PayPoint Plc
Preliminary Results
Year ended 31 March 2021

Transformative year for the PayPoint Group with significant step change in strategic delivery

Year ended 31 March 2021	2021	Restated[1] 2020	Change
Revenue from continuing operations	**£127.7m**	£144.3m	(11.5)%
Net revenue from continuing operations[2]	**£97.1m**	£106.8m	(9.1)%
Operating margin from continuing operations before exceptional items[3]	**38.0%**	47.2%	(9.2)ppts
Profit before tax from continuing operations[4]	**£19.4m**	£50.0m	(61.1)%
Profit before tax from discontinued operations	**£7.6m**	£6.8m	10.8%
Underlying profit before tax from continuing operations[5]	**£35.5m**	£44.1m	(19.3%)
Diluted earnings per share	**31.3p**	66.3p	(52.8)%
Diluted earnings per share from continuing operations[4]	**21.9p**	58.1p	(62.3)%
Ordinary dividend paid per share	**31.2p**	47.2p	(34.0)%
Additional dividend paid per share	**-**	36.8p	-
Ordinary reported dividend per share	**32.2p**	39.2p	(17.9)%
Final dividend	**16.6p**	15.6p	6.4%
Cash generation[6]	**£52.2m**	£66.4m	(21.4)%
Cash generation from continuing operations	**£44.1m**	£57.9m	(23.8)%
Net corporate debt[7]	**£(68.2)m**	£(12.0)m	(465.8)%
Cash and cash equivalents	**£64.8m**	£93.8m	(30.9)%

KEY HEADLINES

- Transformative year for the Group with significant step change in strategic delivery and a solid financial performance against the backdrop of Covid-19
- Strategic repositioning of the business for growth driven through acquisitions of Handepay/Merchant Rentals, i-movo, RSM 2000 and investments in our core UK market
- Disposal of Romanian business completed on 8 April 2021, with proceeds of £48 million, including a full year trading performance of £7.6 million profit before tax
- Enlarged PayPoint Group now delivering a broader range of innovative services and technology connecting millions of consumers with an expanded universe of over 60,000 retailer partner and SME locations across multiple sectors
- Full ownership of Collect+ secured in April 2020, establishing a technology-based delivery platform to deliver best-in-class customer journeys for e-commerce brands and their customers and expand our consumer Send service
- Major client relationships renewed and expanded to digital services with contract renewal programme now complete
- Strengthened the proposition for clients and retailer partners, improved engagement and service to deliver better value and support to customers, and identified new areas of growth in our core UK market
- Strong transaction growth in card payment, eMoney and parcels reflecting the PayPoint Group's position to take advantage of the trends accelerated through Covid-19, including the continued shift from cash to digital payments, the growing demand for online shopping fulfilment and the increase in shopping local
- Provision of £12.5 million made as current best estimate for a resolution of Ofgem's Statement of Objections
- Final dividend declared of 16.6p, an increase of 6.4%, reflecting our long-term confidence in the business

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[1] Comparative information has been restated for the discontinued operation. Refer to note 9.
[2] Net revenue is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to revenue.
[3] Operating margin before exceptional items % is an alternative performance measure and is calculated by dividing operating profit before exceptional items by net revenue.
[4] Profit before tax from continuing operations includes £3.6 million of non-recurring costs associated with the acquisitions undertaken in the year and the £12.5 million provision made as a current best estimate for a resolution of Ofgem's Statement of Objections
[5] Underlying profit before tax is an alternative performance measure as explained in note 1 to the financial information, a reconciliation to profit before tax from continuing operations is included in the Financial review on page 18.
[6] Cash generation is an alternative performance measure. Refer to the Financial review – cash flow and liquidity for a reconciliation from profit before tax.
[7] Net corporate (debt)/cash (excluding IFRS 16 liabilities) is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to cash and cash equivalents.

Nick Wiles, Chief Executive of PayPoint plc, said:

"This has been an exceptional year for PayPoint in which we have delivered a step change in our strategy while responding to the impact of Covid-19 on the business, our clients, retailer partners and their customers. This has required huge commitment and adaptability from everyone in the business to respond to these challenging circumstances and I would like to thank the team for their hard work throughout the year in supporting our clients, retailer partners and the communities they serve.

Against the background of delivering a solid financial performance for the year, we have been focused on delivering a step change in our strategic delivery through making the necessary business acquisitions and investments to strengthen our capabilities, broaden our retailer proposition, improve engagement and service quality for our clients and retailers and identify new areas of growth in our core UK market. We have made positive progress in this transformation of the business with more to achieve in the year ahead to strengthen our platform and maximise the opportunities available.

Further to our announcement on 30 September 2020, we continue to consider our response with respect to Ofgem's provisional views set out in its Statement of Objections. In accordance with IFRS, the Board has made a provision of £12.5 million as a current best estimate for a resolution of this matter.

While early in the year, we are already seeing some encouraging signs of continuing renewed activity in a number of areas of our business, in particular in card processing and parcels. We are also encouraged by the early performance and rapid integration of i-movo and Handepay/Merchant Rentals into the PayPoint business and the new opportunities arising from the recently completed acquisition of RSM 2000. I am confident the steps we have taken during the financial year have strengthened the business and better positioned us for both recovery in our legacy businesses and growth in our developing markets. As a result, we are confident in the business delivering further progress in the year ahead as we take advantage of the accelerated growth opportunities across our key markets."

FINANCIAL HIGHLIGHTS

- Net revenue from continuing operations of £97.1 million (2020: £106.8 million) decreased by 9.1% on a reported basis, driven by the impact of Covid-19 on UK bill payments, ATM and parcels, and partially offset by growth in UK card payments, eMoney and service fees. The prior year included £3.8 million net revenue from the British Gas contract now ended; excluding this expected impact, net revenue from continuing operations decreased by £5.9 million. Revenue from continuing operations decreased by £16.6 million (11.5%) to £127.7 million (2020: £144.3 million) with the ending of the British Gas contract contributing £6.1 million of the decrease
- Exceptional items of £16.1 million includes expenses relating to acquisitions and refinancing and a provision of £12.5 million made in relation to Ofgem's Statement of Objections. The provision is our current best estimate for a resolution of this matter
- Profit before tax from continuing operations of £19.4 million (2020: £50.0 million), decreased by £30.6 million. This reflects the decrease in net revenue from continuing operations and £16.1 million of exceptional items
- Profit before tax from discontinued operations of £7.6 million (2020: £6.8 million) increased by £0.8m driven by margin improvement in bill payments and top-ups
- Underlying profit before tax from continuing operations of £35.5 million, which excludes exceptional items (2020: £44.1 million) decreased by 19.3%. The prior year underlying profit has been adjusted to exclude the impact of the British Gas contract which ended in December 2019, the prior year variable pay benefit from the decision to cancel management bonuses and release of share based payment accruals
- Underlying total costs from continuing operations[1] of £61.6 million (2020: £58.9 million) increased by 4.6%. This includes £2.0 million of costs associated with Handepay/Merchant Rentals and i-movo since acquisition. Excluding these associated costs, underlying total costs from continuing operations have increased £0.7 million or 1.1%
- Net corporate debt[2] of £68.2 million (2020: £12.0 million) reflects the impact of the strategic acquisitions made in the year. This includes corporate cash balances of £18.3 million and borrowings of £86.6 million from the revolving credit facility, term loan and block loans as of 31 March 2021. This was also prior to the benefit of the £48m proceeds from the disposal of our Romanian business, completed shortly after year end. The Romanian business generated a full year trading performance of £7.6 million profit before tax
- Final ordinary dividend of 16.6 pence per share (2020: 15.6 pence per share) declared, representing an increase of 6.4%. The dividend will be paid to shareholders in equal instalments of 8.3 pence per share on 29 July 2021 and 30 September 2021. The additional dividend programme ended in the prior year

[1] Underlying total costs from continuing operations 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 22.

[2] Net corporate (debt)/cash (excluding IFRS 16 liabilities) is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to cash and cash equivalents.

OPERATIONAL HIGHLIGHTS

Strategic repositioning of the business for growth driven through acquisitions and investments in core UK market

- Enlarged PayPoint Group now delivering broader range of innovative services and technology connecting millions of consumers with an expanded universe of over 60,000 retailer partner and SME locations across multiple sectors
- Acquisition of Handepay and Merchant Rentals, completed in February 2021, creates national card payments business with over 30,000 SME customers and reach into food services, garages and hospitality sectors
- Completion of i-movo acquisition in November 2020, enhances our EPoS proposition with its leading secure digital voucher platform, creating new opportunities with Newspaper, Government, FMCG, Utilities and banking clients
- Full ownership of Collect+ secured in April 2020, establishing a technology-based delivery platform to deliver best-in-class customer journeys for e-commerce brands and their customers and a platform for Send service expansion
- RSM 2000, acquired in early April 2021, enhances our digital payments capability, bringing strategic Direct Debit platform, adding innovative mobile payment products and enabling reach into new sectors, including charities, not-for-profit organisations, events and SMEs in the UK
- Disposal of Romanian business to Innova Capital completed on 8 April 2021, underpinning UK-focused strategy

Strong progress against strategic priorities, delivering growth and unlocking incremental opportunities

1. Embed PayPoint at the heart of convenience retail

- PayPoint One sites increased by 1,707 to 17,805 since 31 March 2020
- PayPoint card payments transactions grew significantly by 53.8% to 210.4 million, benefiting from the increase in convenience store sales and the preference of consumers and stores for paying by card
- Good progress on enhancing our retailer proposition to increase footfall, revenue opportunities, service and engagement with our retailer partners through a number of important initiatives ready to launch in 2021, including FMCG proposition that uses digital vouchering, digital screen advertising, sales data, and PayPoint's retailer engagement channels, to drive in-store activity and execution
- Home delivery proposition on target for launch in Summer 2021, in partnership with Snappy Shopper, fulfilling customer orders from partnered stores with home delivery and click and collect
- Strengthened EPoS adoption and support to retailers through the Try Before You Buy initiative in Q2 2020
- Driven significant improvements in retailer partner experience, including introduction of Retail Services Hub to align retailer-facing service resource, new phone system enabling improvement in calls answered to 97% and improved Trustpilot score of 4.8/5
- Positive progress on our banking proposition with our pioneering LINK Counter Service 'cashback without purchase' solution – trial now extended till October 2021, with legislation now implemented enabling full rollout across the retail network in late 2021

2. PayPoint becomes the definitive parcel point solution

- 10,509 live parcel sites as of 31 March 2021 – increase of 1,863 sites since 31 March 2020
- Good growth in transaction volumes to 26.6 million, an increase of 8.3% year on year (2020: 24.5 million), in spite of the impact of lockdowns earlier in the year
- Three new partnerships successfully launched with DPD, Hubbox and Parcels2Go, adding to comprehensive portfolio of leading e-commerce brands, including Amazon, eBay, DHL, Yodel and Fedex
- Secured full ownership of Collect+ in April and new Collect+ website launched, giving control of consumer experience as well as a platform for Send service expansion
- Investment in 3,600 Zebra thermal printers yielded improved customer experience and transaction growth – 32% of returns (351k transactions) were printed in store in March 2021 with 52% of those transactions using the new technology
- Send service, enabling customers to send parcels from our network, successfully launched in March 2021, with supporting marketing trial in progress in Manchester – early interest and volumes promising in first few weeks

