent Director	£6,100	£6,100

1. Giles Kerr was appointed Chairman from 20 May 2020 following Nick Wiles' appointment as Chief Executive. In relation to this appointment, Giles will receive an annual fee of £165,000.

This Report covers the remuneration of all Directors who served during the period.

This Report was approved by the Remuneration Committee on 27 May 2020 and signed on its behalf by:

Rakesh Sharma
Chairman, Remuneration Committee

Directors' Report

PayPoint plc (the 'Company') is a public limited company incorporated in England and Wales, registration number 3581541.

The Company is a holding company and its subsidiaries in the UK and Romania are engaged in providing clients with specialist consumer payment services which includes transaction processing and settlement through an established network of retailers. A complete list of the Company's subsidiaries can be found in note 15 on page 114.

PayPoint UK and Romania process transactions for payment products and services and collect payments on behalf of leading utility and customer service organisations in convenience retail sites. This is done using innovative and time-saving technology that empowers convenience retailers in the UK and Romania to achieve higher footfall and increased spend so they can grow their businesses profitably. At a PayPoint site, 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 our retailer partners including card payments, collecting and returning parcels, EPoS solutions, ATMs and other value add services.

PayPoint UK also offers clients, through its MultiPay product, streamlined consumer payment processing and transaction routing in one seamlessly integrated solution for digital payments. This gives customers the flexibility to pay in the way that best suits them, including mobile app, online, text, phone/IVR and cash in-store.

Directors' report content

As required by the Companies Act 2006 and the Disclosure Guidance and Transparency Rule ('DTR') 4.1.8.R, the Directors' Report for PayPoint plc comprises these pages 82 to 84 together with information in the following sections of the annual report and accounts, all of which are incorporated into this Directors' Report by reference:

Information	Location in annual report
Review of the business, principal risks and uncertainties and KPIs	Business Model and Progress Against Strategic Priorities, Business Review, Key Performance Indicators, Financial Review and Principal Risks and Uncertainties
Strategy and business model	Business model and Progress Against Strategic Priorities
Future business developments	Strategy and Ambitions for 2020/21
Non-financial reporting: <ul style="list-style-type: none"> Environmental matters Anti-corruption and Anti-bribery 	People and Culture, Responsible Business and Audit Committee Report
Employment for disabled persons and employee engagement throughout the workforce	People and Culture Corporate Governance Report S.172(I) Statement
Gender diversity	People and Culture
Use of financial instruments and credit	Finance Review and note 23

This annual report has been prepared for, and only for the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisors do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

By their nature, the statements concerning the risks and uncertainties facing the Group in this annual report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this annual report should be construed as a profit forecast.

Substantial shareholdings

The Company had been notified of the following disclosable interests in the voting rights of the Company as required by DTR 5 of the FCA's Disclosure Guidance and Transparency Rules.

As at 31 March 2020:

Name of holder	Number of ordinary shares	Percentage of issued capital
Liontrust Investment Partners LLP	11,110,762	16.25
Aberdeen Standard Investments	5,106,969	7.47
Schroders Plc ¹	3,545,281	5.18
Ameriprise Financial, Inc and its group	3,862,906	5.65
Evenlode Investment Management Ltd	3,440,884	5.03
Capital Research & Management	3,314,402	4.85

1. Holding includes CFD 5,009 shares.

The following notification(s) have been received since 1 April 2020 up to the date of this report.

Name of holder	Number of ordinary shares	Percentage of issued capital
Standard Life Aberdeen plc ¹	4,342,872	6.35

1. Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios.

All notifications made to the Company under DTR 5 are published on the Regulatory Information Service and made available on the Company's website.

Share capital

As at 31 March 2020 68,376,750 ordinary shares of 1/3 pence each have been issued and fully paid up and are quoted on the London Stock Exchange. During the year ended 31 March 2020, 133,344 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 are 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.

As at 31 March 2020, the PayPoint Network Limited Employee Incentive Trust (the 'Trust') held 769 ordinary shares in the Company for allocation under the Company's share schemes. Any voting or other similar decisions relation to the shares held by the Trust would be taken by the trustees, who may take account of any recommendations of the Company. The Trustees have waived their right to receive dividends of the shares held in the Company.

At the annual general meeting on 25 July 2019, the Directors were given authority to purchase up to 10% of its issued share capital, allot relevant securities up to an aggregate nominal amount of £75,828 and to disapply pre-emption rights in respect of allotments of relevant securities up to an aggregate nominal amount of £11,374. Resolutions to renew these authorities will be proposed at the 2020 annual general meeting, details of which are set out in the notice of meeting on pages 124 to 131.

Directors

The names of the Directors at the date of this Report and their biographical details are on pages 46 and 47. Their interests in the ordinary shares of the Company are on page 79. During the financial year, Ben Wishart was appointed a Non-Executive Director on 14 November 2019 and Nick Wiles became Executive Chairman following Patrick Headon stepping down from his role as Chief Executive and Director of the Board on 19 December 2019. Directors are appointed and replaced in accordance with the Company's Articles of Association, the Companies Act 2006 and the Code. The powers of the Directors are set out in the Articles of Association and the Companies Act 2006.

Results for the year

The consolidated statement of profit or loss, statement of financial position, statement of changes in equity and statement of cash flows for the year ended 31 March 2020 are set out on pages 93 to 96. An analysis of risk is set out on pages 30 to 32, and of risk management on page 62. The statement of financial position, statement of changes in equity and statement of cash flows of the Company for the year ended 31 March 2020 are set out on page 97 and 98.

Events since year end

Post year end the Company acquired Yodels stake in the Collect+ Holdings Limited joint operation making Collect+ a fully owned brand of PayPoint. Collect+ Brand Limited, which owns the Collect+ brand, is a wholly owned subsidiary of Collect+ Holdings Limited. In addition, as announced on 20 May 2020, Nick Wiles was appointed Chief Executive; Giles Kerr was appointed Chairman and Chair of the Nomination Committee; and Rakesh Sharma was appointed as Senior Independent Director. Rachel Kentleton is to step down from her role of Finance Director over the summer. When she leaves Rachel will hand over her role to Alan Dale who will then be appointed Interim Finance Director.

Indemnity provisions for the benefits of directors

In addition to the indemnity provisions in the Articles of Association, the Company has entered into direct indemnity agreements with each of the Directors. These indemnities constitute qualifying indemnities for the purposes of the Companies Act 2006 and remain in force at the date of approval of this report without any payment having been made under them. The Company also maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its Directors.

Change of control

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

The Company has a revolving term credit facility for £70 million which expires in March 2023. The terms of the facility allow for termination on a change of control, subject to certain conditions. There are no other significant contracts in place that would take effect, alter or terminate on the change of control of the Company, 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. Further information can be obtained from the government's payment practice reporting portal.

Charitable and political donations

The Group made no political donations during the year (2019: nil). Details of the charitable donations policy can be found within the Strategic Report on page 41.

Related party transactions

Related party transactions that took place during the year can be found in note 25.

Dividends

From 1 April 2019 a programme of four equal dividends payable in July, September, December and March was implemented. As announced on 19 March 2020, due to the need to preserve cash at a time of uncertainty due to Covid-19, additional dividend payments were suspended. This programme has now ended and has returned £83.5 million to the shareholders.

We have declared a final dividend of 15.6 pence per share (2019: 23.6 pence per share) payable in equal instalments of 7.8 pence per share (2019: 11.8 pence per share) on 27 July 2020 and 28 September 2020 to shareholders on the register on 26 June 2020 and 28 August 2020 respectively. The final dividend is subject to the approval of the shareholders at the annual general meeting on 24 July 2020. No additional dividend has been declared (2019: 18.4 pence per share).

The final dividends will result in £10.7 million (2019: £28.8 million) being paid to shareholders from the standalone statement of financial position of the Company which, as at 31 March 2020, had approximately £58.5 million (2019: £79.8 million) of distributable reserves.

An interim ordinary dividend of 23.6 pence (2019: 15.6 pence) and an additional interim ordinary dividend of 18.4 pence (2019: 12.2 pence) were paid in equal instalments of 21.0 pence on 30 December 2019 and 9 March 2020.

The dividend policy including all the dividends declared during the year is set out in the Finance Review on page 27.

Going concern

At the end of the year, the Group had cash and cash equivalents of £93.5 million, and a £75.0 million finance facility, of which the £70 million revolving credit facility has been fully drawn down, with an accordion option of £20 million, expiring in March 2023. The Company's cash and borrowing capacity is adequate to meet the foreseeable needs of the Group, taking into account any risks (see pages 30 to 32). The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Therefore, the financial statements have been prepared on a going concern basis.

The Group's liquidity review and commentary on the current economic climate are shown on page 26 of the Strategic Report and commentary on financial risk management is shown in note 23.

Directors' Report continued

Independent auditor

KPMG LLP has expressed its willingness to continue as the Company's auditor and a resolution for its reappointment will be proposed at the forthcoming annual general meeting. The notice of the annual general meeting can be found on pages 124 to 131.

Corporate governance statement

The information that fulfils the requirements of the corporate governance statement for the purposes of the FCA's Disclosure Guidance and Transparency Rules can be found in this Directors' Report and in the Corporate Governance section on pages 46 to 81 (which is incorporated into this Directors' Report by reference).

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
2. the Director has taken all the steps that he/she ought reasonably to have taken as a Director in order to make themselves 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 section 418 of the Companies Act 2006.

Annual general meeting

The AGM will be held at PayPoint's head office, 1 The Boulevard, Shire Park, Welwyn Garden City AL7 1EL on 24 July 2020.

In response to the Covid-19 outbreak, and in line with the related public health guidance and legislation issued by the UK Government, the Board of Directors will be running this year's AGM as a closed meeting and shareholders will not be able to attend in person. As the situation is constantly evolving the UK Government may change current restrictions or implement further measures relating to the holding of general meetings during the affected period.

Any changes to the AGM will be communicated to shareholders in advance of the AGM on the investors section of our website: www.corporate.paypoint.com and, where appropriate, by a stock exchange announcement.

The notice of meeting and explanatory information on the resolutions to be passed at the annual general meeting can be found on pages 124 to 131.

The Directors' Report was approved by the Board and signed on its behalf by:

Sarah Carne
Company Secretary
27 May 2020

Statement of Directors' responsibilities

in respect of the annual report and the financial statements

The Directors are responsible for preparing the annual report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs as adopted by the EU') and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and corporate governance statement that complies with that law and those regulations.

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

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, 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.
- The Directors' Report, which also incorporates the Strategic Report, includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Rachel Kentleton
Finance Director
27 May 2020

Independent auditor's report

to the members of PayPoint plc

1. Our opinion is unmodified

We have audited the financial statements of PayPoint plc ("the Company") for the year ended 31 March 2020 which comprise the Consolidated Statement of Profit or Loss, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity, Company Statement of Cash Flows, and the other related notes, including the accounting policies in note 1.

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 31 March 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 15 August 2017. The period of total uninterrupted engagement is for the three financial years ended 31 March 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£2.5m (2019: £2.5m) 4.4% (2019: 4.6%) of profit before tax
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Coverage	100% (2019: 100%) of group profit before tax
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Key audit matters vs 2019

Key audit matters		vs 2019
Recurring risks	Revenue recognition	↔
	Recoverability of parent company's investment in subsidiaries (Parent)	↔
Event driven	New: Going concern – the impact of uncertainties due to the global Covid-19 pandemic	↑

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p>Going concern – the impact of uncertainties due to the global Covid-19 pandemic</p> <p>Refer to page 60 (Audit Committee Report) and page 99 (accounting policy).</p>	<p>Disclosure quality</p> <p>The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the group and parent company.</p> <p>That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.</p> <p>As a result of the Covid-19 pandemic (coronavirus), uncertainty about the immediate outlook for many companies has increased sharply. The risk includes the potential impact on customer demand resulting from a global recession, and, ultimately, the potential of adversely impacting the Group's and Company's available financial resources over this period.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Benchmarking assumptions: We challenged the reasonableness of the assumptions and methods in forecasting of sales and relevant cost assumptions, including through comparison to internal and external data. • Sensitivity analysis: When assessing severe but plausible downside scenarios to the Group's and Parent Company's forecasts we have challenged the directors to consider whether that downsides are sufficiently severe and considered appropriate sensitivities. • Funding assessment: We agreed key terms of the revolving credit facility to signed agreement or independently received lender confirmation. • Evaluating Directors' intent: We evaluated the achievability of identified mitigating factors and the actions the Directors consider they would take to improve the liquidity position should the risks materialise. Specifically, we evaluated the Group's and Company's ability to restrict cash outflows in the case of reduced customer demand. • Assessing transparency: We assessed the completeness and accuracy of the matters covered in the going concern disclosures by comparing to the results of our procedures detailed above, our business understanding and our sector experience. <p>Our results</p> <ul style="list-style-type: none"> • We found the going concern disclosure without any material uncertainty to be acceptable.

