PayPoint plc
Preliminary Results and update on the impact of Covid-19
Year ended 31 March 2020

FINANCIAL HIGHLIGHTS

PayPoint reported a resilient result for financial year 2019/20 with profit before tax excluding exceptional items increasing by £3.0 million to £56.8 million (2019: £53.8 million), primarily due to the £2.1 million “variable pay benefit” resulting from the decision to cancel management bonuses due to Covid-19 and the release of share-based payment accruals. Excluding the “variable pay benefit”, profit before tax excluding exceptional items increased by £0.9 million to £54.7m million (2019: £53.8 million).

Year ended 31 March	2020	2019	Change
Revenue	**£213.3m**	£211.6m	0.8%
Net revenue[1]	**£120.7m**	£116.6m	3.5%
Operating margin[2]	**47.2%**	46.3%	0.9ppts
Profit before tax excluding exceptional items	**£56.8m**	£53.8m	5.6%
Profit before tax	**£56.8m**	£54.7m	3.8%
Diluted earnings per share	**66.3p**	64.8p	2.3%
Cash generation[3]	**£66.4m**	£62.8m	5.7%
Ordinary dividend paid per share	**47.2p**	46.2p	2.2%
Additional dividend paid per share	**36.8p**	36.7p	0.3%
Ordinary reported dividend per share	**39.2p**	39.2p	(0.0)%
Net corporate (debt)/cash[4]	**£(12.0)m**	£3.5m	(444.7)%
Cash and cash equivalents	**£93.8m**	£37.5m	150.1%

Resilient performance delivered from a strong business platform

- **Embed PayPoint at the heart of convenience retail**
  - PayPoint One was live in 16,098 sites at 31 March 2020, growth of 3,217 year-on-year, with 98.9% of PayPoint’s independent retailer partners now using the platform and the legacy T2 terminal successfully retired from our independent estate. The original target of 15,800 was exceeded and the revised target of 16,500 sites achieved on 21 February 2020 although subsequently a number of sites became non-operational due to Covid-19.
  - PayPoint One average weekly service fee per site increased to £15.4 from £15.1 last year and total service fee net revenue increased 28.1% to £13.1 million.
  - Card payments net revenue increased by 10.9% to £8.7 million. Card payments estate declined by 444 sites from 30 September 2019 to 9,435 sites at 31 March 2020, largely due to non-operational sites from Covid-19.
- **Become the definitive parcel point solution**
  - Parcel volumes increased by 12.7%, primarily due to good growth from new parcel partners.
  - On 6th 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.
- **Sustain leadership in ‘pay-as-you-go’ and grow digital bill payments**
  - In the UK 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.
  - Continued strong growth in MultiPay, transactions increased by 20.4% and net revenue increased by 25.7%.
  - Romania performed well, maintaining its strong position with good growth in net revenue from margin improvement.
- **Innovate for future growth and profits**
  - New self-service proposition trialled in Romania with the development of an automatic vending machine (AVM) to offer a new and convenient channel to consumers.
  - Continued investment into our EPOS platform with number of improvements to benefit our retailer partners.
  - Card net settlement fully operational and live in 399 sites.
  - MultiPay PayByLink capability developed to extend functionality.

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[1] Net revenue is an alternative performance measure. Refer to note 1 to the financial statements for a reconciliation to revenue.
[2] Operating margin % is an alternative performance measure and is calculated by dividing operating profit by net revenue.
[3] Cash generation is an alternative performance measure. Refer to the financial review – cash flow and liquidity for a reconciliation from profit before tax.
[4] 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.

- **Organisation and service delivery**
    - An internal reorganisation to deliver a more streamlined and accountable structure across all business lines including the appointment of a new Retail Services Director responsible for the end-to-end delivery of products and services to our retailer partners and the management of relationships within the network.
    - Salesforce CRM rolled-out to Sales and Head Office teams, improving efficiencies and delivering an enhanced service for our retailer partners.
    - Improved the onboarding service for new retailers by bringing PayPoint One terminal installation in-house, survey results[1] show over 90% of retailers questioned rated the installation as good or very good.