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

- Major relationships renewed and expanded to digital services with client contract renewal programme now complete – 36 renewals completed in the period, including EON, securing multiple year commitments and delivering a broader range of services from our MultiPay digital payments portfolio
- Continued diversification from cash to digital solutions - 34 new clients signed, with 23 coming from non-energy sectors and 8 taking digital payments solutions, including Nursing and Midwifery Council, BBC TV Licensing and Curo Group
- Continued strong growth in eMoney, with transactions increasing by 24.9% and a 25.8% increase in net revenue
- Continued demand for our Cash Out service due to ongoing Government meal voucher schemes and Covid-19 related hardship funds, supporting local authorities and charities in the rapid disbursement of emergency funds
  Several MultiPay product portfolio enhancements launched in year, including Direct Debit, PayByLink (reducing collections payment friction and debt management support via personalised SMS reminders containing a payment link) and Event Streamer (enabling view of live cash transactions in real-time in MultiPay platform, alongside other digital payments channels)

4. **Building a delivery focused organisation and culture**

- Good progress on integration of Handepay, Merchant Rentals and i-movo acquisitions, with work well underway for RSM2000 acquisition completed on 12 April 2021
- Executive Board strengthened to deliver growth and focus on UK market
- Number of internal promotions within the business to strengthen our efforts on retailer partner product delivery and IT
- Alan Dale was appointed to the Board as Finance Director on 20 November 2020, after acting as Interim Finance Director since July 2020
- Rosie Shapland was appointed to the Board as an Independent Non-Executive Director and assumed chairmanship of the Audit Committee from 1 December 2020
- Greater focus on systems resilience and service delivery to support our clients, retailer partners and consumers
- Next phase of CRM now fully rolled out to Contact Centre, enabling 'single customer view' of retailer, enhanced retailer experience and Salesforce Maps functionality now being rolled out to optimise field team journeys and productivity

Responding to the structural changes in our legacy markets and the impact of Covid-19

Going into the 2020/21 financial year, management recognised the need to reposition the business in response to the impact of structural changes in our traditional legacy markets. In addition to the full year impact from the loss of the British Gas contract (£3.8m), the business faced the impact of declining bill payment transactions, rate reductions to a number of energy client contracts on renewal and the long-term decline of cash usage, with its effect on our ATM business and more broadly across bill payments, a trend accelerated during the early days of Covid-19. Our response has been to:

- strengthen our relationships and broaden our digital payments solutions for our core energy clients
- broaden our digital payment offer and capabilities into non-energy sectors, including housing and local authorities
- expand our cash through to digital payment capabilities and proposition, including Direct Debit and card payments
- revitalise and enhance our service and retailer proposition through a combination of targeted acquisition and investment
- establish Collect+ as the pre-eminent technology-enabled e-commerce delivery platform
- optimise our ATM estate and develop new innovative 'access to cash' solutions, such as the LINK Counter Service
- broaden our retailer proposition to deliver increased value to our retailer partners, through initiatives such as launching new eMoney partnerships and developing home delivery and FMCG propositions

Our resilient service delivery and solid trading performance through Covid-19 was delivered through a proactive network and product recovery following the first lockdown, which was then sustained over later national lockdowns, and supported by our resilient, sustainable operating model, as evidenced by the tables below. Digital payments (eMoney) grew strongly and card payments have continued their strong performance with transactions in the fourth quarter 33.6% above the comparative period, benefitting from the broader consumer shift from cash to card and to more local shopping. After the first quarter, parcel volumes maintained year-on-year increases throughout the rest of the financial year. In the first month of the current financial year, we are seeing encouraging signs of continuing renewed activity in our card payment, parcel and ATM businesses.

Service	Q1 20/21 vs 19/20 % increase/ (decrease)	Q2 20/21 vs 19/20 % increase/ (decrease)	Q3 20/21 vs 19/20 % increase/ (decrease)	Q4 20/21 vs 19/20 % increase/ (decrease)
UK bill payment transactions[1]	(25.0%)	(18.7%)	(25.3%)	(23.7%)
UK mobile top-up transactions	(20.0%)	(19.0%)	(16.9%)	(16.6%)
UK eMoney transactions	12.4%	18.4%	25.8%	41.4%
ATM transactions	(30.3%)	(19.2%)	(23.1%)	(24.3%)
Card payment transactions[2]	80.3%	57.7%	46.2%	33.6%
Parcel transactions	(13.0%)	7.5%	6.6%	33.8%

Sites temporarily suspended due to Covid-19	As at 31 March 2020	As at 30 June 2020	As at 30 September 2020	At 31 December 2020	As at 31 March 2021
UK PayPoint One	328	79	29	44	46
UK ATMs	283	212	26	108	124
UK Card payments[2]	293	47	15	23	26
UK Parcels	208	87	18	36	42

[1] Excludes the impact of British Gas contract not being renewed.
[2] PayPoint card payment business only

Well ahead of the first national lockdown, we had swiftly moved to a revised operating model combining remote working, some essential office-based activity and continued field-based support for our retailer partners. The safety of our people was paramount, along with actively minimising any disruption to services and the support provided to clients, consumers and retailer partners. PayPoint has not furloughed any of its employees or accessed any of the available government assistance, instead focusing on tight cost management and deployment of resources, as well as suspending annual salary reviews and cancelling management bonuses for the previous financial year. Following the completion of the acquisition of Handepay/Merchant Rentals, we brought back their employees from furlough in March 2021 to return to sales activity and customer support.

The resilient performance of the business through the pandemic was further underpinned by a series of proactive initiatives to support clients, retailer partners and consumers. These included launching a partnership with Deliveroo to give our retailer partners the capability to deliver goods to their local communities, the PayPoint Retailer Heroes awards recognising retailers who had gone above and beyond to support consumers through the pandemic, the waiving of service fees for stores closed due to Covid-19, the postponement of the annual RPI service fee increase and a £25,000 contribution to the NFRN Covid-19 Hardship Fund, helping retailers adversely affected by Covid-19.

We believe as a result of our recognition and response to the structural changes in our traditional legacy markets, the business is now positioned with stronger and more relevant capabilities to deliver growth and take advantage of the enduring trends that have accelerated through Covid-19, including the continued shift from cash to digital payments, the growing demand for e-commerce fulfilment and the increase in shopping local.

Enquiries

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A presentation for analysts is being held at 9.30am today, 27 May 2021, via webcast. This announcement is available on the PayPoint plc website: corporate.paypoint.com

CHAIRMAN'S STATEMENT

2020 was my first year as Chairman of the PayPoint Group and also one of the toughest years the business has ever faced. I am delighted with the way the management team led by Nick Wiles and all the employees of the Group have responded to the challenges of the global pandemic, to be reporting a solid performance despite the challenges and to have delivered great progress against our strategic objectives.

Governance

I am pleased to report that for the year under review, we have consistently applied the Principles of good governance contained in the 2018 UK Corporate Governance Code. The Board has this year begun to review the disclosures and management of climate related risks in readiness for the Task Force on Climate-Related Financial Disclosures. Full disclosure in accordance with those new regulations will be provided in our 2022 Annual Report.

Board succession

As announced earlier in the year, Nick became our Chief Executive in May, Alan Dale was appointed Finance Director in November, having acted as Interim Finance Director since July 2020 and Rakesh Sharma took over the role of Senior Independent Director from myself in May 2020. In addition, we welcomed Rosie Shapland, who joined the Board, in October 2020, as an Independent Non-Executive Director assuming the role of Chair of the Audit Committee in December 2020.

We have also seen some changes in the members of our Executive Board this year. We have welcomed Tanya Murphy, General Counsel and Head of Compliance; Ben Ford, Retail Services Director;; Mark Latham, Card Services Director, following our acquisition of Handepay/Merchant Rentals; and more recently Simon Coles, Chief Technology Officer

Board Evaluation

Our 2020 evaluation of the Board, its committees and individual Directors was externally facilitated by Oliver Zeihn of Lintstock Ltd. We are pleased to receive external confirmation that our Board and committees continue to operate effectively.

Annual General Meeting

The Company's Annual General Meeting will be held at PayPoint's registered office on 21 July 2021 where you will have the opportunity to meet the Board and members of the Executive Board. The matters to be approved by shareholders is set out in our Notice of Annual General Meeting which will be mailed to shareholders towards the end of June.

Ofgem Statement of Objections

On 30 September 2020, we announced that we had received a Statement of Objections from Ofgem setting out its provisional views that PayPoint infringed competition law through entering into certain contractual terms with certain energy suppliers and retailers for the provision of payment services to prepayment energy customers. We are considering Ofgem's provisional views set out in the Statement of Objections. In accordance with IFRS, the Board has made a provision of £12.5 million as a current best estimate for a resolution of this matter.

If you wish to discuss any aspect of our governance arrangements, please contact me via our Company Secretary, Sarah Carne via email at sarahcarne@paypoint.com.

Giles Kerr
Chairman
26 May 2021

CHIEF EXECUTIVE'S REVIEW

This has been a transformative year for the PayPoint Group with a significant step change in strategic delivery and a resilient performance delivered across the business against the backdrop of Covid-19 government restrictions and structural changes to our traditional legacy cash business. Operationally, we have remained focused on managing our business by supporting our people, our clients and retailer partner network and the most vulnerable in the community. In addition, we have taken important steps to strengthen our operating model and organisational structure and to identify and support growth opportunities in our core UK business.

In spite of the challenges faced in the past year, the overall performance of the Group has been driven by our robust, agile response to Covid-19, focused on customer support, service development and enabling our people to work successfully and productively. After a challenging first quarter, this approach yielded a swift transaction and site recovery as government restrictions eased after the first lockdown and learnings were successfully applied to minimise the impact of further lockdowns in the year, which is testament to the focus and dedication of the whole business.

We have made good progress against our strategic priorities: embedding PayPoint at the heart of convenience retail; becoming the definitive parcels solution; sustaining leadership in 'pay as you go' and growing digital bill payments and building a delivery-focused organisation and culture. During the year, we have made a number of important steps to underpin this strategy through the acquisition of i-movo, Handepay/Merchant Rentals and RSM 2000 and securing full ownership of Collect+. In addition, we announced the successful disposal of our Romanian business in early April for a total consideration (including the trading profit for the year) of £48 million.

These steps, together with our internal investment plans, reinforce the focus on our UK markets and our confidence in the accelerated growth opportunities we see for the business.

The Executive Board has also been strengthened in key areas to deliver growth and focus on the UK market: Ben Ford, joined as Retail Services Director in July 2020; Tanya Murphy joined as General Counsel and Head of Compliance in September 2020; Mark Latham, joined as Card Services Director in February 2021 following the completion of the Handepay/Merchant Rentals acquisition; and Simon Coles, our Chief Technology Officer since 2017, has now joined the Executive Board. Our Environment, Social and Governance (ESG) agenda has also gathered pace in the year, as we consider our social responsibility and impact as a management team and business towards each of these key areas. Already, we have done important work to deliver a refresh of our purpose, vision and values, reflecting the enlarged PayPoint Group and how we deliver innovative, sustainable services and value for all our stakeholders. There is more for us to do in the year ahead in developing our overall ESG strategy and to ensure its principles are embedded in our strategy and value creation.