Independent auditor's report continued

to the members of PayPoint plc

2. Key audit matters: including our assessment of risks of material misstatement (Continued)

	The risk	Our response
<p>Revenue recognition</p> <p>Refer to page 59 (Audit Committee Report), page 103 (accounting policy) and page 107 (financial disclosures).</p>	<p>Data Capture and Processing Error: The risk is that revenue is misstated due to inherent complexities involved in capturing and processing the high volume of low value transactions generated across the company's off-site terminal network. IT systems may not be configured appropriately such that data does not correctly flow through the IT systems, or can be intentionally amended.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Control design and operation: Testing controls over the general IT environment, with the support of our IT specialists to assess whether the transaction recording, billing and general ledger systems are appropriately controlled. These procedures included testing access to programs and data, program change and development to address the risk of unauthorised changes being made to the operation of IT application controls; • Control operation: Testing key automated controls (with the support of our IT specialists) and manual controls, including controls that are designed to ensure reconciliations are performed between system reports used to generate invoices and off-site terminal network systems; • Tests of details: Using data analytical tools to test that revenue invoiced agrees through to cash received; and • Tests of details: On a sample basis, vouch revenue recorded back to supporting documentation including: <ul style="list-style-type: none"> – Examination of cash receipts from clients or third party confirmations. – Examination of unmatched cash received. <p>Our results</p> <ul style="list-style-type: none"> • The results of our procedures were satisfactory and we considered the amount of revenue recognised to be acceptable (2019: acceptable).

2. Key audit matters: including our assessment of risks of material misstatement (Continued)

	The risk	Our response
<p>Recoverability of Parent Company's investment in subsidiaries</p> <p>(£60.2 million; 2019: £60.2 million)</p> <p>Refer to page 105 (accounting policy) and page 114 (financial disclosures).</p>	<p>Low risk, high value:</p> <p>The carrying amount of the Parent Company's investments in subsidiaries represents 40.8% (2019: 60.5%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Tests of detail: Comparing the carrying amount of material investments (99.5% of total investments) with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit making; • Assessing subsidiary audits: Assessing the work performed by the subsidiary audit teams of those subsidiaries and considering the results of that work on those subsidiaries' profits and net assets; • Comparing valuation: For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based upon a discounted cash flow model; and • Benchmarking assumptions: We challenged the growth rate and discount rate for each investment where we tested the value in use calculation. We performed this by comparing the Group's assumptions to external data. <p>Our results</p> <ul style="list-style-type: none"> • The results of our procedures were satisfactory and we found the estimated recoverable amount of investments to be acceptable (2019: acceptable).

.....

In the prior year, we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. As a result of developments since the prior year report, including the Company's own preparations, the relative significance of this matter on our audit work has reduced. Accordingly we no longer consider this as a key audit matter.

Independent auditor's report continued to the members of PayPoint plc

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £2.5m (2019: £2.5m), determined with reference to a benchmark of group profit before tax of £56.8m (2019: £54.7m) of which it represents 4.4% (2019: 4.6%).

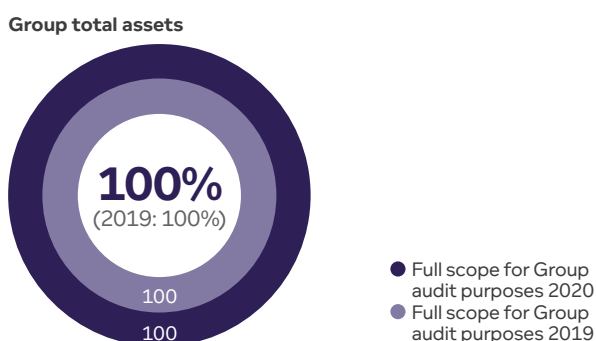
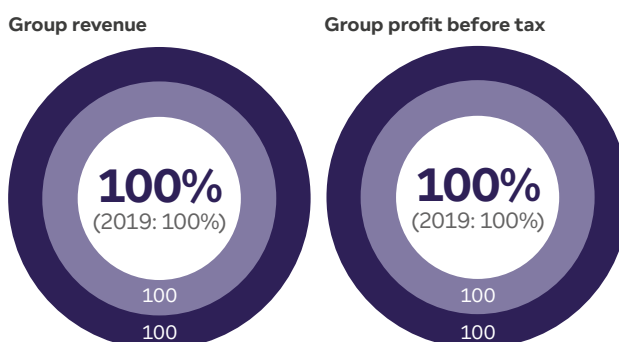
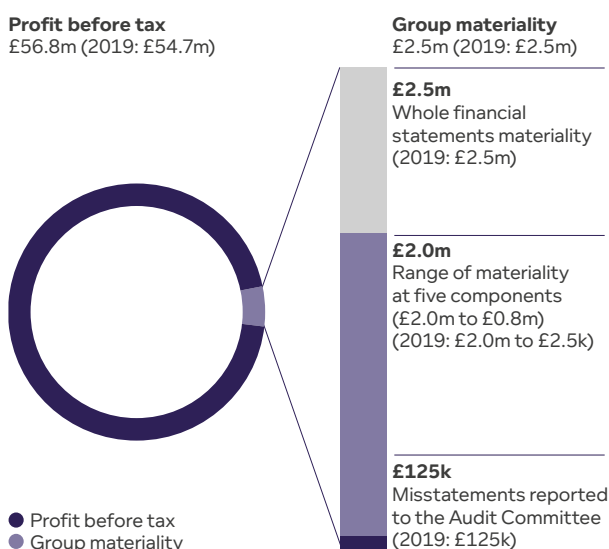
Materiality for the parent company financial statements as a whole was set at £0.8m (2019: £0.8m), determined with reference to a benchmark of company total assets, of which it represents 0.5% (2019: 0.8%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £125k (2019: £125k) and only in respect of misstatements which relate solely to reclassifications within the balance sheet, £250k (2019: £250k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's nine (2019: ten) reporting components, we subjected five (2019: ten) to full scope audits for group purposes. The components within the scope of our work accounted for the percentages illustrated opposite.

The Group team instructed the component auditor as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £2.0m to £0.8m (2019: £2.0m to £2,500), having regard to the mix of size and risk profile of the Group across the components. The work on one (2019: one) of the components was performed by the component auditor and the rest, including the audit of the parent company, was performed by the Group team.

Video and telephone conference meetings were held with the component auditors in Romania (2019: visited Romania). At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor



4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 64 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 33 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Independent auditor's report continued

to the members of PayPoint plc

6. We have nothing to report on the other matters on which we are required to report by exception

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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 85, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

Michael Harper (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square, Canary Wharf, E14 5GL
27 May 2020

Consolidated statement of profit or loss

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Continuing operations			
Revenue	3	213,257	211,576
Cost of revenue	5	(109,621)	(113,303)
Gross profit		103,636	98,273
Administrative expenses		(46,648)	(44,319)
Operating profit		56,988	53,954
Finance income		531	427
Finance costs		(720)	(586)
Profit before tax before exceptional items		56,799	53,795
Exceptional items – prior year business disposals	8	–	922
Profit before tax		56,799	54,717
Tax	9	(11,131)	(10,285)
Profit for the year attributable to equity holders of the parent		45,668	44,432
Earnings per share			
Basic	10	66.9p	65.2p
Diluted	10	66.3p	64.8p

Consolidated statement of other comprehensive income

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Items that may subsequently be reclassified to the consolidated statement of profit or loss:		
Exchange differences on translation of foreign operations	256	(740)
Other comprehensive income for the year	256	(740)
Profit for the year	45,668	44,432
Total comprehensive income for the year attributable to equity holders of the parent	45,924	43,692

Consolidated statement of financial position

	Note	31 March 2020 £'000	31 March 2019 £'000
Non-current assets			
Goodwill	11	11,853	11,618
Other intangible assets	12	17,274	15,875
Property, plant and equipment	13	24,840	26,665
Deferred tax asset	16	565	781
		54,532	54,939
Current assets			
Inventories		214	124
Trade and other receivables	17	108,368	139,010
Current tax asset		1,099	–
Cash and cash equivalents	18	93,774	37,485
		203,455	176,619
Total assets		257,987	231,558
Current liabilities			
Trade and other payables	19	148,621	176,720
Current tax liabilities		–	4,455
Lease liabilities		197	–
Loans and borrowings	24	70,000	–
		218,818	181,175
Non-current liabilities			
Trade and other payables	19	95	233
Lease liabilities		744	–
		839	233
Total liabilities		219,657	181,408
Net assets		38,330	50,150
Equity			
Share capital	20	228	227
Share premium		4,485	3,352
Share-based payment reserve	21	1,875	2,684
Translation reserve		(733)	(989)
Retained earnings		32,475	44,876
Total equity attributable to equity holders of the parent		38,330	50,150

These financial statements were approved by the Board of Directors and authorised for issue on 27 May 2020 and were signed on behalf of the Board of Directors.

Nick Wiles
Chief Executive
27 May 2020

Consolidated statement of changes in equity

	Note	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Opening equity for 1 April 2018		227	2,907	2,771	(249)	55,637	61,293
Profit for the year		–	–	–	–	44,432	44,432
Exchange differences on translation of foreign operations		–	–	–	(740)	–	(740)
Comprehensive income for the year		–	–	–	(740)	44,432	43,692
Adoption of IFRS 15		–	–	–	–	975	975
Equity-settled share-based payment expense	21	–	–	1,466	–	–	1,466
Vesting of share scheme	21	–	445	(1,563)	–	393	(725)
Deferred tax on share-based payments	16	–	–	10	–	–	10
Dividends	22	–	–	–	–	(56,561)	(56,561)
Closing equity 31 March 2019		227	3,352	2,684	(989)	44,876	50,150
Profit for the year		–	–	–	–	45,668	45,668
Exchange differences on translation of foreign operations		–	–	–	256	–	256
Comprehensive income for the year		–	–	–	256	45,668	45,924
Adoption of IFRS 16		–	–	–	–	(73)	(73)
Issue of shares		1	–	–	–	–	1
Equity-settled share-based payment expense	21	–	–	631	–	–	631
Vesting of share scheme	21	–	1,133	(1,416)	–	(746)	(1,029)
Deferred tax on share-based payments	16	–	–	(24)	–	169	145
Dividends	22	–	–	–	–	(57,419)	(57,419)
Closing equity 31 March 2020		228	4,485	1,875	(733)	32,475	38,330

Consolidated statement of cash flows

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Net cash inflow from operating activities	27	51,481	59,563
Investing activities			
Investment income		531	427
Purchases of property, plant and equipment		(2,963)	(5,087)
Purchases of intangible assets		(5,445)	(5,894)
Net proceeds from disposal of property, plant and equipment		–	12
Net cash used in investing activities		(7,877)	(10,542)
Financing activities			
Dividends paid	22	(57,419)	(56,561)
Proceeds from issue of share capital		1	–
Movement in financing facility	24	70,000	–
Payment of lease liabilities		(271)	–
Net cash from/(used in) financing activities		12,311	(56,561)
Net increase/(decrease) in cash and cash equivalents		55,915	(7,540)
Cash and cash equivalents at beginning of year		37,485	46,040
Effect of foreign exchange rate changes		374	(1,015)
Cash and cash equivalents at end of year		93,774	37,485

Reconciliation of cash and cash equivalents

	31 March 2020 £'000	31 March 2019 £'000
Corporate cash	58,035	3,471
Clients' funds and retailers' deposits	35,739	34,014
Cash and cash equivalents on the statement of financial position	93,774	37,485

Company statement of financial position

	Note	31 March 2020 £'000	31 March 2019 £'000
Non-current assets			
Investments	15	60,170	60,170
		60,170	60,170
Current assets			
Trade and other receivables	17	43,832	39,141
Cash and cash equivalents		43,567	187
		87,399	39,328
Total assets		147,569	99,498
Current liabilities			
Trade and other payables	19	12,403	13,234
Current tax liabilities		58	207
Loans and borrowings	24	70,000	–
Total liabilities		82,461	13,441
Net assets		65,108	86,057
Equity			
Share capital	20	228	227
Share premium		4,485	3,352
Share-based payment reserve	21	1,865	2,650
Retained earnings		58,530	79,828
Total equity attributable to equity holders of the parent		65,108	86,057

These financial statements were approved by the Board of Directors and authorised for issue on 27 May 2020 and were signed on behalf of the Board of Directors.