Financial highlights

- Net revenue of £120.7 million (2019: £116.6 million) increased by 3.5% on a reported basis and increased by 4.1% on an underlying basis, which excludes the £0.7 million prior year impact from the Yodel renegotiation.
- Underlying net revenue growth, which excludes the Yodel renegotiation mentioned above, was driven by a 10.5% growth in UK retail services, resilient performance in UK bill payments and top-ups which grew by 0.3% and growth of 5.5% in Romania.
- Total costs of £63.9 million[2] (2019: £62.8 million) increased by 1.8% on a reported basis and decreased by 2.0% on an underlying basis, which excludes the one-off benefit in the prior period of £2.4 million from improved VAT recovery. Total costs decreased primarily due to the £2.1 million variable pay benefit arising from the decision to cancel management bonuses due to Covid-19 and the release of share based payment accruals, although 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 contract set up expenses.
- Underlying second half costs, excluding a one-off benefit in the prior period of £0.7 million from improved VAT recovery, decreased by £2.6 million from £33.3 million to £30.7 million due to the £2.1 million variable pay benefit and implementation of cost savings.
- Profit before tax excluding the variable pay benefit and exceptional items of £54.7m increased by 1.7%. This was in line with the expectations we set in our 23 January 2020 Trading Statement, before the escalation of the Covid-19 pandemic and subsequent actions and events and the decision to cancel management bonuses.
- Profit before tax excluding exceptional items of £56.8 million (2019: £53.8 million) increased by 5.6%. Underlying profit before tax excluding exceptional items increased by 12.3%, which excludes the one-off VAT recovery benefit of £2.4 million and £0.7 million Yodel renegotiation impact in the prior year.
- Net corporate debt of £12.0 million (2019: net corporate cash £3.5 million) reflects cash balances of £58.0 million less borrowings of £70.0 million from the revolving credit facility, which was fully drawn down to ensure PayPoint was in a strong position to withstand a sustained period of disruption to trading should it occur.
- Final ordinary dividend of 15.6 pence per share (2019: 23.6 pence per share) to be paid to shareholders in equal instalments of 7.8 pence per share on 27 July 2020 and 28 September 2020.

Covid-19 impact and current trading

PayPoint continues to provide its vital services to local communities during this un-precedented 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

[1] Survey results as at 29/04/2020 from 105 responses.

[2] Total costs is an alternative performance measure as explained in note 1 to the financial statements, a reconciliation to costs is included in the Financial Review on page 20.

with cash flow during the coronavirus 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.

This table below 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:

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)%

Nick Wiles, Chief Executive of PayPoint plc, said:

"The past year has been a resilient one for PayPoint. We delivered growth in net revenues and profit before tax for the year. The Covid-19 crisis began to escalate late into our financial year with limited financial impact in the results we are reporting. We took swift action across our business in response to the unfolding crisis. 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. We are proud of the way our people and business have stepped up to the challenges and to provide broader help in this time of crisis.

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. We are also focused on ensuring that the business is flexible and able to rapidly respond to the dynamic marketplace and trends which will inevitably be accelerated by the Covid-19 crisis. Taking these factors into account the board is confident in the long-term resilience of the business and is recommending a final dividend of 15.6p."

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A presentation for analysts is being held at 9.30am today (28 May 2020) via webcast. This announcement is available on the PayPoint plc website: www.paypoint.com

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

CHAIRMAN'S STATEMENT

Following the announcement made on 20 May 2020, the Board is delighted that Nick 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 as 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, Interim Finance Director. Alan joined PayPoint in 2017 and most recently was 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.

We have also 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 earnings[1];

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

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 underway 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

BUSINESS REVIEW

2019/20 performance

This financial year, revenue grew by £1.7 million (0.8%) to £213.3 million. Underlying[1] 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 2020[2], exceeding our original target of 15,800 sites, which we set out at the beginning of the financial year. Our revised target[3] of 16,500 sites was achieved on 21 February 2020 and this achievement brings our T2 sunset program 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 benefit from client contracts entered into in prior years (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 £4.1m 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.

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.

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 cashflow 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[4] times earnings and to ensure 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.

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[1] Excludes the prior year impact from the Yodel renegotiation of £0.7 million.