On 30 September 2020, we announced that we had received a Statement of Objections from Ofgem setting out its provisional views that PayPoint infringed competition law through entering into certain contractual terms with certain energy suppliers that confer exclusivity to PayPoint for the provision of payment services to prepayment energy customers in combination with exclusivity in retailer arrangements. Ofgem's findings in the Statement of Objections are provisional and Ofgem states that no conclusion should be drawn that there has been an infringement at this stage. We are considering Ofgem's provisional views set out in the Statement of Objections and based on the range of potential outcomes in such proceedings, we believe there will likely be a future outflow of funds in the next financial year. Our current best estimate for a resolution of this matter is £12.5m and we have accordingly made a provision for this in the current year. This estimated provision is not an admission of liability in relation to Ofgem's provisional views in the Statement of Objections.

We are now much better positioned for growth and to take advantage of the enduring structural trends that have accelerated through the Covid-19 pandemic, including the continued shift from cash to digital payments, the growing demand for online shopping fulfilment and the increase in shopping local.

Outlook and dividend

As we begin the new financial year, we are already seeing some encouraging signs of continuing renewed activity in a number of areas of our business, in particular in card processing and parcels. We are also encouraged by the early performance and rapid integration of i-movo and Handepay/Merchant Rentals into the PayPoint Group and the new opportunities arising from the recently completed acquisition of RSM 2000. I am confident the steps we have taken during the 20/21 financial year have strengthened the business and better positioned us for both recovery in our legacy businesses and growth in our developing markets. As a result, we are confident in the business delivering further progress in the year ahead in response to the accelerated growth opportunities across our key markets

The Board has proposed a final dividend of 16.6p per share, an increase of 6.4%, consistent with our dividend policy of a target cover range of 1.2 to 1.5 times earnings, which reflects our long-term confidence in the business, the strength of our underlying cash flow and the enhanced growth prospects from the steps we have taken in the past year. In determining the level of dividend, the Board has sought to ensure a prudent level of earnings coverage for the dividend and to ensure that leverage is not substantially increased even in a scenario whereby the trading patterns seen through the pandemic period continue until the end of December 2021.

Nick Wiles
Chief Executive
26 May 2021

MARKET OVERVIEW

Changing market dynamics are creating significant opportunities for PayPoint, with the business uniquely placed to take advantage of the continued shift from cash to digital payments, the growing demand for online shopping fulfilment and the increase in shopping local.

Key trends and changes since the end of the 19/20 financial year in the UK markets in which PayPoint operates include:

Convenience retail

- The UK convenience sector has been one of the main beneficiaries of the increase in shopping local through Covid-19, with consumers choosing to stay closer to home, avoid busier stores and support businesses in their local community
- PayPoint consumer research[1] shows two in three people said their local convenience store has become more important to them over the past 12 months and 22% relied on their local convenience store to supply essentials unavailable elsewhere (e.g. supermarkets) during lockdown. 27% will continue to do more local shopping as restrictions ease
- Total UK convenience sector is expected to have grown by £3.8bn in 2020, a 9.2% increase on 2019[2]
- PayPoint One basket data shows overall convenience store average basket spend has grown by 10% in 2020, with a peak of £8.43 in December 2020[3]
- Total UK convenience store numbers remained resilient, with marginal growth to 47,000 and numbers of independently-owned stores gaining 3% in the year[4]

Card payments

- Growth in this sector has again been driven by the shift from cash to card payments accelerated by Covid-19
- Forecast growth in UK debit card market by 2027 to 19.7bn payments, with 36% contactless[5]
- In FY 20/21, PayPoint has seen card payment volume increase by 53.8% year on year
- UK convenience store card payments transactions overall increased by 27.2%[6]

Cash Out

- Despite the shift from cash usage during Covid-19, PayPoint's Cash Out service has grown significantly year on year, driven by ongoing Government meal voucher schemes and Covid-19 related hardship funds
- LINK's ATM transactions declined by 46%[7] year on year to c100 million transactions and the number of ATMs in the UK reduced by 12% year on year to 53,216 in the latest data from February 2021
- Some sites with multiple ATMs have closed one or more ATMs to aid social distancing
- Access to cash remains a key priority in the UK. The FCA (Financial Conduct Authority) and PSR (Payment Services Regulator) are taking a joint approach to maintaining services for the many people who continue to rely on cash as a vital way of making payments, despite the changes brought by Covid-19. In April 2021, an amendment to the Financial Services Bill was supported by the Government enabling the full rollout of the LINK Counter Service with PayPoint in late 2021, providing cashback without purchase for consumers. PayPoint will be playing an active role in the provision of this service through its extensive network

Parcels

- Overall online sales increased during the first lockdown in 2020, with overall volumes up by 45% in April and May 2020[8], particularly in electronics, leisure equipment and grocery, as consumers were restricted at home. The full year growth rate for 2020 was up 35% year on year
- Collect+ share of the pick-up and drop-off (PUDO) market grew in the year, experiencing a faster recovery than the broader PUDO/out of home market due to the non-fashion focus of new carrier partners like eBay and increase in convenience store footfall. Transactions were up 33.8% year on year in Q4 20/21
- Latest data[9] shows that 87% of UK consumers have shopped more online during the pandemic, with 71% having returned a product. Delivery preference is key in the e-commerce journey, with 56% considering it the most important factor when shopping online. Home delivery is still the preferred channel for 82% of consumers, with PUDO at 8% and lockers at 2%
- The 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[10]. Returns and send volumes are estimated at c.185 million and c.380 million parcels per year respectively[11]

Bill payments and top-ups

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[1] PayPoint Consumer Research March 2021, 2k respondents, UK consumers
[2] https://www.lumina-intelligence.com/blog/convenience/lockdown-boosts-the-uk-convenience-retail-market-by-3-8bn
[3] PayPoint One Basket Data – Jan-Dec 2020
[4] ACS Local Shop Report 2020
[5] https://www.ukfinance.org.uk/system/files/Summary-UK-Payment-Markets-2018.pdf
[6] For the 12 months to June 2020. Analysis based on Cardnet UK Finance data for Miscellaneous Food stores, Off licences, Sweet Stores and Tobacconists, which form the majority of the Convenience store market.
[7] https://www.link.co.uk/media/1729/monthly-report-mar-21-final.pdf
[8] IMRG Valuing Home Delivery Review 2021
[9] Metapack E-Commerce Delivery Benchmark Report 2021
[10] https://www.imrg.org/uploads/media/default/0001/08/2477f50ad2fee946cdf5ed23ebb8df21f2489d09.pdf?st.
[11] OC&C analysis.

- The price cap for pre-pay customers reduced to £1,164 for the six months to September 2020. This is 6%[1] lower than the cap set in September 2019. This reduced further to £1,070 in the six months from October 2020 to March 2021. From 1 April 2021, the price cap increased to £1,138 for the six months to September 2021
- Non-Big Six energy providers combined market share increased marginally to c29%[2]
- The rollout of smart meters has slowed further with the impact of Covid-19 impacting installations with only 3.2m meters installed in 2020[3] versus 4.5m in 2019. The deadline for completion of the rollout has now been extended to 30 June 2025
- PayPoint data shows average transaction values for dual fuel had grown to £13.60 in December 2020, from £12.54 in the previous year, affecting frequency of visits and transaction volumes
- The number of PAYG mobile subscribers declined by 7% to 23.1 million subscribers[4] in September 2020, from 24.9 million in 2019

PROGRESS AGAINST OUR STRATEGIC PRIORITIES

PayPoint is well placed to take advantage of the trends that have accelerated over the past financial year due to Covid-19, including the continued shift from cash to digital payments, the growing demand for online shopping fulfilment and the increase in shopping local.

Our core strategic priorities for the business are:

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. Building a delivery focused organisation and culture

During the past year, we have taken a number of important steps to underpin this strategy through the acquisition of i-movo, Handepay/Merchant Rentals and RSM 2000, gaining full ownership of the Collect+ brand and the disposal of our Romanian business. The enlarged PayPoint Group now delivers a broader range of innovative services and technology connecting millions of consumers with an expanded universe of over 60,000 retailer partner and SME locations across multiple sectors.

- As the UK’s leading secure digital vouchering system, i-movo enhances our EPOS, terminal services and digital vouchering proposition and creates new opportunities with Newspaper, Government, FMCG, Utilities and banking clients
- Our acquisition of Handepay/Merchant Rentals, completed in February 2021, creates a national card payments business with over 30,000 SME customers and reach into food services, garages and hospitality sectors. Merchant Rentals also brings terminal leasing opportunities within the sectors we serve
- RSM 2000, acquired in early April 2021, enhances our digital payments capability, bringing strategic Direct Debit platform, adding innovative mobile payment products and enabling reach into new sectors, including charities, not-for-profit organisations, events and SMEs in the UK
- Full ownership of Collect+ secured in April 2020, establishing a technology-based delivery platform to deliver best-in-class customer journeys for e-commerce brands and their customers, and enabling further partner and store expansion, direct ownership of consumer interactions and a platform for Send service expansion
- We believe the sale of our Romanian business is well timed, delivering a strong profit on its disposal and ahead of the next stage of development and investment in this business

These steps, together with our internal investment plans, underpin the focus on our UK markets and our confidence in the accelerated growth opportunities we see for the business.

Progress against the core strategic priorities is set out below:

PRIORITY 1: EMBED PAYPOINT AT THE HEART OF CONVENIENCE RETAIL

PayPoint continues to provide digital solutions, technology, payment services, increased footfall and basket spend to our retailer partners. Our UK network of more than 28,000 stores is bigger than all banks, supermarkets and Post Offices together, putting us at the heart of communities nationwide and comprising the best multiple, symbol and independent retailers in the UK. Our superior network means 99.4% of the urban population live within one mile of a PayPoint retailer partner and 98.3% of the rural population live within five miles.

Our network is enabled with technology designed to create a platform for growth and provide retailer partners with everything a modern convenience store needs. Core to this priority is PayPoint One, which includes EPoS and bill payment functionality, and other products such as card payments and ATMs. More broadly, we also provide card payments services to thousands of growing SMEs across the hospitality, auto trade, clothing and households goods sectors.