Nick Wiles
Chief Executive
27 May 2020

Company statement of changes in equity

	Note	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
Opening equity 1 April 2018		227	2,907	2,747	78,982	84,863
Profit for the year		–	–	–	57,014	57,014
Equity-settled share-based payment expense	21	–	–	1,466	–	1,466
Vesting of share scheme	21	–	445	(1,563)	393	(725)
Dividends	22	–	–	–	(56,561)	(56,561)
Closing equity 31 March 2019		227	3,352	2,650	79,828	86,057
Profit for the year		–	–	–	36,698	36,698
Issue of shares		1	–	–	–	1
Equity-settled share-based payment expense	21	–	–	631	–	631
Vesting of share scheme	21	–	1,133	(1,416)	(746)	(1,029)
Tax on share-based payments		–	–	–	169	169
Dividends	22	–	–	–	(57,419)	(57,419)
Closing equity 31 March 2020		228	4,485	1,865	58,530	65,108

Company statement of cash flows

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Net cash outflow from operating activities	27	(7,520)	(2,033)
Investing activities			
Dividends and interest received		38,300	57,717
Finance income		18	–
Net cash from investing activities		38,318	57,717
Financing activities			
Dividends paid	22	(57,419)	(56,561)
Proceeds from issue of share capital		1	–
Movement in financing facility	24	70,000	–
Net cash from/(used in) financing activities		12,582	(56,561)
Net increase/(decrease) in cash and cash equivalents		43,380	(877)
Cash and cash equivalents at beginning of year		187	1,064
Cash and cash equivalents at end of year		43,567	187

Notes to the consolidated financial statements

1. Accounting policies

Statement of compliance with IFRS and basis of preparation

PayPoint plc ('PayPoint' or the 'Company') is a public limited company and is incorporated and registered in England in the UK under the Companies Act 2006. The Company's ordinary shares are traded on the London Stock Exchange. The Group and Company's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS').

These financial statements are presented in Pounds Sterling rounded to thousands (£'000). The Pound Sterling is the currency of the primary economic environment in which the Group operates.

At 31 March 2020, the Group had cash and cash equivalents of £93.8 million, including £35.7 million of clients' funds and retailers' deposits. In addition, the Group has in place a five-year unsecured £75 million revolving loan facility with a £20 million accordion expiring in March 2023. At 31 March 2020, £70 million was fully drawn down from the revolving credit facility to ensure PayPoint was in a strong position to withstand a sustained period of disruption to trading. Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group. The Group has a resilient balance sheet position, with net assets of £38.3 million as at 31 March 2020, having made a profit for the year of £45.7 million and delivered net cash flows from operating activities of £51.5 million for the year then ended.

As referred to in the Business Review, the business continuity plans actioned by the Group to date have resulted in operations continuing unaffected on a remote working basis but with the possibility of a reduction in revenues in the 2020/21 financial year as a result of the uncertain macroeconomic environment caused by the Covid-19 pandemic. An analysis of post year end transaction volumes is included in the Business Review.

The Directors have prepared cash flow forecast scenarios over a three-year period, taking into account the Group's current financial and trading position, the principal risks and uncertainties and the strategic plans that are reviewed at least annually by the Board. A downside scenario was prepared which assumed that the trading trends seen since 18 April 2020 continue for the next three financial years. Additionally, the Directors have carried out an assessment of the principal risks and uncertainties and applied several different but plausible scenarios to further test the Group viability, please see the Viability Statement on page 33 for further details. As mitigating actions we have assumed achievable reductions in expenditure and a reduction in the level of future dividends following the payment of the final dividend of 15.6 pence per share declared in respect of financial year ending 31 March 2020.

A monthly analysis of cash flow has been prepared for the above scenarios to ensure working capital movements within a reporting period do not trigger a covenant breach. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of not less than 12 months from the date of this announcement and therefore have prepared the financial statements on a going concern basis.

Adoption of new and revised standards

IFRS 16 Leases

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. On transition to IFRS 16, the Group's policy is to recognise right-of-use assets and liabilities for leases, except in the case of short-term leases and leases of low-value assets. In these instances, the lease payments are recognised as an expense on a straight-line basis over the lease term.

IFRS 16 was adopted from 1 April 2019 using the modified retrospective method, therefore the prior period comparatives have not been restated. On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities on the statement of financial position with the difference recorded in retained earnings. The impact on transition is summarised below.

	1 April 2019 £'000
Right-of-use asset presented in property, plant and equipment	1,016
Lease liabilities	1,089
Retained earnings	(73)
<hr/>	

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

- The right-of-use asset is initially measured at cost and subsequently at cost less accumulated depreciation and impairment losses.
- The lease is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. The lease liability is subsequently increased by the interest cost on the lease and decreased by payments made. In the event of a change in future lease payments, the lease liability will be remeasured and the difference recognised in the right-of-use asset.

Notes to the consolidated financial statements continued

Information about the leases for the year is presented below.

	Property £'000	Vehicles £'000	Total £'000
Right-of-use asset			
Balance at 31 March 2020	840	31	871
Depreciation charge for the period	(215)	(11)	(226)
Lease liability			
Current balance at 31 March 2020	183	14	197
Non-current balance at 31 March 2020	729	15	744
Interest for the period	(41)	(1)	(42)

The Group assessed whether it had any assets where it was a lessor and concluded that it does not lease any assets.

In the current year, the Group has applied several amendments to IFRS standards and interpretations issued by the International Accounting Standards Board ('IASB') that are effective for an annual period that begins on or after 1 April 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and revised IFRS in issue but not yet effective

At the date of authorisation of these financial statements, new and revised standards issued but not yet effective are set out below. It is anticipated the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group. These have not been adopted in the Group's accounting policies:

Effective from 1 April 2020:

- IFRS 17 Insurance contracts
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 3 Definition of a Business
- Amendments to IAS1 and IAS 8 Definition of Material
- Conceptual framework Amendments to References to the Conceptual Framework in IFRS

Use of judgements and estimates

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement: recognition of cash and cash equivalents

The nature of bill payments services means that PayPoint collects and holds funds on behalf of clients as those funds pass through the settlement process and also retains retailer deposits as security for those collections.

A critical judgement in this area is whether clients' funds and retailers' deposits are recognised in the statement of financial position. This includes evaluating:

- (a) existence of a binding agreement clearly identifying the beneficiary of the funds
- (b) the identification, ability to allocate and separability of funds
- (c) identification of the holder of those funds at any point in time
- (d) whether PayPoint bears the risk credit risk

Critical judgement: agent vs principal

A critical judgement for revenue recognition is PayPoint's assessment of whether it is acting as a principal or agent. This includes evaluating:

- (a) which party was responsible for fulfilling the promise to provide the service
- (b) inventory risk before the service is transferred to a customer
- (c) discretion in establishing the price for the service

In most cases it is clear that PayPoint acts in the capacity of an agent for clients, however in the case of mobile top-ups in Romania, due to the nature of the product, this becomes a key judgement area. Revenues are recognised on the principal basis considering the level of service responsibility, inventory risk and price discretion held by PayPoint. This is consistent with the judgement in prior years.

The cost of mobile top-ups and SIM cards as principal was £50.3 million (2019: £48.5 million).

Critical estimate: useful economic lives of intangible assets

A critical estimate for the amount of amortisation that is recognised in the profit or loss account and the carrying value of the asset in the statement of financial position. The useful life used to amortise intangible assets relates to the expected future performance of the assets and management's judgement of the period over which economic benefit will be derived from the asset. For development costs, the Group has determined the useful life based on historical experience with similar products and platforms controlled by the Group as well as anticipation of future events which may impact their life such as changes in technology.

Development costs recognised as an intangible asset could be amortised on a straight-line basis over a period of three to ten years which could impact the annual amortisation charge by an increase of £3.2 million to a decrease of £2.8 million.

Critical estimate: capitalised development expenditure

A critical estimate at the statement of financial position date that has a risk of causing an adjustment to the carrying amount of assets and liabilities through estimation uncertainty is the evaluation of capitalised development expenditure shown in intangible assets. An estimate is required of how additions to intangible assets will generate probable future economic benefits whilst judgement is required in determining the technical feasibility of completing the intangible asset.

Additions in the year amounted to £5.4 million whilst £5.1 million development costs were expensed. Depending on the assumptions applied relating to the probable future economic benefits, the range of possible outcomes over what has been capitalised is nil to £5.4 million.

Alternative performance measures

Non-IFRS measures or alternative performance measures are used by the Directors and management for performance analysis, planning, reporting and incentive-setting purposes and have remained consistent with the prior year. These measures are included in these financial statements to provide additional useful information on performance and trends to shareholders.

These measures are not defined terms under IFRS and therefore they may not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures. These measures include net revenue, operating margin, effective tax rate (note 9), reported dividends (note 22) and cash generation.

Net revenue (non-IFRS measure)

Net revenue is revenue less commissions paid to retailers and the cost of mobile top-ups and SIM cards where PayPoint is principal. This reflects the benefit attributable to PayPoint's performance eliminating pass-through costs which creates comparability where PayPoint is agent or principal and is an important measure of the overall success of our strategy. A reconciliation from revenue to net revenue is included in note 4.

Effective tax rate

Effective tax rate is the tax cost as a percentage of the net profit before tax.

Reported dividends (non-IFRS measure)

Reported dividends are based on a financial year's results from which the dividend is declared and consist of an interim and final dividend. This is different to statutory dividends as the final dividend on ordinary shares is recognised in the following year when they are approved by the Company's shareholders.

Cash generation (non-IFRS measure)

Cash generation reflects earnings before tax, depreciation, amortisation and exceptional items adjusted for working capital (excluding movement in clients' funds and retailers' deposits) as detailed in note 27 to the financial statements. This measures the cash generated which can be used for tax payments, new investments and financing activities.

Total costs (non-IFRS measure)

Total costs comprises of other cost of revenue (note 5), admin expenses, financing income and financing costs.

Operating margin (non-IFRS measure)

Operating margin is calculated by dividing operating profit by net revenue. This measure reflects the efficiency of converting revenue into profits.

Net corporate (debt)/cash (non-IFRS measure)

Net corporate (debt)/cash represents cash and cash equivalents excluding cash recognised as clients' funds and retailers' deposits, less amounts borrowed under financing facilities (excluding IFRS 16 liabilities).

Notes to the consolidated financial statements continued

The reconciliation of cash and cash equivalents to net corporate (debt)/cash is as follows:

Year ended 31 March (£'000)	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Cash and cash equivalents	93,774	37,485
less:	–	
Clients' funds and retailers' deposits	(35,739)	(34,014)
Loans and borrowings	(70,000)	–
Net corporate (debt)/cash	(11,965)	3,471

Significant accounting policies

The accounting policies adopted by the Group are consistent with prior years.

Basis of consolidation

PayPoint plc acts as a holding company. The Group accounts consolidate the accounts of the Company and entities controlled by the Company (its subsidiaries).

Control is achieved when the Company has the power over an entity, is exposed, or has rights, to variable return from its involvement with it, and has the ability to use its powers to affect its returns. The Company reassesses its control in an entity if facts and circumstances indicate that there is a change to any of the three elements of control listed above.

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control changed. All intergroup transactions, balances, income and expenses are eliminated on consolidation.

All the subsidiaries of the Group, a list of which are provided in note 15 of the financial statements, apply accounting policies which are consistent with those of the Group.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. Acquisition-related costs are recognised in profit or loss as incurred. 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 Business Combinations 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 at the date of acquisition. Goodwill is not amortised and is measured at the amount initially recognised less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's subsidiaries (cash-generating units). The cash-generating units ('CGU') to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication of impairment. This is done by determining the recoverable amount. If the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised by first allocating the impairment to goodwill and then to the other assets on a pro rata 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 subsequent years.

On disposal of a CGU, the related goodwill is included in the determination of the profit or loss on disposal.

Impairment of property, plant and equipment and other intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment 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 CGU to which the asset belongs. An intangible asset with an indefinite useful life and intangible assets not available for use are 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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.

Revenue

Revenue represents the value of services and goods delivered or sold to clients and retailers which is measured using the fair value of the consideration received or receivable, net of VAT. Performance obligations are identified at contract inception and the revenue is recognised once the performance obligations are satisfied.