[2] The reduction of c400 sites from 21 February 2020 to 31 March 2020, was primarily due to retailer partner sites temporarily closing for business during the initial Covid-19 lock down period. Since then c260 of those sites have reopened.

[3] As indicated in our Half-year results for 6 months ended 30 September 2019.

[4] Profit after tax divided by dividends..

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 c62,600 retail sites and is made up of the following segments:

	UK retail sector[1] (Before Covid-19)	**PayPoint's UK network[2] (As at 31 March 2020)**
Independent retailers	18,500	
Symbol group independents	14,400	
Specialist and confectionery, tobacconist & 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

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 £40bn[3], compared to overall food retail growth of 1.7%. Convenience sales are expected to grow at an annual compound rate of 3.1% until 2024[4].
- Convenience retailer sites increased marginally to 46,400 sites across the UK, driven by Multiple groups opening additional sites.

Current impact of Covid-19

Home bound consumers have driven the increase in local shopping for essential items, benefiting 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 year[5].

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.

[1] PayPoint estimates, does not reflect any stores than 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 10 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.

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%[1]. Contactless payments increased 12.3%[2].
- Average transaction values declined by 9.0%[3] to £15.48.
- Over 90% (2019: 88%) of convenience retailers offer debit and credit card facilities with 88% (2019: 80%) accepting contactless payments[4].

Current impact of Covid-*19*

Card payments have benefited 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 payments product 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.

Cash-Out

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 2018[5].
- 3,303 bank branch closures between January 2015 and August 2019, around 34% of the network[6].
- LINK's ATM transactions declined by 11.3% to an average of 2,558 million transactions[7], in the 12 months to February 2020.
- LINK's ATM network declined by 2,861 (4.5%) to 60,291 sites in December 2019[8].

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 c21 million transactions[9], c60% lower than similar weeks in 2019. LINK's ATM network reduced to 53,874 (c10% 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 model[10].

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 cash-out services providing an effective solution for local authorities, charities and service providers to Department for Work and Pensions.

[1] 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.

[2] UK Finance Card Spending Update for January 2020 – January 2020 vs January 2019.

[3] 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.

[4] ACS local shop report 2019.

[5] https://www.ukfinance.org.uk/sites/default/files/uploads/pdf/UK%20Cash%20and%20Cash%20Machines%202019%20SUMMARY.pdf.

[6] https://www.moneyobserver.com/news/numbers-uk-bank-branch-closures-reach-alarming-level.

[7] https://www.link.co.uk/about/statistics-and-trends/ : For the 12 months to 29 Feb 2020.

[8] https://www.link.co.uk/about/statistics-and-trends/ : At December 2019.

[9] https://www.link.co.uk/about/statistics-and-trends/ : For the three weeks ending 12 April 2020.

[10] https://www.link.co.uk/about/news/Covid19-and-cash-link-update/.

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 2019[1] to 1.4bn 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 2025[2]. Returns and send volumes are estimated at c.185 million and c.380 million parcels per year respectively[3].

Current impact of Covid-*19*

- Online clothing sales, a large sector of the PUDO click and collect volumes, have reduced by c30% year on year for the four weeks following 15 March 2020[4].
- 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

Before Covid-*19*

- Cash payments in the UK declined by 16% in 2018[5].
- Energy:
  - The price cap for pre-pay customers reduced to £1,200 per year in April 2020[6], 3.4% lower than the cap set in April 2019.
  - Non-Big Six energy providers combined market share grew marginally to 26% (2018: 25%)[7].
  - OVO Group Ltd's acquisition of SSE Energy Services Group Ltd was cleared by the Competition and Markets Authority in December 2019[8].
  - In 2019, 4.4 million domestic smart meters were installed to reach 19.3 million of 51.8 million[9] total meters.
- Number of pre-paid mobile subscriptions declined by 6.2% to 25.9 million subscribers[10], 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 card[11].
- Smart meter installations are slow; most suppliers have decided to carry out emergency metering work only[12].
- 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

There are c435 million bill payments per year[13] with cash payments being the preferred payment method.