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[1] https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform/implementation-cma-remedies/prepayment-meter-cap-level#:~:text=The%20Prepayment%20Meter%20Price%20Cap%20came%20into%20force,Price%20Cap%20expires%20at%20the%20end%20of%202020.
[2] https://www.ofgem.gov.uk/data-portal/retail-market-indicators
[3] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/968356/Q4_2020_Smart_Meters_Statistics_Reportv2.pdf
[4] https://www.statista.com/statistics/273608/number-of-prepaid-mobile-subscriber-in-the-united-kingdom-uk/

FY 20/21 Progress

PayPoint One

- PayPoint One sites increased by 1,707 to 17,805 since 31 March 2020, including 282 fewer Covid-19 suspended sites
- Service fee net revenue increased by 11.5% to £14.6 million (2020: £13.1 million) driven by the roll out of PayPoint One to additional sites, an increase in Core and Pro sites and despite no Retail Price Index increase in the year
- The PayPoint One average weekly service fee per site increased by 5.8% to £16.3 since 31 March 2020, benefiting from the increase in Core and Pro sites which are charged at a higher rate. EPoS Pro and Core sites increased by 402 and 1,351 respectively since 31 March 2020, mainly due to new sales, the EPoS Try Before You Buy initiative and Covid-19 suspended sites returning
- Good progress on enhancing our retailer proposition to increase footfall, revenue opportunities, service and engagement with our retailer partners through a number of important initiatives now ready to launch in 2021, including FMCG proposition that uses digital vouchering, digital screen advertising, sales data, and PayPoint's retailer engagement channels, to drive in-store activity and execution; delivering better retailer and consumer engagement for brands, and commercial rewards and incentives for retailers
- Driven significant improvements in retailer partner experience through several initiatives over the year that have contributed positively to our retailer partner NPS – introduction of Retail Services Hub to align retailer-facing service resource; new CRM functionality giving single customer view; new phone system enabling improvement in call answered to 97%; same day resolution targets introduced for retailer queries and first event driven surveys tracking satisfaction at key moments of truth e.g. installation of technology
- Strengthened EPoS adoption and support to retailers through the Try Before You Buy initiative in Q2 2020
- Home delivery and click and collect proposition developed and ready for launch in Summer 2021, in partnership with Snappy Shopper, fulfilling customer orders from partnered stores with home delivery

ATM

- ATM services were live in 3,626 sites at 31 March 2021, an increase of 6 sites since 31 March 2020, with Covid-19 suspended sites decreasing by 159. However, 124 sites continued to remain suspended as at 31 March 2021, particularly in non-convenience store locations unable to re-open due to ongoing government restrictions
- ATM net revenue decreased by 17.9% to £9.7 million (2020: £11.9 million) due to a 24.3% reduction in transactions, mainly due to the continuing trend of reduced demand for cash across the economy and the impact of Covid-19
- Positive progress on our banking proposition with our pioneering LINK Counter Service 'cashback without purchase' solution The trial was launched in October 2020 and has now been extended to October 2021, with legislation now implemented enabling full rollout in late 2021. The trial, partnering with LINK, provides cash withdrawals over the counter without a purchase in communities with limited access to cash and has been well received by industry, Government bodies and consumers. Since launch across 12 locations, c.11,000 withdrawals have been made with £750k dispensed

Card Services:

- PayPoint card payments transactions grew significantly by 53.8% to 210.4 million and PayPoint card payments net revenue increased by 39.1% to £12.1 million, benefiting from the increase in convenience store sales and the preference of stores to take payment by card. Handepay/Merchant Rentals contributed a further £2.5m card payments net revenue for the two months since acquisition
- PayPoint card payment services were live in 9,930 sites at 31 March 2021, an increase of 495 sites since 31 March 2020, mainly due to new sales and Covid-19 suspended sites returning. The average transaction value for the year increased to £12.40 (2020: £11.96), driven by the increase in contactless limit to £45 in 2020 along with the increasing average basket size in the convenience sector. Handepay card payment services were live in 18,805 sites at 31 March 2021
- Use of PayPoint's card payments net settlement functionality continues to grow and is now active in 1,602 sites, an increase of 1,245 sites since 31 March 2020

PRIORITY 2: PAYPOINT BECOMES THE DEFINITIVE PARCEL POINT SOLUTION

Collect+ is our technology-based platform to deliver best-in-class customer journeys for e-commerce brands and their customers over the 'first and last mile', supported by an extensive parcel pick-up and drop-off network, which comprises over 10,500 sites. We provide a footfall driver for retailer partners and a solution for carriers, including Amazon, eBay, DHL, DPD, Fedex, Hubbox, Parcels2Go and Yodel. Delivering high levels of consumer satisfaction with a Trustpilot rating of 4.5/5, our offering enables our carrier partners to improve service levels for their consumers in the crucial 'last mile' of deliveries, balancing the continued growth in online retail shopping with the realities of operating in a competitive low-margin market.

FY 20/21 Progress

- 10,509 live parcel sites as of 31 March 2021 – increase of 1,863 sites since 31 March 2020 driven by new carrier partners and Covid-19 affected sites re-opening
- Good growth in transaction volumes to 26.6 million, an increase of 8.3% year on year (2020: 24.5 million), in spite of the impact of lockdowns earlier in the year

- Net revenue declined by 10.1% year on year, with overall transaction increases diluted by lower margin from our print in store service
- Three new partnerships successfully launched with DPD, Hubbox and Parcels2Go, adding to the comprehensive portfolio of e-commerce brands serviced by our first and last mile technology-enabled delivery platform – Amazon, eBay, DHL, Yodel and Fedex
- Secured full ownership of Collect+ in April 2020, maintaining Yodel as key carrier partner and enabling further partner and store expansion
- New Collect+ website launched – secures control and ownership of store locator, consumer experience and online parcel tracking, as well as a platform for our Send service and further integrations with our carrier partners
- Investment in 3,600 Zebra thermal printers yielded improved customer experience and transaction growth – 32% of returns (351k transactions) were printed in store in March 2021 (March 2020: 6%) with 52% of those transactions using the new printer technology, highlighting growing popularity and consumer demand for the service
- Send service successfully launched in March 2021, with supporting marketing trial in progress in Manchester – early interest and volumes have been promising
- Parcels Operational Support Team now fully integrated into the wider Retail Services function, with retailer and carrier partners seeing improved response times

PRIORITY 3: SUSTAIN LEADERSHIP IN 'PAY-AS-YOU-GO' AND GROW DIGITAL BILL PAYMENTS

PayPoint is pioneering new ways of using digital payments so organisations can seamlessly and effectively serve their customers. Our market-leading omnichannel solution – MultiPay – is an integrated solution offering a full suite of digital payments. It enables transactions online and through smartphone apps and text messages, as well as over the counter, over the phone and via interactive voice response (IVR) systems. It also supports a full range of Direct Debit options, including scheduling collections, as well as new product developments such as PayByLink, recurring payments and Event Streamer.

Over-the-counter payments remain an important part of the UK economy, particularly for the 8 million UK consumers who rely on using cash for payments[1]. We will continue to retain our leadership in this area, through our superior retail network, coverage and service proposition. This business remains highly cash generative and enables us to invest in future growth and innovation

FY 20/21 Progress

Major relationships renewal programme complete and expanding to digital services:

- Major client contract renewal programme now complete – 36 renewals completed in the period, including EON, securing multiple year commitments and delivering a broader range of services from our MultiPay digital payments portfolio
- Continued diversification from cash to digital - 34 new clients signed, with 23 coming from non-energy sectors and 8 taking digital payments solutions, including Nursing and Midwifery Council, BBC TV Licensing, Curo Group
- Key multiple retailer contracts renewed - McColl's, Sainsburys, EG Group, CJ Lang (Spar) and several regional Co-ops (Southern, Mid-Counties, East of England, Lincolnshire) contract renewals signed, reflecting the strength of our proposition and the ongoing quality and prominence of our network

Digital payments growth and expanding portfolio:

- Continued strong growth in eMoney, with transactions increasing by 24.9% and a 25.8% increase in net revenue
- BBC TV Licensing app was launched, generating strong volumes since launch
- Continued demand for our Cash Out service, with transactions increasing 80.4% year on year, due to ongoing Government meal voucher schemes and Covid-19 related hardship funds
- Several MultiPay product portfolio enhancements launched in year, including Direct Debit, PayByLink (reducing collections payment friction via personalised SMS reminders containing a payment link) and Event Streamer (enabling view of live cash transactions in real-time in MultiPay platform, alongside other digital payments channels)

Overall performance:

- UK top-up transactions reduced by 18.2% due to further declines in the prepaid mobile sector, Covid-19 impacts and higher average transaction values
- Bill payments net revenue decreased by 29.3% on a reported basis, or by 23.4% excluding the £3.8 million prior year net revenue from British Gas. Excluding British Gas, transactions decreased by 23.4%. This was primarily due to the impacts of Covid-19, where consumers are making fewer and larger payments, structural changes in this market and the reduced energy price cap which came into effect on 1 October 2020
- As expected, MultiPay net revenue decreased by 5.0%, driven by the anticipated lower volumes from Utilita as they move customers to their in-house solutions

[1] https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf

PRIORITY 4: BUILDING A DELIVERY FOCUSED ORGANISATION AND CULTURE

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.

FY 20/21 Progress

- Good progress on integration of Handepay/Merchant Rentals and i-movo acquisitions, with work well underway for RSM 2000 acquisition completed on 12 April 2021
- Executive Board strengthened to deliver growth and focus on UK market:
  - Ben Ford, joined as Retail Services Director in July 2020 to lead our retail proposition, servicing and engagement strategy;
  - Tanya Murphy, joined as General Counsel and Head of Compliance in September 2020 to lead on legal and regulatory matters across the group;
  - Mark Latham, joined as Card Services Director in February 2021, following the completion of the Handepay/Merchant Rentals acquisition, to lead our card services business and strategy;
  - Simon Coles, our Chief Technology Officer since 2017, has now joined the Executive Board, to lead our systems and technology strategy
- Alan Dale was appointed to the Board as Finance Director on 20 November 2020, after acting as Interim Finance Director since July 2020
- Rosie Shapland was appointed to the Board as an Independent Non-Executive Director and became Chair of the Audit Committee from 1 December 2020
- Greater focus on systems resilience and service delivery to support our clients, retailer partners and consumers
- Next phase of CRM now fully rolled out to Contact Centre, enabling 'single customer view' of retailer, enhanced retailer experience and Salesforce Maps functionality now being rolled out to optimise field team journeys and productivity
- In-house warehouse operations extended to products and consumables, giving complete control of experience and key moments of retailer lifecycle

STRATEGY, BUSINESS DIVISIONS AND PRIORITIES FOR 2021/22

After a transformational year for the PayPoint Group, we are now much better positioned for growth in the UK with significant opportunities to deliver shareholder value as we maximise the opportunities available to the business. The enlarged PayPoint Group delivers a broader range of innovative services and technology connecting millions of consumers with an expanded universe of over 60,000 retailer partner and SME locations across multiple sectors.

What is now clear is that we are developing a strong portfolio of brands and businesses within the PayPoint Group, supporting our clients and retailer partners with innovative solutions and product offerings. As the business develops further in the year ahead, the intention is to develop these brands and businesses into different sizes of network within this expanded universe.

As we look to the future, and given the expansion and enhancement of the PayPoint Group's capabilities, we will be updating how we describe and report on the business to reflect more accurately the market opportunities and service innovation driving growth in the UK. An outline of the reshaped business is provided below and this will be expanded on in greater detail at a Capital Markets Day later in the year:

PayPoint Group – what we do

We deliver innovative services and technology connecting millions of consumers with over 60,000 retailer partner and SME locations

Our three business divisions driving growth:

1. **Payments & Banking**

   What we do:

   We help consumers conveniently make and receive payments online and in-store for the biggest service brands in the UK

   How we do it:

- **Digital** - we are developing new ways of using digital payments so organisations can seamlessly and effectively serve their customers. Our market-leading omnichannel solution – MultiPay – is an integrated solution offering a full suite of digital payments. It enables transactions online and through smartphone apps and text messages, as well as event payments, over the counter, over the phone and via interactive voice response (IVR) systems. It also supports a full range of Direct Debit options, including scheduling collections, as well as new product developments such as PayByLink, recurring payments and Event Streamer. MultiPay customers benefit from real-time visibility of all payments received, through one easy-to-use portal that is fully PCI compliant, and allows visibility of all payment channels - including cash. The platform is used by a growing number of organisations across the UK, including many housing associations, local government authorities and utility providers. Our Cash Out service also enables the rapid dispersal of funds through secure digital channels and is actively used by local authorities and charities to distribute emergency funds
- **Cash to digital** – we enable consumers to access digital brands and services through a comprehensive portfolio of banking, e-Commerce, gaming and loyalty card partners, including Amazon, Xbox, Playstation, Paysafe, Monzo and the Appreciate Group. Consumers simply pay for a 'pin on receipt' code in cash in any of our 28,000 retail locations and then can use that value online with the digital brand or service chosen. For our digital banking partners, consumers can deposit cash into their accounts across our extensive retail network
- **Cash** - we provide vital access to cash across the UK by helping millions of people every week control their household finances, make essential payments and access in-store services. Our UK network of more than 28,000 stores is bigger than all banks, supermarkets and Post Offices together, putting us at the heart of communities nationwide

2. **Shopping**

What we do:

We enhance the retailer proposition and consumer experience, driving footfall, new commission opportunities and better store management tools for thousands of SMEs and retailers across the UK

How we do it:

- **Retail services**
  - We provide digital solutions to help our retailer and SME partners keep pace with changing shopper needs, service expectations and demographics. Our retail services platform, PayPoint One, is live in over 17,800 stores across the UK and offers everything a modern convenience store needs, including EPoS, parcel services, card and bill payments, home delivery and digital vouchering. This empowers our retailer partners to achieve higher footfall and increased spend so they can grow their businesses profitably.
  - We also provide access to cash solutions via our network of circa 3,600 ATMs and our pioneering 'cashback without purchase' solution, partnering with LINK and due to launch in late 2021
- **Card payments** – we provide card payments services for over 30,000 retailer partners and SMEs across the hospitality, convenience retail, garages, clothing and households goods sectors via our PayPoint, Handepay and Merchant Rentals brands.