Revenue from bill payments comprises fees from clients for providing over-the-counter payments, digital bill payments and CashOut services. Over-the-counter and digital payments services are products where customers of PayPoint's clients can pay their bills (due to the client) at any of PayPoint's retailer partners or online. PayPoint provides the technology for recording the payment of bills and transmission of that payment data to the client. PayPoint also collects bill payment funds from retailer partners and remits those funds to clients. Revenue is recognised as performance obligations are satisfied which is usually at the point in time each transaction is processed. Management fees, set-up fees or up-front lump sum payments are deferred and recognised on a straight-line basis over the contracted period with the client.

Top-ups and eMoney revenue comprises revenue from top-ups for mobile phones, eVouchers, prepaid debit cards and lottery tickets. Revenue is recognised at the point in time each top-up is sold. Other than as described below, PayPoint is contracted as agent in the supply of top-ups and accordingly the commission earned from clients is recognised as revenue. In Romania, PayPoint contracts as principal for mobile top-ups and revenue is recognised at the gross sale price and cost of revenue includes the related cost.

Retail services revenue comprises:

- Service fees from retailers that use our technology to facilitate card payments, PayPoint One and legacy terminals and EPoS, all of which are charged for on a weekly or monthly basis, and recognised on a straight-line basis over the period of the contract.
- Commissions, rebates and fees from card payment, ATM transaction fees and money transfer transactions are recognised when each transaction is processed.
- Fees earned for processing parcels is recognised when each parcel has been delivered or returned through the PayPoint network.
- Commissions from sale of SIM cards is primarily earned from the mobile operators based on the value of top-ups after the initial activation. This revenue is contingent on the customer actions and is recognised as the consumer tops up the SIM card.
- Fees for receipt advertising and failed direct debits are recognised at the time the transaction occurs.
- The Group's share of royalty income is from the Collect+ joint operation and is recognised as the parcels are processed (see accounting policy on joint arrangements on page 106).

Cost of revenue

Cost of revenue primarily consists of expenses related to delivering our services and products. These include retailer partner commissions, cost of mobile top-ups and SIM cards (where PayPoint is principal), transaction costs, terminal and ATM maintenance costs, telecommunications costs, field service costs, depreciation and amortisation of assets used to deliver services.

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position 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 translation are included in net profit or loss for the year.

The assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the statement of financial position date. Cash flows, profit and loss items are translated at the average exchange rates for the year unless exchange rates fluctuate significantly. Exchange differences arising on consolidation are recorded in a separate component of equity titled the translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

	31 March 2020 £'000	31 March 2019 £'000
Exchange rates used for translation		
Romania Leu – average	5.44	5.29
Romania Leu – year end	5.43	5.54
Euro – average	1.14	1.13
Euro – year end	1.12	1.16

Notes to the consolidated financial statements continued

Financial instruments

The financial asset or liability is initially recognised when the Group becomes party to the contractual instrument. The Group classifies derivative financial instruments, which consist of foreign exchange contracts, as held for trading and measures the financial instruments at fair value through profit or loss. The Group's derivative financial instruments are valued using forward exchange rates at the balance sheet date.

The Group discloses the fair value measurements of financial assets and liabilities using three levels as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Pension costs

The Group makes payments to a number of defined contribution pension schemes. Pension costs are recognised as an expense when employees have rendered services entitling them to the contributions. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Share-based payments

Share-based payment arrangements are equity-settled. 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 adjusted for non-market conditions where they will not vest (i.e. leavers). Fair value is measured by use of a Monte Carlo simulation. The fair value of other equity-settled share-based payments where no market vesting conditions exist are based on the share price at the date of the grant.

Finance income

Finance income comprises of bank deposit interest received on cash and cash equivalents held at financial institutions. Interest is recognised as earned which reflects the effective interest rate method.

Finance costs

Finance costs comprises of interest costs for the loan facility and bank overdraft. Finance costs are recognised as expense in the period in which they are incurred.

Retailer partner commission costs

Retailer partner commission costs represent the fees due to PayPoint's retailer partners for providing PayPoint's services in their store. These costs are recognised as an expense within cost of revenue when the transaction or parcel is processed. PayPoint owns the relationship with the retailer partner and accordingly recognises the cost as a principal, rather than a pass-through cost for clients.

Exceptional items

The Group presents exceptional items on the face of the consolidated statement of profit or loss those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year so as to facilitate comparison with prior years and to better assess trends in financial performance.

Taxation

The Group operates in two different tax jurisdictions which can lead 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 or 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 amount payable in respect of the year under review based on the taxable profit for the year and the provision for deferred tax. 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 not taxable or deductible.

The Group's liability for current tax is calculated using tax rates that are applicable to the current year.

Deferred tax is provided in full on taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is calculated using tax rates that have been substantively enacted by the balance sheet date. Deferred tax assets are recognised on deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the tax asset 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 statement of profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, in which case the deferred tax is recorded in other comprehensive income or equity.

Intangible assets

Recognition on acquisition

The Group has recognised a brand intangible asset at fair values in accordance with IFRS 3 Business Combinations, which is being amortised over its estimated useful economic life of five years.

Development expenditure

The Group develops computer software and other intangible assets for internal use. Development expenditure on large projects is recognised as an intangible asset if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The costs that are capitalised are the directly attributable costs necessary to create and prepare the asset for operations. Development costs recognised as an intangible asset are amortised on a straight-line basis over its useful life, which is between five and ten years. Other software costs are recognised in administrative expenses when incurred.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and 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
- PayPoint One terminals – seven years
- other terminals – five years
- ATMs – five years
- other classes of assets – three to five years

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

Investments

Investments in subsidiaries and joint arrangements in the Company accounts are stated at cost less accumulated impairments.

Inventories

Inventories comprises stocks of eVouchers, scratch cards and SIM cards. These are stated at the lower of cost or net realisable value.

In Romania, PayPoint trades as principal for the processing and sale of mobile phone top-ups and the cost of these eVouchers is included in inventories. Where PayPoint acts as an agent, the cost of the eVouchers is not included in inventories.

Trade and other receivables

Trade receivables are initially recorded at fair value and represent the amount of commission due from clients or fees from retailers for which payment has not been received, less an allowance for doubtful accounts that is estimated based on factors such as the credit rating of the customer, historical trends, the current economic environment and other information.

PayPoint has used the Expected Credit Loss ('ECL') model and have adopted an allowance matrix for trade receivables, whereby these are segmented according to number of days outstanding and an appropriate probability of impairment is applied to each category based on historical loss experience and adjusted for information about current and reasonable supportable future conditions.

Items in the course of collection represent gross transaction values received by retailers that have not yet been collected by PayPoint.

Trade and other payables

Trade payables are initially recorded at fair value and represent the value of invoices received from suppliers for purchases of goods and services for which payment has not been made.

Settlement payables represent gross transaction values received by retail agents that have not yet been settled to clients.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Notes to the consolidated financial statements continued

Joint arrangements

PayPoint's investment in Collect+ Holdings Limited is accounted for as a joint operation under IFRS 11 and is accounted for by recognising, in relation to the interest in the joint operation:

- the assets, including its share of any assets held jointly
- the liabilities, including its share of any liabilities incurred jointly
- the revenue from the sale of its share of the output arising from the joint operation
- the expenses, including its share of any expenses incurred jointly

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

Leases

The Group assesses whether a contract is a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Group recognises the lease payment as an operating expense on a straight-line basis over the term of the lease.

The lease is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. The lease liability is subsequently increased by the interest cost on the lease and decreased by payments made. In the event of a change in future lease payments, the lease liability will be remeasured and the difference recognised in the right-of-use asset. The lease liability is presented as a separate line in the consolidated statement of financial position.

The Group remeasures the lease liability and makes a corresponding adjustment to the right-of-use asset whenever there has been a lease payment change, the lease contract is modified or any other significant event.

The right-of-use asset is initially measured at cost and subsequently at cost less accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the shorter of the shorter period of the lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use asset is presented within property, plant and equipment (note 13). The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified loss as described in the 'Property, plant and equipment' policy.

The Group assessed whether it had any assets where it was a lessor and concluded that it does not lease any assets.

Bank and other loans

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

Cash and cash equivalents

For the purpose of the statement of cash flows and statement of financial position, cash and cash equivalents comprise cash at bank and in hand and short-term deposits with original maturity of less than three months and are subject to insignificant risk of changes in value. Cash consists of both corporate cash and clients' funds and retailer partners' deposits.

Corporate cash consists of cash available to PayPoint for its daily operations. Clients' funds consists of cash collected on behalf of clients from retailer partners, but not yet transferred to clients and is held in PayPoint's bank accounts. Retailer partners' deposits consists of retailer partners' funds held as security against default, except if held in trust which is disclosed off of the balance sheet.

Dividends

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

In the Company accounts, dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2. Segment reporting

Segment information

The Group provides a number of different services and products, however these do not meet the definition of different segments under IFRS 8, as the chief operating decision maker does not review those separately for resource allocations purposes, therefore the Group has only one operating segment. A sector analysis has been provided in the finance review on pages 23 to 25.

Geographical information

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Revenue		
UK	143,545	143,294
Ireland	–	1,381
Romania	69,712	66,901
Total	213,257	211,576

Non-current assets

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
UK	40,493	41,759
Romania	14,039	13,180
Total	54,532	54,939

3. Revenue

Disaggregation of revenue

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Bill payments	78,122	78,095
Top-ups and eMoney	78,653	79,076
Retail services	56,482	54,405
Total	213,257	211,576

Contract balances

		As at 31 March 2020 £'000	As at 31 March 2019 £'000
Trade receivables	Notes 17	12,346	15,271
Accrued income	17	2,518	2,047
Contract assets – deferral of set-up and development fees	17	2,862	3,636
Contract liabilities	19	(1,965)	(2,696)
Deferred income	19	(328)	(599)
Total		15,433	17,659

Seasonality of operations

PayPoint operates in many sectors each within their own form of seasonality. The energy bill payment and parcel sectors are the most seasonal sectors with the energy sector generating more transactions during the winter months and parcels generating higher volumes in the lead up to Christmas. As a result, higher revenue and operating profits are usually expected in the second half of the year rather than in the first six months. This does not constitute 'highly seasonal' as considered by IAS 34 Interim Financial Reporting.

Notes to the consolidated financial statements continued

4. Net revenue (alternative performance measure)

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Service revenue	156,730	147,988
Sale of goods	55,312	62,557
Royalties	1,215	1,031
Total revenue	213,257	211,576
less:		
Retailer partners' commissions	(42,219)	(46,434)
Cost of mobile top-ups and SIM cards as principal	(50,307)	(48,507)
Net revenue	120,731	116,635
Yodel contract renegotiation	–	(706)
Underlying net revenue	120,731	115,929

5. Cost of revenue

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Retailers' commissions	42,219	46,434
Cost of mobile top-ups and SIM cards as principal	50,307	48,507
Cost of revenue deducted for net revenue	92,526	94,941
Depreciation and amortisation	9,093	9,365
Other	8,002	8,997
Other costs of revenue	17,095	18,362
Total cost of revenue	109,621	113,303

6. Profit of parent Company

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 and consequently the statement profit or loss 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 £36.7 million (2019: £57.0 million).

7. Employee information

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Average number of employees		
Sales, distribution and marketing	182	177
Operations and administration	512	498
	694	675
Staff costs during the year (including Directors)		
Wages and salaries	26,389	26,245
Social security costs	2,301	2,267
Pension costs	1,940	1,625
	30,630	30,137

Redundancy and termination costs of £0.2 million (2018: credit of £0.1 million).

Directors' emoluments, pension contributions and share options are disclosed in the Remuneration Committee Report on pages 64 to 81. Included within staff costs is a share-based payment charge (note 21) of £0.6 million (2019: £1.4 million).

Pension arrangements

The Group administers a non-contributory defined contribution scheme for Executive Directors and employees. The amount charged in the consolidated statement of profit or loss for the year for pension costs of the Group under the scheme was £1.9 million (2019: £1.6 million). There was no accrual for pension contributions at the statement of financial position date (2019: £nil).

8. Profit for the year

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit is after charging:		
Inventory expensed – cost of mobile top-ups and SIM cards as principal	50,307	48,507
Depreciation on property, plant and equipment – cost of revenue	5,207	5,936
Amortisation of intangible assets – cost of revenue	3,886	3,429
Depreciation on property, plant and equipment – administration expenses	424	382
Amortisation of intangible assets – administration expenses	–	37
Loss on disposal of property, plant and equipment	387	110
Operating leases	–	301
Exceptional item ¹	–	922
Research and development costs	430	299

1. Exceptional item in 2019 related to a provision release of £922 thousand which was held against potential liabilities arising from the disposal of the PayByPhone business in 2016.