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 2019[14].
- Card payments are growing in usage with PSP processing RON 72 billion in 2019, a 23.6% increase from 2018[14].
- Grocery and pharmacy footfall increased c15% year on year in first two weeks of March 2020[15].

Current impact of Covid-*19*

- Grocery and pharmacy footfall fell by over 40% in the initial lock down and was still 21% lower by the second week of April 2020[15].

[1] https://www.imrg.org/data-and-reports/imrg-metapack-delivery-indexes/imrg-metapack-uk-delivery-index-november-2019/.
[2] https://www.imrg.org/uploads/media/default/0001/08/2477f50ad2fee946cdf5ed23ebb8df21f2489d09.pdf?st.
[3] OC&C analysis.
[4] IMRG Capgemini Online Retail Sales Index.
[5] UK Finance – UK Payment Markets 2019.
[6] https://www.ofgem.gov.uk/data-portal/retail-market-indicators.
[7] https://www.ofgem.gov.uk/data-portal/retail-market-indicators - as at 31 December.
[8] https://www.gov.uk/cma-cases/ovo-sse-retail-merger-inquiry.
[9] https://www.gov.uk/government/statistics/statistical-release-and-data-smart-meters-great-britain-quarter-4-2019.
[10] https://www.statista.com/statistics/273608/number-of-prepaid-mobile-subscriber-in-the-united-kingdom-uk/.
[11] https://www.gov.uk/government/news/government-agrees-measures-with-energy-industry-to-support-vulnerable-people-through-Covid-19.
[12] https://www.ofgem.gov.uk/coronavirus-Covid-19/coronavirus-Covid-19-and-your-energy-supply.
[13] Internal estimates.
[14] https://www.bnr.ro/Payments-Statistics-5312.aspx# Includes resident and non-resident Payment Service Providers (PSP).
[15] https://www.gstatic.com/Covid19/mobility/2020-04-30_RO_Mobility_Report_en.pdf

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 network, scalable technology and payments platform. The strategy is executed through the following priorities identified in the 2018/19 annual report:

1. Embed PayPoint at the heart of convenience retail.
2. PayPoint becomes the definitive parcel point solution.
3. Sustain leadership in 'pay-as-you-go' and grow digital bill payments.
4. 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 rollout 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% 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 have 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.

- 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.

[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

    - 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 workflow 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 omni-channel 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 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 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.

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 partner experience and increase efficiency.

Progress in 2019/20

- Trialled 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 workflow 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 rollout of PayPoint One and retirement of legacy terminals we have a number of key objectives underway 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 pro-actively 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.

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 consumer 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 benefiting from the rollout 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 Cash-out voucher service, particularly in light of the Covid-19 environment.

Romania 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 hand held 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 omni-channel 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.

KEY PERFORMANCE INDICATORS[1]

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

	KPI	Description, purpose and reference	2019/20	2018/19	2017/18
Overall performance	Net revenue (£ million) (Group)	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. (See Finance review – 'Overview' on page 17)	**120.7**	116.6	119.6
	Operating margin (%) (Group)	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. (See Finance review – 'Operating margin' on page 20)	**47.2**	46.3	44.7
	Cash generation (£ million) (Group)	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. (See Finance review – 'Cash flow and liquidity' on page 21)	**66.4**	62.8	67.9
Embed PayPoint at the heart of convenience retail	PayPoint One sites (Number) (UK)	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. (See Strategic priorities on page 10)	**16,098**	12,881	8,550
	PayPoint One average weekly fee per site (£) (UK)	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. (See Strategic priorities on page 10)	**15.4**	15.1	14.9
	Card payment net revenue (£ million) (UK)	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. (See Finance review – 'Sector analysis' on page 18)	**8.7**	7.9	7.5
	ATM net revenue (£ million) (UK)	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. (See Finance review – 'Sector analysis' on page 18)	**11.9**	12.3	12.8
Become the definitive parcel point solution	Parcel sites (Number) (UK)	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. (See Strategic priorities on page 11)	**8,646**	7,134	7,436
	Parcels processed (Millions) (UK)	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. (See Finance review – 'Sector analysis' on page 18)	**24.5**	21.8	23.7