3. **E-Commerce**

What we do:

We provide a technology-based platform to deliver best-in-class customer journeys for e-commerce brands and their customers over the 'first and last mile'

How we do it:

- **E-Commerce –** we enable the delivery of best-in-class customer journeys for e-commerce brands over the first and last mile in circa 10,000 locations through our Collect+ brand, helping consumers pick up and drop off online shopping or send parcels across the UK. We work with the most comprehensive range of partners, including Amazon, eBay, Yodel, Fedex, DPD, DHL, Hubbox and Parcels2Go. Our proprietary software solutions are built in-house, with a singular focus on the delivery of great consumer experiences and confidence in the crucial first and last mile of parcel journeys. These solutions are easily deployable in thousands of diverse locations across multiple sectors through the PayPoint Group. Our unique blend of in-depth parcel operations experience, consumer interaction and agile IT development capability has been built over years of delivering best-in-class customer experiences.

PRIORITIES FOR 2021/22

To further reflect this positioning of the PayPoint Group, we are also making some adjustments to how we describe our strategic priorities to more accurately reflect the opportunities we see across the markets we serve. The priorities are as follows:

1. Embed PayPoint Group at the heart of SME and convenience retail businesses (Shopping business division)
2. Become the definitive technology-based e-commerce delivery platform for first and last mile customer journeys (E-commerce business division)
3. Sustain leadership in 'pay as you go' and grow digital payments (Payments & Banking business division)
4. Building a delivery focused organisation and culture (PayPoint Group)

Priority 1: Embed PayPoint Group at the heart of SME and convenience retail businesses (Shopping business division)

FY 21/22 Priorities

- Embed the combined and restructured sales teams across PayPoint, focused on new business and retailer relationship development
- Invest to deliver further enhancements to our retailer proposition, including: launch FMCG proposition (combining digital vouchering, digital screen advertising, sales data, and PayPoint's retailer engagement channels); develop commercial rewards and incentives for retailers; launch new eMoney clients offering richer retailer commission, including Love2Shop
- Continue to strengthen EPoS adoption and support to retailers
- Develop next generation terminal strategy to deliver an easy-to-use platform built for future service and product developments
- Home delivery and click and collect rollout in Summer 2021, in partnership with Snappy Shopper
- Card Services:
    - Bring all new business across PayPoint retail and Handepay under a single acquiring service provider, delivering commercial, operational and proposition enhancements
    - In PayPoint retail, launch a switching proposition in Q2 to assist customers switching to us from other providers. Deliver additional value enhancing services such as a faster settlement option
    - Drive additional value from existing introducer relationships in Merchant Rentals and sign new introducer partnerships. Extend supplier agreements to cover other key service providers
- LINK Counter Service – support extended trial to 31 October 2021 and commence deployment of a scaled solution from November 2021, working with LINK and their member base, providing access to cash and supporting Government initiatives
- Retailer Experience – launch of our Retailer Services Hub as a central resource to service our retailer partners, with a view to opening new channels to serve our retailers in 21/22. Continue to deliver transformation programme on how we partner, communicate and support our retailers, continually improving the retailer experience when connecting with any team within PayPoint and leveraging investment in technology and Salesforce CRM

Priority 2: Become the definitive technology-based e-commerce delivery platform for first and last mile customer journeys (E-commerce business division)

FY 21/22 Priorities

- Scale our Send service in H1 21/22, supported by significant marketing investment plan
- Add further partners in 2021 in time to ensure BAU for Peak trading volumes
- Expand service proposition to existing partners, including staged send and in-store printing leveraging Zebra printer investment in 20/21, for example, DHL will be able to offer Print in Store returns from May 2021 across 3,000 sites
- Deliver further improvements to in-store consumer and retailer partner experience, including enhanced StoreScan app to replicate all terminal functionality and proactive inventory management ahead of Peak 2021

Priority 3: Sustain leadership in 'pay as you go' and grow digital payments (Payments & Banking business division)

FY 21/22 Priorities

- Leverage the RSM 2000 acquisition with enhanced digital payments capability and new sector reach, including investment to enhance Direct Debit platform capability
- Invest in new verticals and deliver new business wins, particularly within housing, events, charities and not-for-profit sectors:
    - Clear plan to be finalised by June 2021 to grow Events proposition beyond current base into larger opportunities, such as sporting events
    - Develop plan to leverage PayPoint's digital payments capability in charity and not-for-profit sector
- Creation of a bid management team focussing on larger and more complex tenders centred around digital payments
- Launch comprehensive digital payments offering by the end of the calendar year to develop further our MultiPay product, including Open Banking capability, and grow a strong order book of customers

- Continue to diversify and secure broader opportunities beyond ‘pay as you go’ with existing clients, including the RSM 2000 portfolio

Priority 4: Building a delivery focused organisation and culture (PayPoint Group)

FY 21/22 Priorities

- Deliver synergies and growth opportunities through integrating acquisitions of Handepay, Merchant Rentals, i-movo and RSM 2000
- Embed new PayPoint Group purpose and values across business and further develop ESG approach to deliver responsible and sustainable value for shareholders
- Implement a smooth and effective return to office for our people, that blends the benefits of face to face interaction with working flexibly
- Continue pace of change and investment required to reposition our business in response to changes in our markets and the needs of our clients, retailer partners and consumers
- Invest to build further resilience into our service delivery, including improving quality and speed of agile delivery, reviewing ‘heritage’ systems and settlement infrastructure, enhancing customer support, accelerating cloud data centre strategy and maintaining Salesforce CRM now fully adopted across the business

KEY PERFORMANCE INDICATORS

PayPoint Group has identified the following KPIs to measure progress of business performance:

	KPI	Description, purpose and reference	2020/21	2019/20[1]	2018/19[1]
Overall performance	Net revenue from continuing operations (£ million) (UK)	Revenue from continuing operations less commissions paid to retailers and the cost of 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 Financial review – 'Overview' on page 17)	**97.1**	**106.8**	103.6
Overall performance	Operating margin from continuing operations before exceptional items (%) (UK)	Operating profit from continuing operations 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 Financial review – 'Operating margin' on page 22)	**38.0**	**47.2**	46.5
Overall performance	Cash generation (£ million) (UK)	Earnings from continuing operations 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 investments, capex, taxation and dividend payments. (See Financial review – 'Cash flow and liquidity' on page 22)	**52.2**	**66.4**	62.8
Shareholder returns	Diluted earnings per share from continuing operations (Pence) (UK)	Diluted earnings from continuing operations 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 8 to the financial information on page 42)	**21.9**	**58.1**	57.5
Shareholder returns	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 Financial review – 'Dividends' on page 23)	**31.2**	**84.0**	82.9
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 of 95%.	**99.4**	**99.5**	99.5
Non-financial	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 of 95%.	**98.3**	**98.3**	98.5
Non-financial	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.	**3.6**	**8.4**	5.2
Non-financial	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.	**77.0**	**68.0**	69.0

FINANCIAL REVIEW

[1] Comparative KPIs have been restated for the discontinued operation. Refer to note 9.

OVERVIEW

£m	Year ended 31 March 2021	Restated[1] Year ended 31 March 2020	Change %
Net revenue[2]			
Continuing operations			
UK retail services	**45.0**	41.0	9.8%
UK bill payments and top-ups	**52.1**	65.8	(20.8%)
	97.1	106.8	(9.1%)
Discontinued operation			
Romania	**15.3**	14.6	4.8%
Total net revenue	**112.4**	121.4	(7.4%)
Total costs from continuing operations (excluding exceptional costs)[3]	**61.5**	56.8	8.3%
Total costs from discontinued operation	**7.8**	7.8	(1.3%)
Exceptional costs	**16.1**	-	
Profit before tax	**27.0**	56.8	(52.5%)
Profit before tax from continuing operations	**19.4**	50.0	(61.1%)
Profit before tax from discontinued operation	**7.6**	6.8	10.8%
Underlying profit before tax from continuing operations[4]	**35.5**	**44.1**	**(19.3%)**
Cash generation[5]	**52.2**	66.4	(21.4%)
Cash generation from continuing operations	**44.1**	57.9	(23.8%)
Net corporate debt[6]	**(68.2)**	(12.0)	(465.8%)

In addition to the impacts from a number of headwinds and Covid-19, the above results reflect a number of corporate changes within the Group and some exceptional costs. The Romanian business has been sold and has been classified as a discontinued operation whilst the results of i-movo have been included from December 2020 and Handepay/Merchant Rentals from February 2021. A reconciliation of profit before tax from continuing operations to underlying profit before tax from continuing operations is provided on page 18 to aid clarity on performance.

Profit before tax from continuing operations of £19.4 million (2020: £50.0 million) decreased by £30.6 million (61.1%). This reflects the one-off expected prior year £3.8 million impact of the British Gas contract which ended in December 2019, the £2.1 million prior year variable pay benefit and £16.1 million current year exceptional costs which includes £3.6 million of expenses relating to the acquisitions and refinancing and a £12.5 million provision made in relation to the Ofgem Statement of Objections. Adjusting for these items, underlying profit before tax from continuing operations of £35.5 million (2020: £44.1 million) decreased by £8.5 million (19.3%).

Revenue from continuing operations decreased by £16.6 million (11.5%) to £127.7 million (2020: £144.3 million) with the ending of the British Gas contract contributing £6.1 million of the decrease. Net revenue from continuing operations decreased by £9.7 million (9.1%) to £97.1 million (2020: £106.8 million) including the £3.8 million British Gas impact. Underlying net revenue from continuing operations, which excludes the £3.8m British Gas impact, decreased by £5.9 million (5.7%) to £97.1 million (2020: £103.0 million). This was driven by headwinds of structural changes and margin pressure on UK bill payments and impacts of

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1 Comparative information has been restated for the discontinued operation. Refer to note 9.

2 Net revenue is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to revenue.

3 Total costs is an alternative performance measure as explained in note 1 to the financial information, a reconciliation to costs is included in the Financial review on page 22.

4 Underlying profit before tax from continuing operations is an alternative performance measure as explained in note 1 to the financial information. Refer to note 5 to the financial information for a reconciliation to profit before tax from continuing operations.