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	59	46
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	234	191
Total audit fees	293	237
Other audit-related services	–	10
Fees payable to the Group's auditor for the review of the interim results	38	38
Audit-related assurance services	38	48
Total auditor's remuneration	331	285

A description of the work of the Audit Committee is set out on pages 58 to 63 and includes an explanation of how auditor independence is safeguarded by limitation of non-audit services.

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Reconciliation to underlying profit		
Profit before tax before exceptional items	56,799	53,795
Impact of Yodel contract	–	(706)
VAT recovery related to prior years	–	(2,427)
	56,799	50,662

9. Tax

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Current tax		
Charge for current year	10,672	10,475
Adjustment in respect of prior years	267	233
Current tax charge	10,939	10,708
Deferred tax		
Charge for current year	163	(195)
Adjustment in respect of prior years	29	(228)
Deferred tax charge/(credit)	192	(423)
Total income tax		
Income tax charge	11,131	10,285

The income tax charge is based primarily on the UK statutory rate of corporation tax for the year of 19% (2019: 19%). The charge for the year is reconciled on the following page, the profit before tax as set out in the consolidated statement of profit or loss. Temporary differences have been measured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

Notes to the consolidated financial statements continued

The tax charge of £11.1 million (2019: £10.3 million) on profit before tax of £56.8 million (2019: £54.7 million) represents an effective tax rate¹ of 19.6% (2019: 18.8%). This is marginally higher than the UK statutory rate of 19% due to higher adjustments in respect of prior year, some expenses not being deductible for tax and future deductible temporary differences expected to be recovered at a higher tax rate compared to the prior year. The charge for the year is reconciled below to the profit before tax as set out in the consolidated statement of profit or loss.

1. Effective tax rate is the tax cost as a percentage of profit before tax.

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit before tax	56,799	54,717
Tax at the UK corporation tax rate of 19% (2019: 19%)	10,792	10,396
Tax effects of:		
Effect of tax rates in other countries where the rate is different to the UK	(205)	(182)
Disallowable expenses	238	103
Adjustments in respect of prior years	296	5
Tax impact of share-based payments	130	102
Revaluation of deferred tax asset	(120)	36
Non-taxable exceptional items	-	(175)
Actual amount of tax charge	11,131	10,285

Profit before tax for the purposes of calculating the effective tax rate is as follows:

	2020 £'000	2019 £'000
Year ended 31 March		
Profit before tax	56,799	54,717
Exceptional items	-	(922)
Total for calculating the effective tax rate excluding exceptional items	56,799	53,795
	Year ended 31 March 2020	Year ended 31 March 2019
Effective tax rate	19.6%	18.8%
Effective tax rate excluding exceptional items	19.6%	19.1%

10. Earnings per share

Basic and diluted earnings per share are calculated on the following profit and number of shares:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	45,668	44,432
	Year ended 31 March 2020	Year ended 31 March 2019
	Number of shares Thousands	Number of shares Thousands
Weighted average number of ordinary shares in issue (for basic earnings per share)	68,264	68,160
Potential dilutive ordinary shares:		
Long-term incentive plan	417	361
Deferred annual bonus scheme	73	39
SIP and other	80	37
Weighted average number of ordinary shares in issue (for diluted earnings per share)	68,834	68,598
Earnings per share		
Basic	66.9p	65.2p
Diluted	66.3p	64.8p

11. Goodwill

	Total £'000
Cost	
At 31 March 2018	12,171
Exchange rate adjustment	(553)
At 31 March 2019	11,618
Exchange rate adjustment	235
At 31 March 2020	11,853

Goodwill arose on the acquisition of PayPoint Romania and Payzone Romania.

The Group tests goodwill annually for impairment as set out in the accounting policy note on page 102. Following the integration of operations in Romania both legal entities are considered a single CGU for the purpose of goodwill impairment testing. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the medium term and extends cash flows to perpetuity. Terminal values are based on nominal growth rates that do not exceed 0.5% (2019: 3%). The pre-tax rates used of 15.8% (2019: 15.8%) to discount the forecast cash flows are based on the Group's estimated weighted average cost of capital, adjusted for tax, country or business specific risk premiums. In light of the recent Covid-19 pandemic the Group performed an impairment review on goodwill and no impairment was required. The scenario included the estimated impact from Covid-19 based on assumptions obtained from a comparison of April 2020 results to April 2019.

The CGU generates value substantially in excess of the carrying value of the CGU. Management therefore believes that no reasonably possible change in any of the above assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

12. Other intangible assets

	Development costs £'000	Trademark £'000	Total £'000
Cost			
At 31 March 2019	26,647	254	26,901
Additions	5,445	–	5,445
Disposals	(164)	–	(164)
Exchange rate adjustment	10	5	15
At 31 March 2020	31,938	259	32,197
Accumulated amortisation			
At 31 March 2019	10,950	76	11,026
Charge for the year	3,834	52	3,886
Exchange rate adjustment	9	2	11
At 31 March 2020	14,793	130	14,923
Carrying amount			
At 31 March 2020	17,145	129	17,274
At 31 March 2019	15,697	178	15,875

Notes to the consolidated financial statements **continued**

	Development costs £'000	Trademark £'000	Total £'000
Cost			
At 31 March 2018	20,902	266	21,168
Additions	6,032	–	6,032
Disposals	(265)	–	(265)
Exchange rate adjustment	(22)	(12)	(34)
At 31 March 2019	26,647	254	26,901
Accumulated amortisation			
At 31 March 2018	7,555	27	7,582
Charge for the year	3,413	53	3,466
Disposals	–	–	–
Exchange rate adjustment	(18)	(4)	(22)
At 31 March 2019	10,950	76	11,026
Carrying amount			
At 31 March 2019	15,697	178	15,875
At 31 March 2018	13,347	239	13,586

In light of the recent Covid-19 pandemic the Group performed an impairment review on intangible assets and no impairment was required.

13. Property, plant and equipment

	Terminals and ATMs £'000	Fixtures, fittings and equipment £'000	Land and buildings £'000	Total £'000
Cost				
At 31 March 2019	70,961	4,477	10,893	86,331
Recognition of right-of-use asset on adoption of IFRS 16	–	–	1,502	1,502
Additions	2,645	193	124	2,962
Disposals	(33,107)	(33)	–	(33,140)
Exchange rate adjustment	119	29	4	152
At 31 March 2020	40,618	4,666	12,523	57,807
Accumulated depreciation				
At 31 March 2019	56,427	1,903	1,336	59,666
Recognition of right-of-use asset on adoption of IFRS 16	–	–	450	450
Charge for the year	4,804	376	451	5,631
Disposals	(32,878)	(33)	–	(32,911)
Exchange rate adjustment	116	15	–	131
At 31 March 2020	28,469	2,261	2,237	32,967
Carrying amount				
At 31 March 2020	12,149	2,405	10,286	24,840
At 31 March 2019	14,534	2,574	9,557	26,665

Property, plant and equipment includes right-of-use assets of £0.9 million related to leased properties that do not meet the definition of an investment property and leased cars. There were £40,000 right-of-use asset additions in the year for leased cars.

At 31 March 2020, the Group had entered into contractual commitments for the acquisition of terminals amounting to £1.1 million (2019: £0.9 million).

	Terminals and ATMs £'000	Fixtures, fittings and equipment £'000	Land and buildings £'000	Total £'000
Cost				
At 31 March 2018	67,733	3,920	10,681	82,334
Additions	4,149	700	324	5,173
Disposals	(444)	(263)	(112)	(819)
Exchange rate adjustment	(477)	120	–	(357)
At 31 March 2019	70,961	4,477	10,893	86,331
Accumulated depreciation				
At 31 March 2018	51,280	1,865	1,142	54,287
Charge for the year	5,763	319	236	6,318
Disposals	(342)	(259)	(42)	(643)
Exchange rate adjustment	(274)	(22)	–	(296)
At 31 March 2019	56,427	1,903	1,336	59,666
Carrying amount				
At 31 March 2019	14,534	2,574	9,557	26,665
At 31 March 2018	16,453	2,055	9,539	28,047

14. Joint operation

The joint operation with the Collect+ Group, has licensed the use of the Collect+ brand to both Drop and Collect Limited (a wholly owned subsidiary of Yodel) and PayPoint. In consideration, PayPoint and Drop and Collect Limited pay royalties to the joint operation for each parcel they introduce to the Collect+ network. The royalties in the arrangement are then distributed equally to Yodel and PayPoint on a regular basis.

The only source of revenue for the Collect+ Group in the period was the royalty income received from licensing the brand. The Group's share of £1.2 million (2019: £1.0 million) has been included in revenue. There were insignificant operating costs incurred by the arrangement.

Notes to the consolidated financial statements continued

15. Investments

The Company, a holding company, has investments (directly or indirectly) in the following undertakings which are wholly owned unless otherwise stated:

Company name	Principal activity (registered address)	Country of registration
PayPoint Network Limited	Management of an electronic payment service (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
PayPoint Collections Limited	Provision of a payment collection service (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
PayPoint Retail Solutions Limited	Provision of retail services (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
PayPoint Ireland Limited	Holding company (29 Earlsfort Terrace, Dublin 2)	Ireland
PayPoint Network Ireland Limited	Ceased trading (29 Earlsfort Terrace, Dublin 2)	Ireland
PayPoint Collections Ireland Limited	Ceased trading (29 Earlsfort Terrace, Dublin 2)	Ireland
PayPoint Services SRL	Management of an electronic payment and collection service (Charles de Gaulle Square, 15th Floor 8, Sector 1, Bucharest, Romania)	Romania
Payzone S.A.	Management of an electronic payment service (Charles de Gaulle Square, 15th Floor 8, Sector 1, Bucharest, Romania)	Romania
SC P.P. Network Progresimo SRL	Holding company (Charles de Gaulle Square, 15th Floor 8, Sector 1, Bucharest, Romania)	Romania
PayPoint Payment Services Limited	Provision of regulated payments services (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
Collect+ Holdings Limited ¹	Holding company (20–22 Wenlock Road, London N1 7GU)	England and Wales
Collect+ Brand Limited ¹	Holder of Collect+ brand (20–22 Wenlock Road, London N1 7GU)	England and Wales
PayPoint Trust Managers Limited	Provision of employee benefit trust services (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales

1. The Group holds a 50% interest in Collect+ Holdings Limited and Collect+ Brand Limited.

Movement in investments

	31 March 2020 £'000	31 March 2019 £'000
Cost and net book value		
Balance at the beginning of the year	60,170	60,170
Additions	–	–
Balance at the end of the year	60,170	60,170

16. Deferred tax asset and liability

	31 March 2019 £'000	Credit/ (debit) to statement of profit or loss £'000	Charge to equity £'000	31 March 2020 £'000
Property, plant and equipment	920	23	–	943
Intangible assets	(699)	90	–	(609)
Share-based payments	442	(258)	(24)	160
Short-term temporary differences	118	(47)	–	71
Total	781	(192)	(24)	565

	31 March 2018 £'000	Credit/ (debit) to statement of profit or loss £'000	Charge to equity £'000	31 March 2019 £'000
Property, plant and equipment	811	109	–	920
Intangible assets	(968)	269	–	(699)
Share-based payments	441	(9)	10	442
Short-term temporary differences	64	54	–	118
Total	348	423	10	781

At the statement of financial position date and in the prior year, the Group had no unused tax losses.

No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries because the Group is able 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 statement of financial position date.

17. Trade and other receivables

Group	31 March 2020 £'000	31 March 2019 £'000
Trade receivables	12,346	15,271
Items in the course of collection ¹	88,692	117,263
Revenue allowance	(1,379)	(2,957)
	99,659	129,577
Other receivables	594	1,032
Contract assets	2,862	3,636
Accrued income	2,518	2,047
Prepayments	2,735	2,718
	108,368	139,010

1. Items in the course of collection represent amounts collected for clients by retailer partners. An equivalent balance is included within trade and other payables.

The Group's exposure to the credit risk inherent in its trade and other receivables is discussed in note 23. In light of the recent Covid-19 pandemic the Group performed an impairment review on trade receivables and no additional impairment was deemed necessary.

The Group reviews trade receivables past due but not impaired on a regular basis and 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.