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

	KPI	Description, purpose and reference	2019/20	2018/19	2017/18
Sustain leadership in 'pay-as-you-go' and grow digital bill payments	Transaction value (£ million) (Group)	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.	**9,015**	9,237	9,201
	Transactions processed (Millions) (Group)	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. (See Finance review – 'Sector analysis' on page 18)	**448.8**	472.7	482.1
	Net revenue per transaction (Pence) (Group)	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. (See Finance review – 'Sector analysis' on page 18)	**17.5**	16.4	15.9
Shareholder returns	Diluted earnings per share (Pence) (Group)	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. (See note 10 to the financial statements on page 110)	**66.3**	64.8	62.7
	Dividends paid per share (Pence) (Group)	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. (See Finance review – 'Dividends' on page 22)	**84.0**	82.9	82.0
Non-financial	Network stability one-mile urban population cover (%)	Total urban population covered within a one-mile radius of a PayPoint site. This is monitored to ensure PayPoint are above our minimum SLA statistic of 95%.	**99.5**	99.5	99.5
	Network stability five-mile rural population cover (%) (UK)	Total rural population covered within a five-mile radius of a PayPoint site. This is monitored to ensure PayPoint are above our minimum SLA statistic of 95%.	**98.3**	98.5	98.5
	Retailer partner site churn (%) (UK)	The % of the retailer partner network, that on an annual basis, exits PayPoint. This is calculated by taking the number of retailers 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. 1. Included in retailer partners that left PayPoint in the year were 731 due to the legacy T2 terminal sunsetting. Excluding this figure from retailer partners leaving, churn would have been 5.8%.	**8.4**[1]	5.2	7.2
	Employee engagement (%) (UK)	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.	**68.0**	69.0	N/A

FINANCIAL REVIEW

OVERVIEW

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	**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%)

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 £3.9million (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 rollout 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 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%

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) benefiting 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 fee 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.

[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.

Card payments: Card payment transaction volumes grew by 20.6% to 136.8 million (2019: 113.5 million) benefiting 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 & other: Parcel volumes increased by 12.7% to 24.5 million (2019: 21.8 million) benefiting 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 payments[1]

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%)
Of which: MultiPay transactions (millions)	**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 arising 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 benefited 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 £0.7 million was deferred.

UK top-ups & 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%)
Of which: eMoney transactions (millions)	**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 MARGIN[1]

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[2] of 19.6% (2019: 18.8%), 0.8ppts higher than prior year due to higher adjustments in respect of prior year.

[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.

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.

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 23.6p (2019: 15.6p) and an additional interim ordinary dividend of 18.4p (2019: 12.2p) were paid in equal instalments of 21.0p 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[1] times earnings;

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 23 to 26. 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.

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. 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 to 63 of the financial statements.

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	Change
Credit and operational risk	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.	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.	
People and culture	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.	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.	
Losing key clients and retailers	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.	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.	

Competition and markets	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.	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.	↑
Innovation and implementation	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 rollout would ultimately reduce revenue. Continued system infrastructure improvements are essential in maintaining resilient and effective services, and ineffective infrastructure upgrades may impact future performance.	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 underway 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.	→
Key partners and suppliers	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.	PayPoint has effective partner and supplier selection processes and long-term contacts are implemented for strategic partners 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.	↑
Business interruption	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 significantly changes in working practices may impact PayPoint's service delivery, increasing the trend of risk.	Comprehensive continuity plans have been implemented to mitigate risk of disruption from Covid-19. Systems are continually upgraded and resilience 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.	↑
Legal and regulatory	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.	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.	→
Cybersecurity and data protection	Cyberattacks 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 cybersecurity 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.	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 cybersecurity response plans are regularly tested. Home working tools, security alert process and employee cyber awareness were enhanced in response to specific Covid-19 threats. We engage with law enforcement and partners on cybercrime, and proactively manage compliance with data privacy requirements. Additionally, PayPoint's Audit Committee has a Cyber Security and IT sub-committee which oversees cybersecurity capability.	↑

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 cybersecurity risks resulting from Covid-19 and the strategies to mitigate risk.