5 Cash generation is an alternative performance measure. Refer to the Financial review – cash flow and liquidity on page 22 for a reconciliation from profit before tax.

6 Net corporate debt (excluding IFRS 16 liabilities) is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to cash and cash equivalents.

Covid-19 on UK bill payments, ATM and parcels. These were partially offset by growth in UK card payments, eMoney and service fees and acquisitions.

UK retail services net revenue increased by £4.0 million (10.6%) but was impacted by Covid-19 with a number of sites temporarily closed and consumer behaviour affecting volumes. PayPoint card payments net revenue increased by £3.4 million (39.1%) due to a significant increase in transactions (53.8%) with consumers using cards rather than cash due to Covid-19. Handepay/Merchant Rentals contributed a further £2.5m card payments and terminal leasing net revenue for the two months since acquisition. Service fees net revenue increased by £1.5 million (11.5%) driven by additional sales of PayPoint One and despite PayPoint not implementing the annual RPI increase to help retailer partners. ATM net revenue decreased by £2.2 million (17.9%) due to a reduction in transactions driven by the continuing trend of reduced demand for cash across the economy, accentuated by Covid-19, and the temporary closure of some sites due to Covid-19. Parcels and other net revenue decreased by £1.2 million (16.3%), impacted by Covid-19 reducing demand with consumers at home and, although overall transactions increased, these were diluted by lower margin from our print in store service transactions.

UK bill payments and top-ups net revenue of £52.1 million decreased by £13.7 million (20.8%) which included the £3.8 million impact of the British Gas contract which ended in December 2019. UK bill payments (including Mulitpay) net revenue decreased by £14.3 million (31.5%), or £10.5 million (25.4%) on an underlying basis (excludes the £3.8 million prior period net revenue from British Gas), due to the headwinds of structural changes and margin pressure and impacts of Covid-19, where consumers made less frequent and larger payments. MultiPay net revenue decreased by £0.3 million (6.8%) driven by a decrease in transactions due to Utilita moving customers to their own in-house app. UK top-ups and eMoney net revenue increased by £0.8 million (5.0%) with £1.8 million (25.8%) growth in e-money partially offset by £1.0 million (10.4%) decline in top-ups from Covid-19 and the continuing structural declines in the prepaid mobile sector.

Net revenue from the discontinued operation (Romania) increased by £0.7m (4.8%) to £15.3 million (2020: £14.6 million) through margin improvement in bill payments and top-ups.

Total costs from continuing operations of £61.5 million increased by £4.7 million (2020: £56.8 million). Underlying total costs, which exclude the £2.1 million prior year variable pay benefit, increased by £2.6 million (2020: £58.9 million) which was mainly driven by the additional cost base in relation to the newly acquired businesses, higher depreciation and amortisation (arising from investment in our back-office systems and the Collect+ brand asset) and higher finance costs due to use of the finance facility in case of Covid-19 impacts, partially offset by lower other costs of revenue associated with transaction volumes.

Total costs from the discontinued operation remained stable at £7.8 million, with higher administrative costs offset by lower depreciation and amortisation in the current year on assets classified as held for sale.

Exceptional costs of £16.1 million, which are one-off, non-recurring and do not reflect current operational performance, consisted of £2.8 million acquisition costs, £0.8 million refinancing costs on renewing and increasing our financing facilities to £107.5 million and the £12.5 million provision made in relation to the Ofgem Statement of Objections.

Reconciliation from profit before tax from continuing operations to underlying profit before tax from continuing operations

£m	Year ended 31 March 2021	Year ended 31 March 2020
Profit before tax from continuing operations	**£19.4m**	£50.0m
Adjusted for:		
Current year exceptional costs – administrative expenses	**£3.1m**	-
Current year exceptional costs – finance costs	**£0.5m**	-
Current year provision in relation to the Ofgem Statement of Objections	**£12.5m**	-
Prior year variable pay benefit	**-**	(£2.1m)
Prior year net revenue from British Gas contract	**-**	(£3.8m)
Underlying profit before tax from continuing operations	**£35.5m**	£44.1m

Underlying performance measures allow shareholders to better understand the underlying operational performance in the year. Prior year underlying profit before tax has been restated to exclude the variable pay benefit, as last year it was disclosed as a one-off benefit, and exclude the profit from the British Gas contract ending, as it was the largest contract in the business and this impact makes it more difficult to assess trends in financial performance.

Cash generation remained strong with £52.2 million (2020: £66.4 million) delivered from profit before tax of £27.0 million (2020: £56.8 million). There was a net working capital inflow of £0.8 million primarily benefiting from the VAT deferral offered by HMRC. Tax payments were lower than the prior year due to HMRC having brought payments on account forward by six months in the prior year. Dividend payments were lower compared to the prior year due to the end of the additional dividend programme.

Net corporate debt increased by £56.2 million to £68.2 million (2020: £12.0 million) due to the acquisitions made in the current year. At 31 March 2021 loans and borrowings were £86.6 million (2020: £70.0 million) which included £4.6 million of asset financing from the Merchant Rentals acquisition. New increased financing facilities were put in place in February 2021 to support the acquisition programme whilst the disposal of the Romanian business completed on 8 April 2021 and so the £48.3 million proceeds are not reflected in the year end numbers. The proceeds were used to reduce net debt.

SECTOR ANALYSIS

UK retail services

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

	Year ended 31 March 2021	Year ended 31 March 2020	Change %
PayPoint terminal sites (No.)			
PayPoint One[1]	**17,805**	**16,098**	10.6%
Legacy (T2)	**1,441**	**2,496**	(42.3%)
PPoS[2]	**8,821**	**8,235**	7.1%
Total sites in PayPoint Network	**28,067**	**26,829**	4.6%
Services in live sites (No.)			
PayPoint One Base	**8,258**	**8,304**	(0.6%)
EPoS Core	**8,307**	**6,956**	19.4%
EPoS Pro	**1,240**	**838**	48.0%
Card payments - PayPoint	**9,930**	**9,435**	5.2%
Card payments – Handepay	**18,805**	**-**	-
Card terminal lessees – Merchant Rentals	**26,017**	**-**	-
ATMs	**3,626**	**3,620**	(0.2%)
Parcels	**10,509**	**8,646**	21.5%
Transactions (Millions)			
Card payments – PayPoint	**210.4**	**136.8**	53.8%
Card payments – Handepay (two months)	**14.6**	**-**	-
ATMs	**30.6**	**40.4**	(24.3%)
Parcels	**26.6**	**24.5**	8.3%
PayPoint One average weekly service fee per site (£)	**16.3**	**15.4**	5.8%
Net revenue (£m)			
Service fees	**14.6**	**13.1**	11.5%
Card payments – PayPoint	**12.1**	**8.7**	39.1%
Card payments – Handepay (two months)	**1.5**	**-**	-
Card terminal lessees – Merchant Rentals (two months)	**1.0**	**-**	-
ATMs	**9.7**	**11.9**	(17.9%)
Parcels	**3.6**	**4.0**	(10.1%)
Other	**2.5**	**3.3**	(24.1%)
Total net revenue (£m)	**45.0**	**41.0**	10.6%

As at 31 March 2021, PayPoint had a live terminal in 28,067 UK sites (2020: 26,829 sites), an increase of 4.6% from 31 March 2020, primarily as a result of new sales and temporarily suspended sites due to Covid-19 returning to the network. PayPoint One sites increased by 10.6% to 17,805 sites (2020: 16,098 sites) since 31 March 2020 due to installs and 282 fewer Covid-19 suspended sites.

The following table shows the impact of Covid-19 on services provided in sites:

[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.

Sites temporarily suspended due to Covid-19	As at 31 March 2020	As at 30 June 2020	As at 30 September 2020	At 31 December 2020	As at 31 March 2021
UK PayPoint One	328	79	29	44	46
UK ATMs	283	212	26	108	124
UK Card payments[1]	293	47	15	23	26
UK Parcels	208	87	18	36	42

Net revenue increased by £4.0 million (10.6%) to £45.0 million (2020: £41.0 million). 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 £1.5 million (11.5%) to £14.6 million (2020: £13.1 million) driven by 1,707 additional PayPoint One sites since 31 March 2020, with increases in the higher price point EPoS Core and Pro sites. EPoS Core and Pro sites increased by 1,351 and 402 respectively since 31 March 2020, due to new sales, the EPoS Try Before You Buy trial and Covid-19 suspended sites returning. The PayPoint One average weekly fee per site increased by 5.8% to £16.3 (2020: £15.4), benefiting from the increase in EPoS Core and Pro sites which are charged at a higher rate and despite PayPoint not implementing the annual RPI increase to help retailer partners in the Covid-19 pandemic. Retailers taking the Core version of the product represent 46.7% (2020: 43.2%) of all PayPoint One sites and the Pro version represent 7.0% (2020: 5.2%). Legacy terminals now just remain in our multiple retailer partners.

Card payments: PayPoint card payments transaction volumes increased significantly by 53.8% to 210.4 million (2020: 136.8 million) benefiting from consumers using cards rather than cash due to Covid-19, with the preference of stores to take payment by card, and the increase in the contactless payment limit. Across our network there were 9,930 (2020: 9,435) PayPoint card payments sites, 495 sites more than the prior year due to new sales and Covid-19 suspended sites returning. PayPoint card payments net revenue increased by 39.1% to £12.1 million (2020: £8.7 million), this includes the £0.4 million impact of a goodwill gesture to retailer partners following a card services outage.

The new acquisitions of Handepay and Merchant Rentals generated £2.5m net revenue for the two months since acquisition. Handepay contributed £1.5 million from card payments and still had 10.4% of its SME partners not transacting at year end due to Covid-19. Merchant Rentals contributed £1.0 million from its terminal leasing business.

ATMs: ATM net revenue decreased by £2.2 million (17.9%) to £9.7 million (2020: £11.9 million) due to a 24.3% reduction in transactions to 30.6 million (2020: 40.4 million). This is attributable to a combination of the continued reduced demand for cash across the economy, accentuated by the Covid-19 preference for card use, and suspended sites from Covid-19. ATM sites remained stable at 3,626 sites (2020: 3,620 sites) with 159 fewer Covid-19 suspended sites. PayPoint continued to optimise its ATM network by relocating existing machines to better performing locations.

Parcels: Parcels net revenue decreased by 10.1% to £3.6 million (2020: £4.0 million), due to the impact of overall parcel transaction increases being diluted by lower margins for our print in store service. Parcel transactions increased by 8.3% to 26.6 million (2020: 24.5 million). Parcel sites increased by 1,863 from 31 March 2020 to 10,509 sites (31 March 2020: 8,646 sites), due to additional sites for the newer parcel partners and Covid-19 suspended sites returning.

Other: Other services provided include SIM sales and other ad hoc items which contributed £2.5 million net revenue. The decrease reflects the continuing decline in SIM sales, accentuated by the impact of Covid-19 on tourism.

UK bill payments

Bill payments is our most established category and consists of prepaid energy, bill payments and CashOut services. This sector also includes MultiPay which is our digital proposition, the seamlessly integrated omnichannel solution is a one-stop shop for digital and other customer payments, via any channel and on any device.