Included in the Group's trade receivables balance are past due debtors with a carrying amount of £2.1 million (2019: £8.6 million), there has been a reduction compared to prior year due to the timing of billing at the year end. The ageing of the trade receivables past due is as follows:

	Less than 1 month £'000	1–2 months £'000	2–3 months £'000	More than 3 months £'000	Total £'000
Carrying value at 31 March 2020	1,544	233	130	237	2,144
Carrying value at 31 March 2019	7,916	408	46	195	8,565

Notes to the consolidated financial statements continued

Movement in the revenue allowance

	31 March 2020 £'000	31 March 2019 £'000
Balance at the beginning of the year	2,957	3,862
Amounts utilised in the year	(2,698)	(1,468)
Increase in allowance	1,112	760
Foreign exchange	8	(197)
Balance at end of the year	1,379	2,957

Age of revenue allowance

	Less than 1 month £'000	1–2 months £'000	2–3 months £'000	More than 3 months £'000	Total £'000
Carrying value at 31 March 2020	205	162	27	985	1,379
Carrying value at 31 March 2019	76	10	43	2,828	2,957

Company	31 March 2020 £'000	31 March 2019 £'000
Amounts owed by Group companies	42,394	38,405
Other receivables	20	–
Accrued income	612	112
Prepayments	806	624
	43,832	39,141

18. Cash and cash equivalents

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.

Included within Group cash and cash equivalents of £93.8 million (2019: £37.5 million) are balances of £35.7 million (2019: £34.0 million) relating to funds collected on behalf of clients where PayPoint has title to the funds (clients' funds) and where retailer partners have provided security deposits (retailer partners' deposits). An equivalent balance is included within trade payables (note 19). Clients' funds held in trust which are not included in cash and cash equivalents amounted to £41.9 million (2019: £47.5 million).

19. Trade and other payables

Group	31 March 2020 £'000	31 March 2019 £'000
Amounts owed in respect of clients' funds and retailer partners' deposits ¹	35,739	34,014
Settlement payables ²	88,692	117,263
Client payables	124,431	151,277
Trade payables	8,318	7,536
Other taxes and social security	4,006	1,985
Other payables	3,886	5,939
Accruals	5,782	6,921
Deferred income	328	599
Contract liabilities	1,965	2,696
	148,716	176,953
Disclosed as:		
Current	148,621	176,720
Non-current	95	233
Total	148,716	176,953

1. Relates to monies collected on behalf of clients where the Group has title to the funds (clients' funds and retailer partners' deposits). An equivalent balance is included within cash and cash equivalents.

2. Payable in respect of amounts collected for clients by retailer partners. An equivalent balance is included within trade and other receivables.

Company	31 March 2020 £'000	31 March 2019 £'000
Amounts owned by Group companies	11,006	12,094
Other payables	320	10
Accruals	1,077	1,130
	12,403	13,234

20. Share capital

	31 March 2020 £'000	31 March 2019 £'000
Called up, allotted and fully paid share capital		
68,376,750 (2019: 68,243,406) ordinary shares of 1/3 pence each	228	227

21. Share-based payments

LTIP, DSB, DABS and restricted schemes

The Group's share schemes are described in the Directors' Remuneration Report on pages 64 to 81 and include LTIP, DABS and restricted share equity settled share schemes.

During the year, 192,675 (2019: 209,694) shares under the LTIP scheme were granted with 50% of the vesting based on Total Shareholder Return ('TSR') and 50% on earnings per share ('EPS') growth. The performance condition for the TSR element is the same as the vesting period. The performance period for the EPS element is for the three financial years up to 31 March 2022. A further 19,593 (2019: 48,444) shares were issued under the DABS scheme vesting over three years to 10 June 2022.

Other share-based payments include restricted shares issued to eligible employees which do not contain any performance criteria. No restricted shares were issued in the year (2019: 62,196).

The amount charged to the statement of profit or loss in the year was £0.6 million (2019: £1.4 million). A total charge of £1.4 million (2019: £1.6 million) previously recognised directly to equity for schemes which have now lapsed or vested was transferred from the share-based payments reserve to retained earnings during the period.

Share awards movement during the year

	Number of shares 2020	Number of shares 2019
Outstanding at the beginning of the year	785,870	715,528
Granted	212,268	320,334
Lapsed	(514)	(107,388)
Forfeited	(260,989)	(28,873)
Exercised	(201,264)	(113,731)
Outstanding at end of the year	535,371	785,870

All awards granted and in issue are for free shares and therefore the weighted average exercise price for all outstanding schemes is £nil.

Remaining vesting period of outstanding share awards

	Number of shares 2020	Number of shares 2019
Within one year	235,784	201,845
One to two years	167,757	518,652
Two to three years	131,832	65,373
Outstanding at end of the year	535,373	785,870

Awards	Grant date	Number of shares	Vesting date
LTIP	10 June 2019	192,675	10 June 2022
DABS	10 June 2019	19,593	10 June 2022

Notes to the consolidated financial statements continued

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

	2019 LTIP CEO TSR	2019 LTIP CEO EPS	2019 LTIP Non-CEO TSR	2019 LTIP Non-CEO EPS
Weighted average share price	10.54	10.54	10.54	10.54
Expected volatility ¹	27%	27%	27%	27%
Expected life	3 years	3 years	3 years	3 years
Risk-free rate	0.49%	0.49%	0.49%	0.49%
Fair value of award	669.3p	1,054.0p	698.6p	1,054.0p

1. The expected volatility for PayPoint has been calculated using historical daily data over a term equal to the expected life of each conditional award.

DABS shares issued during the year have a fair value of 1,054 pence (2019: 1,076 pence) being the share price on the date of the grant.

Share Incentive Plan

The employee Share Incentive Plan is open to all employees of PayPoint Network, PayPoint Collections, PayPoint Retail Solutions and provides 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-year period. For each share purchased by the employee the Company issues a free matching share which will vest subject to the employee remaining employed with the Group for three years from the date each share was purchased by the employee. The amount charged to the statement of profit or loss in the year was £0.2 million (2019: £0.1 million). For shares that have vested, £0.1 million (2019: £0.1 million) which had been previously charged to the statement of profit or loss, has been reclassified to retained earnings.

22. Dividends on equity shares

	Year ended 31 March 2020		Year ended 31 March 2019	
	£'000	pence per share	£'000	pence per share
Reported dividends on ordinary shares:				
Interim ordinary dividend	16,133	23.6	10,643	15.6
Proposed final ordinary dividend	10,667	15.6	16,105	23.6
Total ordinary dividends	26,800	39.2	26,748	39.2
Interim additional dividend	12,577	18.4	8,326	12.2
Proposed additional final dividend	–	–	12,557	18.4
Total additional dividend	12,577	18.4	20,883	30.6
Total reported dividends (non-IFRS measure)	39,377	57.6	47,631	69.8
Dividends paid on ordinary shares:				
Final ordinary dividend for the prior year	16,133	23.6	20,867	30.6
Interim dividend for the current year	16,133	23.6	10,643	15.6
Total ordinary dividend paid	32,266	47.2	31,510	46.2
Final additional dividend for the prior year	12,576	18.4	16,725	24.5
Additional interim dividend for the current year	12,577	18.4	8,326	12.2
Total additional dividend paid	25,153	36.8	25,051	36.7
Total dividends paid	57,419	84.0	56,561	82.9
Number of shares in issue used for purposes of per share calculations	68,376,750		68,243,406	

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

23. Financial instruments and risk

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables, trade and 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 credit risk, liquidity risk and foreign exchange. 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 uses hedges to manage the foreign exchange risk of purchasing PayPoint One terminals and PinPads.

(a) Credit risk

The Group's financial assets are cash and cash equivalents, trade and other receivables and investments. The Group's credit risk is primarily attributable to its trade and other receivables. To mitigate against credit risk, PayPoint credit checks clients and retailer partners, holds retailer security deposits, operates terminal limits, monitors clients and retailer partners for changes in payment profiles and in certain circumstances, has the right to set-off monies due against funds collected. The Group's maximum exposure, at 31 March 2020, was £59.7 million (2019: £75.1 million).

The Company, PayPoint plc, has issued parental guarantees in favour of clients of its subsidiaries under which it has guaranteed amounts due to clients, by the subsidiaries, for settlement of funds collected by retailer partners. PayPoint plc has also issued guarantees in favour of Romanian banks amounting to £5.0 million (2019: £5.1 million) for guarantee facilities used by Romanian subsidiaries also to guarantee settlement of client funds.

(b) Liquidity risk

The Group's policy throughout the year ended 31 March 2020 regarding liquidity has been to maximise the return on funds placed on deposit whilst minimising the associated risk.

The Group had a £70 million (2019: £nil) drawdown from the revolving credit facility at 31 March 2020, interest is payable at LIBOR plus 0.9%. The drawdown was for a six-month period to September 2020. The revolving credit facility was fully drawn down at the year end to ensure PayPoint was in a strong position to withstand a sustained period of disruption to trading. PayPoint has the ability to roll over the drawdown for an additional period.

The following shows the exposure to liquidity risk. The amounts are gross and undiscounted, and include contractual interest payments:

31 March 2020 £'000	Carrying amount	Contractual cash flows				
		Total	2 months or less	2-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Revolving credit facility	70,000	(70,371)	–	(70,371)	–	–
Lease liabilities	941	(945)	(20)	(178)	(236)	(511)
Trade payables	148,621	(148,621)	(143,744)	(4,097)	(740)	(40)

31 March 2019 £'000	Carrying amount	Contractual cash flows				
		Total	2 months or less	2-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Trade payables	176,720	(176,720)	(176,720)	–	–	–

(c) Foreign exchange risk

The Group's currency exposures comprise those transactional exposures that give rise to the net currency gains and losses recognised in the statement of profit or loss. 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 31 March 2020, these exposures were £nil (2019: £nil).

The Group uses hedges to manage the foreign exchange risk related to PayPoint One terminal and PinPad purchases.

(d) Interest rate risk

The Group had no interest-bearing financial assets at 31 March 2020 other than the cash and cash equivalents of £93.8 million (2019: £37.5 million). The Group is also exposed to interest rate risk through use of its financing facility which incurs interest charges based on LIBOR plus a margin.

All funds earn interest at the prevailing rate. The funds are deposited on short-term deposits (normally weekly or monthly) or held in current accounts. The Group seeks to maximise interest receipts within these parameters. The Group also minimises interest cost by effective central management of cash resources to minimise the need for utilisation of the financing facility.

(e) Borrowing facilities

The Group has a unsecured £75 million revolving loan facility with a £20 million accordion expiring in March 2023. At year end, the Group had drawn down £70 million (2019: £nil).

(f) Fair value of financial assets and liabilities

All derivatives are held with an A rated bank and mature within one year. All financial assets/liabilities measured at fair value through the profit or loss, comprising derivative financial instruments in the form of foreign exchange contracts, are classified as Level 2. There have been no transfers between Level 1, 2 or 3 in the current year or prior year.

The Directors consider there to be no material difference between the book value and the fair value of the Group's financial instruments at 31 March 2020, or 31 March 2019.

Notes to the consolidated financial statements continued

(g) 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.

(h) Capital risk management

The Group's objectives when managing capital (the definition of which is consistent with prior year and is the Group's assets and liabilities including cash) are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders. The Group manages its capital by continued focus on free cash flow generation and managing the level of capital investment in the business. The additional dividend programme has now ended to ensure the Group maintains a sound capital position. The final dividend for the year ensures a prudent level of earnings coverage for the dividend and that leverage is not substantially increased.

(i) Financial instrument sensitivities

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

24. Loans and borrowings

Reconciliation of movements in loans and borrowings and lease liabilities:

	Revolving credit facility	Lease liabilities
Year ended 31 March 2020 (£'000)		
Changes from financing cash flows		
Balance at the beginning of the year	–	–
Proceeds from loans and borrowings	70,000	–
Repayment of borrowings	–	(271)
Total changes from financing cash flows	70,000	(271)
Other liability-related changes		
Interest paid	(196)	(42)
<hr/>		
Year ended 31 March 2019 (£'000)		
Changes from financing cash flows		
Balance at the beginning of the year	–	–
Proceeds from loans and borrowings	14,500	–
Repayment of borrowings	(14,500)	–
Total changes from financing cash flows	–	–
Other liability-related changes		
Interest paid	(86)	–
<hr/>		

25. Related party transactions

Remuneration of the Directors, who are the key management of the Group, was as follows during the year:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Short-term benefits and bonus ¹	937	1,630
Pension costs ²	69	127
Long-term incentives ³	123	648
Other ⁴	37	70
Total	1,166	2,475
<hr/>		

1. Includes salary, fees, benefits in kind and annual bonus.

2. Defined contribution pension scheme.

3. Long-term incentives: includes the value of 2017 LTIP and DABS expected to vest after the year end (2019: 2016 DSB and LTIP awards).

4. SIP matching and dividend shares awarded in the year.

Directors' remuneration is disclosed in the Directors' Remuneration Report on pages 64 to 81.