Potential impact	Mitigation strategies
Strategic risk Cash usage has 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 process to ensure heightened credit risk is appropriately mitigated.
Operational risk Covid-19 has heightened the risk of supplier failure, potentially impacting PayPoint's 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.
Cybersecurity risk Covid-19 has increased cyber threats from cybercriminals 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 cybersecurity risks.	PayPoint has effective cybersecurity 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 23 to 25) 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 7 to 9 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 below:

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)%

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

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 £70m revolving credit facility (RCF) and £5m ancillary facilities, expiring on 28 March 2023. The agreement includes a £20m accordion (uncommitted) facility. At 31 March 2020, the Directors had drawn down a total of £70m 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 cashflow 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March (£000)	Note	2020	2019
Continuing operations			
Revenue	3	**213,257**	211,576
Cost of revenue	4	**(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		**-**	922
Profit before tax		**56,799**	54,717
Tax	5	**(11,131)**	(10,285)
Profit for the year attributable to equity holders of the parent		**45,668**	44,432
Earnings per share			
Basic	7	**66.9p**	65.2p
Diluted	7	**66.3p**	64.8p

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March (£000)	2020	2019
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

As at 31 March (£000)	Note	2020	2019
Non-current assets			
Goodwill		**11,853**	11,618
Other intangible assets		**17,274**	15,875
Property, plant and equipment		**24,840**	26,665
Deferred tax asset		**565**	781
		54,532	54,939
Current assets			
Inventories		**214**	124
Trade and other receivables	8	**108,368**	139,010
Current tax asset		**1,099**	-
Cash and cash equivalents	9	**93,774**	37,485
		203,455	176,619
Total assets		**257,987**	231,558
Current liabilities			
Trade and other payables	10	**148,621**	176,720
Current tax liabilities		**-**	4,455
Lease liabilities		**197**	-
Loans and borrowings		**70,000**	-
		218,818	181,175
Non-current liabilities			
Trade and other payables	10	**95**	233
Lease liabilities		**744**	-
		839	233
Total liabilities		**219,657**	181,408
Net assets		**38,330**	50,150
Equity			
Share capital	11	**228**	227
Share premium		**4,485**	3,352
Share-based payment reserve	12	**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 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		-	-	1,466	-	-	1,466
Vesting of share scheme	12	-	445	(1,563)	-	393	(725)
Deferred tax on share-based payments		-	-	10	-	-	10
Dividends		-	-	-	-	(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		-	-	631	-	-	631
Vesting of share scheme	12	-	1,133	(1,416)	-	(746)	(1,029)
Deferred tax on share-based payments		-	-	(24)	-	169	145
Dividends		-	-	-	-	(57,419)	(57,419)
Closing equity 31 March 2020		**228**	**4,485**	**1,875**	**(733)**	**32,475**	**38,330**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March (£000)	Note	2020	2019
Net cash inflow from operating activities	13	**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	6	**(57,419)**	(56,561)
Proceeds from issue of share capital		**1**	-
Movement in financing facility		**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

As at 31 March (£000)		2020	2019
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	9	**93,774**	37,485

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

Basis of preparation

This preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 March 2020 or 31 March 2019, but is derived from the statutory accounts and has complied with International Financial Reporting Standards (IFRS). This announcement does not contain sufficient information to fully comply with IFRS. The Company expects to publish full financial statements that comply with IFRS in due course.

Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts and the report was unqualified, did not draw attention to any emphasis of matters and did not contain statements under s498(2) or (3) of the Companies Act 2006.

This preliminary announcement complies with the recognition and measurement criteria of IFRS, and with the accounting policies of the Group which were set out on pages 99 to 106 of the 2020 annual report and accounts. No subsequent material changes have been made to the Group's accounting policies with selected accounting policies included below.

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 draw 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 £45.9 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 macro-economic 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 18th 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 26 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 cashflow 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.

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 5), reported dividends (note 6) and cash generation.

Net revenue

Net revenue is revenue less commissions paid to retailer partners 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.

The reconciliation of revenue to net revenue is as follows:

Year ended 31 March (£000)	2020	2019
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

Effective tax rate

Effective tax rate is the ongoing 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 13. This measures the cash generated which can be used for tax payments, new investments and financing activities.