Year ended 31 March	2021	Restated[2] 2020	Change %
Bill payments transactions (millions)	**170.2**	264.1	(35.6%)
Bill payments average transaction value (£)	**25.4**	21.1	20.5%
Bill payments net revenue (£m)	**30.9**	45.1	(31.5%)
Bill payments net revenue per transaction (pence)	**18.2**	17.1	6.3%
MultiPay transactions (millions)	**25.3**	32.9	(23.1%)
MultiPay average transaction value (£)	**17.0**	16.4	4.1%
MultiPay net revenue (£m)	**4.2**	4.5	(6.8%)
MultiPay net revenue per transaction (pence)	**16.6**	13.7	21.1%

1 PayPoint card payments business only
2 Comparative information has been restated for the discontinued operation. Refer to note 9.

UK bill payments net revenue decreased by 35.6% to £30.9 million (2020: £45.1 million). Excluding the £3.8 million prior year net revenue from British Gas, net revenue decreased by £10.4 million (25.1%). Net revenue per transaction continued to increase and was up by 1.1 pence (6.3%) due to a 14.1% increase in the average transaction value for prepay energy and the ongoing improvement in mix to higher yielding clients. Transactions decreased by 93.9 million (35.6%), excluding British Gas transactions decreased by 23.5%. The decrease in bill payments transactions was primarily as a result of the continued switch to digital payment methods along with the impacts of Covid-19, where consumers are making larger payments and less frequently. UK bill payments revenue was restated to include the intercompany revenue recharge for transactional services with the discontinued operation.

MultiPay net revenue decreased by 6.8% to £4.2 million (2020: £4.5 million) and MultiPay transactions decreased by 7.6 million (23.1%) to 25.3 million (2020: 32.9 million) due to the planned Utilita switch to their in-house app. The non-Utilita MultiPay business net revenue increased by £0.4 million (14.1%) as a result of more clients taking the digital services and contribution from the new functionalities of Direct Debit and PayByLink.

UK top-ups & eMoney

Top-ups include transactions where consumers can top up their mobiles, prepaid debit cards and lottery tickets. This category 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	**2021**	2020	Change %
Top-ups transactions (millions)	**24.3**	30.4	(20.0%)
Top-ups average transaction value (£)	**11.9**	11.1	7.6%
Top-ups net revenue (£m)	**8.3**	9.3	(10.4%)
Top-ups net revenue per transaction (pence)	**34.2**	30.5	11.9%
eMoney transactions (millions)	**11.4**	9.1	24.9%
eMoney average transaction value (£)	**41.6**	38.1	9.1%
eMoney net revenue (£m)	**8.7**	6.9	25.8%
eMoney net revenue per transaction (pence)	**76.1**	75.6	0.7%

Top-ups net revenue decreased by £1.0 million (10.4%). Top-ups transactions decreased by 6.1 million (20.0%) to 24.3 million (2020: 30.4 million) due to further market declines in the prepaid mobile sector whereby UK direct debit pay monthly options displace UK prepay mobile and Covid-19 impacts where consumers are making larger payments and less frequently.

eMoney net revenue increased by £1.8 million (25.8%) and transactions increased by 2.3 million (24.9%) to 11.4 million (2020: 9.1 million). eMoney transactions derive a substantially higher fee per transaction than traditional top-up transactions.

Romania (discontinued operation)

The sale of the Romanian business completed after the end of the financial year on 8 April 2021. The Romanian business comprised mainly of bill payments and top-ups operating on a similar basis to our UK business.

Year ended 31 March	**2021**	2020	Change %
PayPoint terminal sites (No.)	**18,849**	19,257	(2.1%)
Transaction value (£m)	**2,542**	2,296	10.7%
Transactions (millions)			
Bill payments	**98.1**	100.0	(1.9%)
Top-ups	**12.5**	12.4	1.3%
Other	**3.6**	2.2	65.1%
Total transactions	**114.2**	114.6	(0.3%)
Net revenue (£m)	**15.3**	14.6	4.8%
Net revenue per transaction (pence)	**13.4**	12.8	5.0%

The number of sites decreased by 408 to 18,849 (2020: 19,257) due to an exercise to close non-performing sites. Bill payments transactions decreased by 1.9% to 98.1 million (2020: 100.0 million) and top-ups transactions increased by 1.3% to 12.5 million (2020: 12.4 million). The growth in other transactions was driven by card payments transactions. Net revenue increased by 4.8% which was driven by margin improvement in bill payments and top-ups.

TOTAL COSTS

Year ended 31 March (£m)	2021	Restated[1] 2020	Change %
Continuing operations			
Other costs of revenue	**7.0**	7.3	(4.1%)
Depreciation and amortisation (included within costs of revenue)	**9.6**	8.3	16.9%
Depreciation and amortisation (included within administrative expenses)	**0.9**	0.4	125.0%
Administrative costs (included within administrative expenses)	**42.7**	40.3	6.0%
Net finance costs	**1.3**	0.5	160.0%
	61.5	56.8	8.5%
Add: prior year variable pay benefit	**-**	2.1	
Underlying costs from continuing operations	**61.5**	58.9	4.4%
Discontinued operation			
Romania	7.8	7.8	(1.3%)
Total costs (excluding exceptional items)	**69.3**	64.7	7.1%
Underlying total costs	**69.3**	66.8	3.7%

Underlying costs from continuing operations, which exclude the current year exceptional costs and adjust for the £2.1m prior year variable pay benefit, increased by £2.6 million (4.4%). Excluding the cost base in relation to the newly acquired businesses of £2.0 million, underlying costs have increased by £0.7 million (1.1%). The anticipated cost increases in depreciation and amortisation relate to the investment in our back-office systems, together with the amortisation on the Collect+ brand asset. Finance costs increased due to the refinancing in the year to support acquisitions made and to ensure that in the longer term, PayPoint remains in a strong position to withstand a sustained period of disruption to trading should it occur as a result of Covid-19.

OPERATING MARGIN[2]

Operating margin from continuing operations before exceptional items of 38.0% (2020: 47.2%) declined by 9.2ppts due to a 9.1% decrease in net revenue from continuing operations.

PROFIT BEFORE TAX AND TAXATION

The tax charge for continuing operations of £4.3 million (2020: £10.0 million) on profit before tax from continuing operations of £19.4 million (2020: £50.0 million) represents an effective tax rate[3] of 22.3% (2020: 19.9%), 2.4ppts higher than prior year due to an increase in disallowable expenses associated with the one-off acquisition and disposal costs.

STATEMENT OF FINANCIAL POSITION

Net assets of £39.5 million (2020: £38.3 million) increased by £1.2 million. Current assets decreased by £33.6 million to £169.9 million (2020: £203.5 million) with a lower cash balance due to consideration paid for acquisitions made in the year. Non-current assets of £121.1 million (2020: £54.5 million) increased by £66.6 million mainly due to the acquired businesses. Non-current liabilities of £30.5 million (2020: £0.8 million) increased mainly by the non-current portion of the 3 year term loan.

CASH FLOW AND LIQUIDITY

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

Year ended 31 March (£m)	2021	2020	Change %
Profit before tax from continuing and discontinued operations	**27.0**	56.8	(52.5%)
Provision in relation to the Ofgem Statement of Objections	**12.5**	-	-
Depreciation and amortisation	**10.9**	9.5	14.7%
VAT and other non-cash items	**0.1**	0.4	(75.0%)
Share-based payments and other items	**0.9**	(0.4)	(325.0%)
Working capital changes (corporate)	**0.8**	0.1	700.0%

[1] Comparative information has been restated for the discontinued operation. Refer to note 9.
[2] Operating margin before exceptional items % is an alternative performance measure and is calculated by dividing operating profit before exceptional items by net revenue.
[3] Effective tax rate is the tax cost as a percentage of profit before tax.

Cash generation	**52.2**	66.4	(21.4%)
Taxation payments	**(8.4)**	(15.8)	(46.8%)
Capital expenditure	**(6.0)**	(8.4)	(28.6%)
Acquisition of Collect+ brand	**(6.0)**	-	-
Acquisitions of subsidiaries net of cash acquired	**(60.8)**	-	-
Movement in loans and borrowings	**11.3**	70.0	83.9%
Lease payments	**(0.2)**	(0.3)	(33.3%)
Dividends paid	**(21.4)**	(57.4)	(62.8%)
Net (decrease)/increase in corporate cash and cash equivalents	**(39.3)**	54.5	(172.1%)
Net change in clients' funds and retailers' deposits	**11.9**	1.4	750.0%
Net (decrease)/increase in cash and cash equivalents	**(27.4)**	55.9	(149.0%)
Cash and cash equivalents at the beginning of year	**93.8**	37.5	150.1%
Effect of foreign exchange rate changes	**(1.6)**	0.4	(500.0%)
Cash and cash equivalents at the end of year	**64.8**	93.8	(30.9%)
Comprising:			
Corporate cash	**18.3**	58.0	(68.4)%
Clients' funds and retailers' deposits	**46.5**	35.7	30.3%

Year ended 31 March (£m)	**2021**	2020	Change %
Profit before tax from continuing operations	**19.4**	50.0	(61.1)%
Provision in relation to the Ofgem Statement of Objections	**12.5**	-	-
Depreciation and amortisation	**10.5**	8.7	20.7%
VAT and other non-cash items	**0.1**	0.4	(75.0)%
Share-based payments and other items	**0.9**	(0.4)	(325.0)%
Working capital changes (corporate)	**0.7**	(0.8)	(187.5)%
Cash generation from continuing operations	**44.1**	57.9	(23.8)%

Cash generation remained strong with £52.2 million (2020: £66.4 million) delivered from profit before tax from continuing and discontinued operations of £39.5 million (2020: £56.8 million). There was a net working capital inflow of £0.8 million benefiting primarily from the VAT deferral offered by HMRC.

Taxation payments on account of £8.4 million (2019: £15.8 million) were lower than prior year due to HMRC bringing payments on account forward by six months in the prior year and a further £1.5 million corporation tax refund is expected early in the next financial year.

Capital expenditure of £6.0 million (2020: £8.4 million) was £2.4 million lower than the prior year. Capital expenditure primarily consists of IT hardware, PayPoint One terminals, EPoS and CRM development and T4 terminals in Romania. The reduction in capital expenditure was due to reduced CRM development as the core platform is now live partially offset by the purchase of T4 terminals in Romania. There was also an acquisition of the remaining 50% Collect+ brand asset that Yodel owned for £6.0 million.

At 31 March 2021 net corporate debt was £68.2 million (2020: £12.0 million). Total loans and borrowings of £86.6 million consisted of a £32.5 million term loan, £49.5 million drawdown of the £75.0 million revolving credit facility and £4.6 million of asset financing balances (2020: £70.0 million drawdown from the old revolving credit facility). A refinancing took place to support the acquisitions made during the year whilst the disposal of the Romanian business completed on 8 April 2021 and so the £48.3 million proceeds are not reflected in the year end numbers. The proceeds were used to reduce net debt.

DIVIDENDS

Year ended 31 March	**2021**	**2020**	Change %
Ordinary dividends per share (pence)			
Interim (paid)	**15.6**	**23.6**	(33.9%)
Final (proposed)	**16.6**	**15.6**	6.4%
Additional dividend per share (pence)			
Interim (paid)	**-**	**18.4**	(100.0%)
Final	**-**	**-**	0.0%
Total dividend per share (pence)	**32.2**	**57.6**	(45.8%)
Total dividends paid in year (£m)	**21.4**	**57.4**	(62.8%)

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 was suspended in March 2020 and we confirmed in the prior year financial statements that it will not be reinstated.