26. Company related party transactions

The following transactions occurred between the Company and its wholly owned subsidiaries

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Amounts owed by subsidiaries	42,394	38,405
Amounts owed to subsidiaries	11,006	12,094
Interest paid to subsidiaries	372	1,112
Interest received from subsidiaries	690	1,084
Total	54,462	52,695

27. Notes to the cash flow statement

Group	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit before tax	56,799	54,717
Adjustments for:		
Depreciation of property, plant and equipment	5,631	6,318
Amortisation of intangible assets	3,886	3,466
VAT credits ²	–	(2,427)
Exceptional items	–	(922)
Loss on disposal of fixed assets	387	110
Net finance costs	189	159
Share-based payment charge	631	1,730
Cash-settled share-based remuneration	(1,028)	(725)
Operating cash flows before movements in corporate working capital	66,495	62,426
Movement in inventories	(89)	155
Movement in trade and other receivables	1,172	3,712
Movement in contract assets	775	(614)
Movement in contract liabilities	(731)	649
Movement in payables	(1,160)	(3,482)
Movement in lease liabilities	96	–
Cash generated by operations	66,558	62,846
Corporation tax paid	(15,770)	(9,952)
Financial costs paid	(720)	(586)
Net cash from operating activities (corporate)	50,068	52,308
Movement in clients' cash and retailers' deposits	1,413	7,255
Net cash from operating activities¹	51,481	59,563

1. Items in the course of collection and settlement payables are included in this reconciliation on a net basis through the client cash line. The Directors have included these items on a net basis to best reflect the operating cash flows of the business.

2. In the prior year the improved VAT recovery was offset against the net payment to HMRC which has been shown as a non-cash item.

Company	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit before tax	36,926	57,221
Adjustments for:		
Dividends from subsidiaries	(38,300)	(57,717)
Exceptional item	–	(922)
Net finance income	289	473
Cash-settled share-based remuneration	(1,028)	(725)
Operating cash movement before movements in working capital	(2,113)	(1,670)
Movement in receivables	(3,576)	(770)
Movement in payables	(1,205)	852
Cash movement in operations	(6,894)	(1,588)
Interest and bank charges paid	(626)	(445)
Net cash movement from operating activities	(7,520)	(2,033)

Notes to the consolidated financial statements **continued**

28. Subsequent events

Collect+ was originally set up as a joint venture between PayPoint and Yodel in 2009. In December 2016 the arrangement was restructured into a Joint Operation which included the formation of the Collect+ Group consisting of Collect+ Holdings Limited, held 50:50 by PayPoint and Yodel, and its wholly owned subsidiary Collect+ Brand Limited.

On 6 April 2020, PayPoint acquired the 50% of the remaining asset that Yodel owned for £6 million, resulting in Collect+ becoming a fully owned brand within the PayPoint Group. Collect+ Holdings Limited and Collect+ Brand Limited will be classed as fully owned subsidiaries in the next financial year 2020/21. The agreement reaffirmed the long-term partnership with Yodel committing to a multi-year contract to continue as a parcel carrier for Collect+. PayPoint also acquired the ownership of the Collect+ website domain which will now be developed to further the brand and promote volume growth.

Appendix – Market overview sources

Source for external data

1. PayPoint estimates do not reflect any stores that may have closed as a result of the Covid-19 situation. Data from ACS local shop report 2019 and annual reports of retailers. Retailers with more than ten sites have been classified as 'Multiple groups in convenience retail'.
2. As at 31 March 2020, and therefore excludes 553 sites temporarily closed for Covid-19.
3. ACS local shop report 2019. Sales figures are for the 12 months to March 2019.
4. <https://www.igd.com/articles/article-viewer/t/uk-food-sales-to-grow-by-24bn-by-2024/i/21868>.
5. Based on sites using PayPoint One's scanning functionality only.
6. For the 12 months to December 2019. Analysis based on Cardnet UK Finance data for miscellaneous food stores, off licences, sweet stores and tobacconists, which form the majority of the convenience store market.
7. UK Finance card spending update for January 2020 – January 2020 vs January 2019.
8. Derived from data in 'Total Market Data – Credit Card Statistics – January 2019' available at <https://www.ukfinance.org.uk/data-and-research/data/cards/card-spending>, comparing seasonally adjusted figures from six months to July 2018 to the six months to January 2019.
9. ACS local shop report 2019.
10. <https://www.ukfinance.org.uk/sites/default/files/uploads/pdf/UK%20Cash%20and%20Cash%20Machines%202019%20SUMMARY.pdf>.
11. <https://www.moneyobserver.com/news/numbers-uk-bank-branch-closures-reach-alarming-level>.
12. <https://www.link.co.uk/about/statistics-and-trends/> - for the 12 months to 29 Feb 2020.
13. <https://www.link.co.uk/about/statistics-and-trends/> - at December 2019.
14. <https://www.link.co.uk/about/statistics-and-trends/> - for the three weeks ending 12 April 2020.
15. <https://www.link.co.uk/about/news/Covid19-and-cash-link-update/>.
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27. <https://www.ofgem.gov.uk/coronavirus-Covid-19/coronavirus-Covid-19-and-your-energy-supply>.
28. Internal estimates.
29. <https://www.bnr.ro/Payments-Statistics-5312.aspx#> Includes resident and non-resident Payment Service Providers (PSP).
30. <https://www.google.com/covid19/mobility/>.

Notice of Annual General Meeting

This notice of meeting is important and requires your immediate attention.

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

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

In response to the UK Government's compulsory measures which prohibits, among other things, public gatherings of more than two people and non-essential travel, the Board has taken the decision to implement the following measures to safeguard the health of our shareholders and employees at PayPoint's Annual General Meeting ('AGM'):

- The 2020 AGM will only address the formal matters contained in the Notice of Meeting, and there will be no corporate presentation.
- In accordance with the Company's Articles of Association, two employee shareholders of the Company will participate in the meeting. No additional shareholders will be required to attend and will not therefore be allowed entry.

Notwithstanding these alterations to our usual AGM format, we remain committed to engaging with our shareholders so please do send any questions you may have for the Board, relating to the business of the meeting, to our Company Secretary at companysecretary@paypoint.com.

Meantime, we encourage you to submit your proxy votes to the Company's registrars, Link Asset Services, as early as possible. Further information on how you can submit your proxy votes can be found on page 128. The deadline for submitting proxy votes is 12.00 noon on Wednesday 22 July 2020.

Notice is hereby given that the 2020 Annual General Meeting of PayPoint plc (the 'Company') will be held at the Company's head office, 1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL on Friday 24 July 2020 at 12.00 noon. You will be asked to consider and pass the resolutions below. Resolutions 1 to 12 and 17 will be proposed as ordinary resolutions, and Resolutions 13 to 16 will be proposed as special resolutions.

Routine business

1. Directors' Report and Accounts

To receive the accounts for the financial year ended 31 March 2020 together with the directors' report and the auditors' report on those accounts.

2. Directors' Remuneration Policy

To approve the Directors' Remuneration Policy, set out on pages 67 to 73 of the annual report 2020, to take effect from 24 July 2020.

3. Directors' Remuneration Report

To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the financial year ended 31 March 2020 as set out on pages 74 to 81 of the annual report 2020.

4. Declaration of final dividend

To declare a final dividend of 15.6 pence per ordinary share of the Company for the year ended 31 March 2020.

5. Election of Director – Ben Wishart

To elect Mr Ben Wishart as a Director who, having been appointed since the last AGM of the Company, offers himself for election in accordance with the Company's Articles of Association.

6. Re-election of Director – Gill Barr

To re-elect Ms Gill Barr as a Director.

7. Re-election of Director – Giles Kerr

To re-elect Mr Giles Kerr as a Director.

8. Re-election of Director – Rakesh Sharma

To re-elect Mr Rakesh Sharma as a Director.

9. Re-election of Director – Nick Wiles

To re-elect Mr Nick Wiles as a Director.

10. Appointment of Auditor

To appoint KPMG LLP as auditor of the Company until the conclusion of the next AGM of the Company at which the accounts are laid.

11. Auditor's remuneration

To authorise the Directors to determine the auditor's remuneration.

Special business**12. Directors' authority to allot shares**

That the Board be generally and unconditionally authorised under section 551 of the Companies Act 2006 to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

(A) up to a nominal amount of £75,979 (such amount to be reduced by any allotments or grants made under paragraph (B) below in excess of such sum); and

(B) comprising equity securities (as defined in section 560(1) of the Companies Act 2006) up to a nominal amount of £151,959 (such amount to be reduced by any allotments or grants made under paragraph (A) above) in connection with an offer by way of a rights issue:

- (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to apply until the end of the AGM in 2021 (or, if earlier, until the close of business on 22 October 2021) but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

13. Disapplication of pre-emption rights

That if resolution 12 is passed, the Board be given power to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be limited:

(A) to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (B) of resolution 12, by way of a rights issue only):

- (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) to holders of other equity securities, as required by the rights of those securities or, as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;

(B) in the case of the authority granted under paragraph (A) of resolution 12 and/or in the case of any sale of treasury shares for cash, to the allotment (otherwise than under paragraphs (A) and (B) above) of equity securities or sale of treasury shares up to a nominal amount of £11,397, such power to apply until the end of the AGM in 2021 (or, if earlier, until the close of business on 22 October 2021) but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

Notice of Annual General Meeting **continued**

14. Additional disapplication of pre-emption rights

That if resolution 12 is passed, the Board be given power in addition to any power granted under resolution 13 to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority given by that resolution and/ or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:

- (A) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £11,397; and
- (B) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice, such power to apply until the end of the AGM in 2021 (or, if earlier, until the close of business on 22 October 2021) but, in each case, during this period the Company may make offers, and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

15. Company's authority to purchase its own shares

That the Company be authorised for the purposes of section 701 of the Companies Act 2006 to make one or more market purchases (as defined in section 693(4) of the Companies Act 2006) of its ordinary shares of 1/3 pence each, provided that:

- (A) the maximum number of ordinary shares hereby authorised to be purchased is 6,838,184;
- (B) the minimum price which may be paid for an ordinary share is 5 pence and the maximum price which may be paid for an ordinary share is the highest of:
 - (i) an amount equal to 5 per cent. above the average market value of an ordinary share for the five business days immediately preceding the day on which that ordinary share is contracted to be purchased; and
 - (ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venues where the purchase is carried out at the relevant time, in each case, exclusive of expenses;

such authority to apply until the end of the AGM in 2021 (or, if earlier, until the close of business on 22 October 2021) but in each case so that during this period the Company may enter into a contract to purchase ordinary shares which would, or might be, completed or executed wholly or partly after the authority ends and the Company may purchase ordinary shares pursuant to any such contract as if the authority had not ended.

16. Calling of general meetings on 14 days' notice.

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

17. PayPoint Restricted Share Plan

That the Directors be authorised to amend the rules of the PayPoint Restricted Share Plan ('RSP'), as described in the explanatory notes to this Notice, and that they also be authorised to do all acts and things which they may consider necessary or expedient to carry the amended RSP into effect. The amended rules are produced to the meeting and signed by the Chairman for the purposes of identification.

By order of the Board

Sarah Carne
Company Secretary
22 June 2020

Registered office:
1 The Boulevard
Shire Park
Welwyn Garden City
Hertfordshire AL7 1EL
United Kingdom

Registered in England and Wales
Company No. 3581541

Notes to the Notice of Annual General Meeting

1. Shareholders should submit their proxy vote via www.signalshares.com not less than 48 hours before the time of the AGM. Although the Company will no longer be providing a proxy form, you may request one from our registrar, Link Asset Services, on 0371 664 0300. From overseas call +44 (0) 371 664 0391 (calls are charged at the standard geographic rate and will vary by provider). Calls outside of the United Kingdom will be charged at the applicable international rate. Lines are open between 09.00 and 17.30, Monday to Friday excluding public holidays in England and Wales).
2. A member entitled to attend, speak and vote at the AGM may appoint a proxy (who need not be a member of the Company) to exercise all or any of his or her rights to attend and to speak and vote on his or her behalf. A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her. Given the current restrictions on attendance, we suggest that you appoint the chair of the meeting as your proxy, rather than a named person who will not be permitted to attend the meeting. To appoint more than one proxy please contact the Company's registrar using the details provided above. CREST members should utilise 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. You must inform the Company's registrar in writing of any termination of the authorities of a proxy.
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 AGM. 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. Nominated Persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investments in 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 AGM 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 AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedure in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
7. To be entitled to attend and vote at the AGM 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 close of business on 22 July 2020 (or by close of business 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.
8. Biographical details of the Directors of the Company are shown on pages 46 and 47 of the 2020 annual report.