Total Costs (non-IFRS measure)

Total costs comprise of other cost of revenue (note 4), 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).

The reconciliation of cash and cash equivalents to net corporate (debt)/cash is as follows:

As at 31 March (£000)	2020	2019
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

Revenue accounting policy

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 value added tax. 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

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

The judgement is 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), PayPoint bears the credit risk and those funds have been separately identified as belonging to that beneficiary, the cash and the related liability is not included in the statement of financial position. In all other situations the cash and corresponding liability are recognised on the statement of financial position.

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 £5.4million 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.

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 17 to 20.

Geographical information

Year ended 31 March (£000)	2020	2019
Revenue		
UK	**143,545**	143,294
Ireland	**-**	1,381
Romania	**69,712**	66,901
Total	**213,257**	211,576

Non-current assets

As at 31 March (£000)	2020	2019
UK	**40,493**	41,759
Romania	**14,039**	13,180
Total	**54,532**	54,939

3. Revenue

Disaggregation of revenue

Year ended 31 March (£000)	2020	2019
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

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.

Contract balances

As at 31 March (£000)	2020	2019
Trade receivables	**12,346**	15,271
Accrued income	**2,518**	2,047
Contract assets – deferral of setup and development fees	**2,862**	3,636
Contract liabilities	**(1,965)**	(2,696)
Deferred income	**(328)**	(599)
Total	**15,433**	17,659

4. Cost of revenue

Year ended 31 March (£000)	2020	2019
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

5. Tax

Year ended 31 March (£000)	2020	2019
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 United Kingdom statutory rate of corporation tax for the year of 19% (2019: 19%). The charge for the year is reconciled below to the profit before tax as set out in the consolidated statement of profit or loss.

Year ended 31 March (£000)	2020	2019
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 purposes of calculating the effective tax rate is as follows:

Year ended 31 March (£000)	2020	2019
Profit before tax	**56,799**	54,717
Exceptional items	**-**	(922)
Total for calculating the effective tax rate excluding exceptional items	**56,799**	53,796

Year ended 31 March (£000)	2020	2019
Effective tax rate	**19.6%**	18.8%
Effective tax rate excluding exceptional items	**19.6%**	19.1%

6. Dividends on equity shares

Year ended 31 March	2020		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 dividends 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.

7. Earnings per share

Basic and diluted earnings per share are calculated on the following profit and number of shares:

Year ended 31 March (£000)	2020	2019
Profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**45,668**	44,432

As at 31 March (Number of shares)	2020	2019
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**	38
Weighted average number of ordinary shares in issue (for diluted earnings per share)	68,834	68,598

Earnings per share (pence)	2020	2019
Basic	**66.9**	65.2
Diluted	**66.3**	64.8

8. Trade and other receivables

As at 31 March (£000)	2020	2019
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 retail partners. An equivalent balance is included within trade and other payables.

9. 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 10). Clients' funds held in trust which are not included in cash and cash equivalents amounted to £41.9 million (2019: £47.5 million).

10. Trade and other payables

As at 31 March (£000)	2020	2019
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.

11. Share capital

As at 31 March (£000)	2020	2019
Called up, allotted and fully paid share capital		
68,376,750 (2019: 68,243,406) ordinary shares of 1/3p each	**228**	227

12. Share based payments

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.

13. Notes to the consolidated statement of cash flows

Year ended 31 March (£000)	2020	2019
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[1]	**-**	(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)**	152
Movement in receivables	**1,172**	3,715
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)
Finance charges paid	**(720)**	(586)
Net cash from operating activities (Corporate)	**50,068**	52,308
Movement in clients' funds and retailers' deposits	**1,413**	7,255
Net cash from operating activities[2]	**51,481**	59,563

14. 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 6th April 2020, PayPoint acquired the 50% of the remaining asset that Yodel owned for £6m, resulting in Collect+ becoming a fully owned brand within the PayPoint Group. Collect+ Holdings Limited and Collect+ Brand Limited will be a classed as fully owned subsidiaries in the next financial year 20/21. 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.

[1] 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.
[2] 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.