Notes to the Notice of Annual General Meeting **continued**

9. 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 such questions 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.
10. Information relating to the meeting which the Company is required by section 311A of 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.
11. 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: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid. 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.
12. The issued share capital of the Company as at 27 May 2020, the latest practicable date before publication of this notice, was 68,381,842 ordinary shares of 1/3 pence each, carrying one vote each. The Company holds no treasury shares. The total number of voting rights in the Company on 27 May 2020 is 68,381,842.
13. The Directors' service agreements, Directors' letters of appointment, Directors' deeds of indemnity and rules of the Restricted Share Plan are available for inspection at the registered office of the Company and at the office of Mills & Reeve, Monument Place, 24 Monument Street, London EC3R 8AJ during normal business hours on any weekday and will be available at the place of the AGM from 15 minutes before the meeting until it ends.

Recommendation and voting intentions

With respect to resolutions 5 to 9 (inclusive), the Chairman confirms that, based on the performance evaluation undertaken during the period, each of the retiring Directors' performance continues to be effective and to demonstrate commitment to the role. The Board has considered this and recommends that each Director who wishes to serve again 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. Biographies of the Directors including their areas of expertise relevant to their role as a Director are given on pages 46 to 47 of the 2020 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 1: To receive the Directors' report and accounts

The Board asks that shareholders receive the Strategic Report, Directors' Report and the financial statements for the year ended 31 March 2020, together with the report of the auditor.

Resolution 2: Directors' Remuneration Policy

There are two remuneration resolutions this year. The first is to seek shareholder approval for our future Directors' Remuneration Policy, which is intended to take effect from 24 July 2020. Our existing policy was approved at the 2017 AGM and a new policy must be put forward for approval by shareholders at least every three years. This resolution will be a binding vote and Directors can only receive remuneration if it is within the approved Remuneration Policy. If resolution 2 is not passed, our existing Directors' Remuneration Policy, approved at the 2017 AGM, will continue in effect until a new policy is approved by shareholders.

Shareholders are asked to approve the Directors' Remuneration Policy that appears on pages 67 to 73 of the 2020 annual report. A summary of the changes made in the proposed 2020 policy is set out below:

- LTIP awards will be replaced by Restricted Share Awards ('RSA'), subject to shareholder approval of amendments to the RSP under resolution 18;
- RSAs granted to an Executive Director will be subject to an underpin that the Remuneration Committee is satisfied that PayPoint's underlying performance and delivery against its strategy and plans is sufficient to justify the level of vesting having regard to such factors as the Remuneration Committee considers to be appropriate in the round (including revenue, earnings and share price performance) and the shareholder experience more generally (including the risk of windfall gains);
- Pension provision for new Executive Directors and employees promoted to the Board will be aligned, in percentage of salary terms, to the general workforce contribution rate (currently 5%);
- The Finance Director's shareholding guideline will be increased from 150% to 200% of salary (in line with that operated for the Chief Executive role);
- A post cessation shareholding guideline will be introduced (going forward Executive Directors will need to retain shares equal to 100% of the shareholding guideline up until the first anniversary of cessation, reducing to 50% of the guideline between the first and second anniversary); and
- Malus and clawback provisions will be enhanced;

Resolution 3: Directors' Remuneration Report

Shareholders are asked to approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) that appears on pages 74 to 81 of the 2020 annual report. This vote is advisory, and the Directors' entitlement to remuneration is not conditional on it.

Resolution 4: Declaration of final dividend

Shareholders are being asked to approve a final dividend of 15.6 pence per ordinary share for the year ended 31 March 2020. Subject to approval, the dividend will be paid in equal instalments of 7.8 pence per share on 27 July 2020 and 28 September 2020 to the holders of ordinary shares whose names are recorded on the register of members at the close of business on 26 June 2020 and 28 August 2020 respectively.

Resolutions 5 – 9: Directors

The Directors believe that the Board continues to maintain an appropriate balance of knowledge and skills and that all the Non-Executive Directors are independent in character and judgement. This follows a process of formal evaluation, which confirms that each Director makes an effective and valuable contribution to the Board and demonstrates commitment to the role (including making sufficient time available for Board and Committee meetings and other duties as required). In accordance with the UK Corporate Governance Code and in line with previous years, all Directors will again stand for election or re-election, as relevant, at the AGM this year. Biographies are available on pages 46 and 47 of the annual report. It is the Board's view that the Directors' biographies illustrate why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success.

Resolutions 10 and 11: Appointment and remuneration of auditor

The Company is required to appoint or reappoint an auditor at each general meeting at which accounts are presented to shareholders. Following an evaluation of the effectiveness and independence of KPMG, the Directors recommend KPMG be reappointed as auditor. Resolution 11 grants authority to the Company to determine the auditor's remuneration.

Explanatory notes to certain of the resolutions to be proposed at the Annual General Meeting **continued**

Resolution 12: Directors' authority to allot shares

Paragraph (A) of this resolution would give the Directors the authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £75,979 (representing 22,793,947 ordinary shares of 0.03 pence each). This amount represents approximately one-third of the issued ordinary share capital of the Company as at 27 May 2020, the latest practicable date prior to publication of this notice. In line with guidance issued by the Investment Association, paragraph (B) of this resolution would give the Directors authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £151,959 (representing 45,587,895 ordinary shares of 5 pence each), as reduced by the nominal amount of any shares issued under paragraph (A) of this resolution. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the Company as at 27 May 2020, being the latest practicable date prior to publication of this notice. The authorities sought under paragraphs (A) and (B) of this resolution will expire at the end of the AGM in 2021 (or, if earlier, until the close of business on 22 October 2021). The Directors have no present intention to exercise either of the authorities sought under this resolution, other than to allot ordinary shares as following the exercise of options and awards under the Company's share schemes. However, if they do exercise the authorities, the Directors intend to follow Investment Association recommendations concerning their use. As at the date of this Notice, no shares are held by the Company in treasury.

Resolutions 13 and 14: Authority to disapply pre-emption rights

Resolutions 13 and 14 are proposed as special resolutions. If the Directors wish to allot new shares and other equity securities, or sell treasury shares, for cash (other than in connection with an employee share scheme), company law requires that these shares are first offered to shareholders in proportion to their existing holdings.

At last year's AGM, a special resolution was passed, in line with institutional shareholder guidelines, empowering the Directors to allot equity securities for cash without first offering them to existing shareholders in proportion to their existing holdings. It is proposed, under resolution 13, that this authority be renewed. If approved, the resolution will authorise Directors to issue shares in connection with pre-emptive offers, or otherwise to issue shares for cash up to an aggregate nominal amount of £11,397 (representing 3,419,092 ordinary shares) which includes the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash.

The Pre-Emption Group's Statement of Principles also support the annual disapplication of pre-emption rights in respect of allotments of shares and other equity securities and sales of treasury shares for cash where these represent no more than an additional 5% of issued ordinary share capital (exclusive of treasury shares) and are used only in connection with an acquisition or specified capital investment. The Pre-Emption Group's Statement of Principles defines 'specified capital investment' as meaning one or more specific capital investment related uses for the proceeds of an issue of equity securities, in respect of which sufficient information regarding the effect of the transaction on the Company, the assets the subject of the transaction and (where appropriate) the profits attributable to them is made available to shareholders to enable them to reach an assessment of the potential return.

Accordingly, the purpose of resolution 14 is to authorise the Directors to allot new shares and other equity securities pursuant to the allotment authority given by resolution 12, or sell treasury shares for cash, without first being required to offer such securities to existing shareholders, up to a further nominal amount of £11,397 (representing 3,419,092 ordinary shares). The authority granted by this resolution, if passed, will only be used in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue. If the authority given in resolution 14 is used, the Company will publish details of its use in its next annual report. The authority granted by resolution 14 would be in addition to the general authority to disapply pre-emption rights under resolution 13. The maximum nominal value of equity securities which could be allotted if both authorities were used would be £22,794. The Directors intend to adhere to the provisions in the Pre-emption Group's Statement of Principles and not to allot shares or other equity securities or sell treasury shares for cash on a non pre-emptive basis pursuant to the authority in resolution 14 in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company, excluding treasury shares, within a rolling three-year period, other than: (i) With prior consultation with shareholders; or (ii) In connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. The Directors have no present intention of using the power under these authorities but they will have the flexibility to act in the best interests of the Company when opportunities arise.

Resolution 15: Authority to make market purchases of ordinary shares

Resolution 15 is another special resolution and renews the Directors' authority granted by the shareholders at previous AGMs to make market purchases of up to 10 per cent of the Company's issued ordinary shares (excluding any treasury shares). The Company may make purchases of its own shares if, having taken account of all major factors such as the effect on earnings and net asset value per share, gearing levels and alternative investment opportunities, such purchases are considered to be in the Company's and shareholders' best interests while maintaining an efficient capital structure. If the Company purchases any of its ordinary shares pursuant to resolution 15, the Company may cancel these shares or hold them in treasury. Such decision will be made by the Directors at the time of purchase. The minimum price, exclusive of expenses, which may be paid for an ordinary share is 5 pence. The maximum price, exclusive of expenses, which may be paid for an ordinary share is the highest of: (i) an amount equal to 5 per cent. above the average market value for an ordinary share for the five business days immediately preceding the date of the purchase; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out at the relevant time. At last year's AGM, the Company was given authority to make market purchases of up to 6,824,520 shares. No shares have been purchased by the Company in the market since then. Options to subscribe for a total of 545,412 shares, being 0.007 per cent. of the issued ordinary share capital, were outstanding at 27 May 2020 (being the latest practicable date prior to the publication of this notice). If the existing authority given at the 2019 AGM and the authority being sought under resolution 15 were to be fully used, these would represent 0.01 per cent. of the Company's issued ordinary share capital at that date. The Directors do not have any current plans to exercise the authority to be granted pursuant to resolution 15. The Directors will exercise this authority only when to do so would be in the best interests of the Company, and of its shareholders generally. The authority will expire at the earlier of 22 October 2021 and the conclusion of the AGM of the Company held in 2021.

Resolution 16: 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

The minimum notice period for general meetings of listed companies is 21 days, but companies may reduce this period to 14 days (other than for annual general meetings) provided that:

- (a) the Company offers a facility for shareholders to vote by electronic means. This condition is met if the Company has a facility enabling all shareholders to appoint a proxy by means of a website; and
- (b) on an annual basis, a shareholders' resolution approving the reduction of the minimum notice period from 21 days to 14 days is passed.

The Board is therefore proposing this resolution as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than AGMs. The approval of this resolution will be effective until the end of the 2021 AGM of the Company, when it is intended that the approval will be renewed. The Board intends that the shorter notice period will only be used in limited exceptional circumstances which are time-sensitive, rather than as a matter of routine, and only where the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole. The Directors do not have any current intention to exercise this authority but consider it appropriate to ensure that the Company has the necessary flexibility to respond to all eventualities.

Resolution 17: Amendments to the PayPoint Restricted Share Plan

The PayPoint Restricted Share Plan ('RSP') was introduced in 2019 to enable the grant of 'Restricted Share Awards' below Board level. Shareholder approval was obtained for the adoption of the RSP at the 2019 AGM (receiving 99.74% support).

The Company is seeking shareholder approval for proposed amendments to the RSP, to reflect proposed changes to the Directors' Remuneration Policy (as explained on pages 67 to 73 of the annual report 2020).

In particular the proposed amendments to the RSP will:

- (a) enable Executive Directors to participate in the RSP (subject to shareholder approval of the proposed Directors' Remuneration Policy under resolution 2);
- (b) allow the application of a holding period (following the end of the initial vesting period) during which a participant will ordinarily be required to retain the net of tax number of vested shares (if any) delivered under the RSP (or the full number of the vested shares whilst held under an unexercised nil-cost option award, where relevant) for a specified period from the date an award vests. It is intended that in the case of an RSP award to an Executive Director, any shares resulting from a vested award may not be sold until at least five years from the grant date (other than to pay relevant taxes); and
- (c) expand the scope of the malus and clawback provisions by adding a trigger for the occurrence of a corporate failure of insolvency event.

A copy of the RSP, showing the proposed amendments are available for inspection as described on page 128 to this Notice.

Officers and professional advisors

Directors

G Barr¹
G Kerr¹ (Chairman)
R Kentleton
R Sharma¹
N Wiles
B Wishart ¹

1. Non-Executive Directors.

Company Secretary

S Carne

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1 The Boulevard
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