We have declared an increase of 6.4% in the final dividend of 16.6 pence per share (2020: 15.6 pence per share) payable in equal instalments of 8.3 pence per share (2020: 7.8 pence per share) on 29 July 2021 and 30 September 2021 to shareholders on the register on 24 June 2021 and 26 August 2021 respectively. The final dividend is subject to the approval of the shareholders at the annual general meeting on 20 July 2021. No additional dividend has been declared (2020: no final additional dividend was declared).

The final dividends will result in £11.4 million (2020: £10.7 million) being paid to shareholders from the standalone statement of financial position of the Company which, as at 31 March 2021, had approximately £56.9 million (2020: £58.5 million) of distributable reserves.

An interim ordinary dividend of 15.6 pence (2020: 15.6 pence) and no additional interim ordinary dividend (2020: 18.4 pence) was paid in equal instalments of 7.8 pence on 29 December 2020 and 8 March 2021.

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 following the Covid-19 crisis. The Group maintains a capital structure appropriate for current and prospective trading over the medium term that allows a healthy mix of dividends and cash for investment through capital expenditure and acquisitions. The Board's approach to the setting of the ordinary dividend has not materially changed since the prior year end 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 purchase of the 50% of the Collect+ brand not previously owned by PayPoint in April 2020 and the acquisitions of i-movo, Handepay/Merchant Rentals and RSM 2000 in November 2020, February 2021 and April 2021 respectively;
- 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 25 to 29. Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group including dividends.

Alan Dale
Finance Director
26 May 2021

[1] Dividend cover represents profit after tax divided by reported 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 are designed to identify and manage risk.

Processes apply throughout the Group and are designed to manage rather than eliminate risk. The Board is responsible for overseeing the risk management process and approves levels of acceptable risk. The Board is also responsible for maintaining an appropriate control environment to manage risk effectively. The Audit Committee supports the Board in reviewing the effectiveness of risk management and internal controls to the Audit Committee. The risk management and internal control frameworks aim to provide assurance and confidence to stakeholders about PayPoint's ability to deliver its objectives and manage risks.

Risk appetite

PayPoint's risk appetite is set by the Board with the goal of aligning the level of risk considered appropriate to achieving strategic objectives, increasing financial returns and adhering with statutory requirements. The Board and the Chief Executive have key roles in implementing the risk appetite through PayPoint's policies and procedures, delegated authorities and internal controls. Risk appetite is embedded in all core processes across the Group.

Risk identification and management

The risk management process assesses strategic and operational risk across all areas of the business and functional risk registers are maintained which form an important component of our governance framework. Risks are identified by senior management and Executive Board members for each functional area and discussed with The Head of Risk and Internal Audit. Risks identified are documented in functional risk registers which contain a risk description, assessment of materiality, probability, mitigating controls, residual risk and risk owners. In addition to bottom-up functional risk identification. The risk framework also encompasses top-down assessment processes and horizon scanning to identify emerging risks trends and technologies as well as identifying and preparing for new legislation and regulation. At least annually, risks are assessed and agreed with Executive Board members and form the basis of principal and emerging risks. The Audit Committee receives and reviews information on the risk framework and principal and emerging risks and advises the Board on risks.

The principal risks are similar to last year however there are some key changes. Key partners and suppliers is no longer considered a principal risk and the underlying risk of disruption is included under the business interruption principal risk. Losing key clients and retailers risk is incorporated into a new operating model principal risk and an emerging risk regarding emerging technology was elevated to a principal risk during the year. Risk to the business from Covid-19 impact many principal risks and each incorporate specific Covid-19 risks where applicable.

The table below sets out our principal risks and emerging risks, the potential impact, mitigation strategies, status and their movement during the year. They do not comprise all risks faced by the Group and are not set out in order of priority.

	Risk & Trend	Potential Impact	Mitigation Strategies	Status
Principal Risks				
1	Competition and Markets Unchanged Market	PayPoint's markets, and the competition in those markets, continue to evolve and failure to deliver effective strategies to respond to market changes and competition will reduce market share, revenue and profits. Covid-19 has adversely impacted some of our markets and may continue to do so if further lockdowns occur. The decline in cash usage and other changes in consumer trends adversely impact some markets, and competition from direct competitors and new and alternative payment solutions also impact margins.	The Executive Board regularly reviews markets, competitor activity, trading opportunities and potential acquisitions and the Board oversee and challenge strategic direction. We closely monitor consumer and technological trends and engage with clients, retailers and other stakeholders to improve our proposition in existing markets. We continually develop products, services and technology to adapt to changes in consumer trends, and make acquisitions to expand into new and growing markets such as card and online payments as consumers move away from cash.	Risk is considered stable as acquisitions during the year expand and strengthen our card and online payment businesses as well as diversify our business into new markets. Taking full ownership of Collect+ in April 2020 has strengthened our parcels proposition to capitalise on the growth in online sales, particularly since Covid-19. We continue to closely monitor competition and no key clients or retailers were lost to competitors during the year. However, competition is placing downward pressure on margins in our bill payments market.

2	Operating Model Unchanged Business	Our core business relies on an appropriate mix of clients and retailers and failure to maintain attractive client and retailer propositions with relevant products and technology, may cause attrition adversely impacting our business model. Other business areas such as card payments may also rely on key partner relationships and it is important strong relationships are maintained and alternative partners are contracted where possible, to ensure a resilient operating model.	PayPoint builds strategic relationships with key clients and retailers and we continually seek to improve service levels through new initiatives, products and technology and we monitor performance through regular retailer engagement and other surveys. New clients, retailers and merchants are routinely onboarded, many on long-term contracts, ensuring a stable model and balanced and diversified portfolio. Where products rely on key partners including our ATM and card payment businesses, we invest in our relationships and processes to maintain effective partnerships and we seek to embed contingency where possible.	Risk is considered stable as we made good progress during the year on retailer engagement with our October 2020 engagement survey results significantly improving on prior years. We did not lose any key clients or retailers during the year and we continue to renew contracts and onboard new retailers, clients and merchants in line with expectations. Our acquisition of Handepay and Merchant Rentals increases our card acquirer partnerships and we are expanding our relationship with LINK through the new LINK counter service initiative.
3	Trans-formation & Acquisition Integration Increased Strategic	Failure to integrate acquisitions and effectively manage significant change and will impede business performance and our ability to achieve strategic goals. Our business relies on continued innovation and implementations and failure to effectively manage our transition from cash to digital will ultimately reduce revenue. Continued system infrastructure improvements are essential in providing resilient and effective services, and a lack of investment or poor implementation will impact business performance. Additionally, we sold PayPoint Romania, for which we still provide IT services which need effective separation in line with the sale agreement.	The Executive Board assess transformation as part of the strategic planning process, including acquisition opportunities, and the Board oversee and challenge strategic direction. PayPoint is committed to its transition from cash to digital, whilst continuing to innovate and invest in our legacy products. The Executive Board oversee all major projects to ensure effective governance, and implementation and steering groups were implemented to oversee integration of our recent acquisitions. Product and infrastructure reviews are conducted to identify improvements and architecture, systems and products are routinely upgraded.	Risk is increasing due to the amount of change during the year. Although recent acquisitions significantly rebalance our business away from cash to digital channels, the significant change and integration work increases risk until complete. Acquisition integration is on track with Handepay and Merchant Rentals integrated into a new Card Services Executive led function, and re-platforming of our online payment products is underway. In 2020 we implemented Salesforce as our enterprise Customer Relationship Management platform transforming our retail partner infrastructure, and we continue to make progress with upgrade initiatives including migration to the cloud. We are reviewing our legacy architecture and numerous infrastructure improvement programmes are underway and the separation of Romania IT infrastructure is on track.
4	Emerging Technology Increased Market	New and emerging technologies are changing the way consumers pay for goods and services impacting our products and markets. For many years cash was the principal payment method for topping up gas and electricity however this is changing and PayPoint therefore needs to evolve its proposition to capitalise on new technology and payment methods. New disruptive fintech products, and large tech companies who are increasingly advancing into payment solutions, have the potential to significantly impact our business. Covid-19 has accelerated global digital transformation and there is risk to our business if our digital transformation fails to keep pace and we do not exploit new technologies and markets to evolve our proposition.	We continually develop products with the latest technology, evolving them to take advantage of new and expanding markets created by the UK's digital transformation. The Executive Board closely monitors emerging technologies, and the impact they may have on PayPoint, and mitigating strategies are implemented where possible. Emerging technology is a key component of our acquisition strategy with acquisitions focussed on digital products.	Risk is increasing as new technology such as SMET2 gas and electric smart meters are eroding legacy bill payments and mobile top up markets. However, our recent acquisitions have accelerated our ability to mitigate the impact of emerging technologies and we are already re-platforming RSM 2000's online payment product which will better enable us to expand our presence in digital payment markets. We are engaged in various government schemes involving new technology as well as other technological product advances. We also continually assess our terminal estate to maximise the benefit to retailer partners.
5	Legal and Regulatory Increased Business	PayPoint is required to comply with numerous contractual, legal and regulatory requirements and failure to meet obligations may result in fines, penalties, prosecution, financial loss and reputational damage. Recent acquisitions have increased the number of regulated entities and as regulatory landscapes evolve, there is a risk that changes may adversely impact our business. In September 2020, PayPoint received a	Our Legal and Regulatory Compliance teams work closely with management on all legal and regulatory matters and adopt strategies to ensure PayPoint is appropriately protected and complies with regulatory requirements. They engage on all key contracts and legal matters and oversee regulatory compliance programmes, monitoring and reporting. Emerging regulations are incorporated into strategic	Risk is considered to be increasing due to the increase in regulated entities. A new Executive Board General Counsel and Head of Compliance joined during the year and is evolving our legal and regulatory compliance organisation to meet the needs of our increased portfolio of regulated businesses. We are investing in our Regulatory

		Statement of Objections from Ofgem under the Competition Act, and possible outcomes from the Statement of Objections are a risk for the Company..	planning, and we engage with regulators to ensure our frameworks are appropriate to support new products and initiatives. External counsel is engaged where required and we respond promptly and comprehensively to all regulatory enquiries.	Compliance team and framework to ensure we have strong processes. Our work responding to Ofgem's Statement of Objections continues. No other signficiant legal matters occurred during the year.
6	Cyber Security and Data Protection Increased Operational	Cyberattacks on systems and networks may significantly impact service delivery and data protection causing harm to PayPoint, our customers and other stakeholders. Covid-19 resulted in a global increase in criminals exploiting vulnerabilities, and recent acquisitions have increased the number of IT environments, products and systems we need to protect. Although PayPoint has multiple cyber security systems, capabilities and controls, businesses have experienced increased ransomware attacks over the last year and attacks are a constant threat. Failure to safeguard systems, networks and data and comply with data protection requirements may result in significant financial loss and reputational damage.	The Executive Board assess PayPoint's cyber security and data protection framework and processes and the Cyber Security and IT sub-committee of the Audit Committee maintain oversight. Our IT security framework is comprehensive with multiple security systems and controls deployed across the group. We are ISO27001 and PCI DSS Level 1 certified and systems are constantly monitored for attacks with response plans implemented and tested. Employees receive regular cyber security training, and awareness is promoted through phishing simulations and other initiatives. We engage with stakeholders on cyber-crime and proactively manage adherence with data protection requirements.	Cyber security continues to be a key focus however risk is considered to be increasing because of the external threat landscape and the introduction of new IT environments into the Group. However, PayPoint has not experienced a material change in cyber threat activity during the year or experienced any material attacks or data breaches. Group security standards and systems are being applied to the IT environments acquired during the year before environments are integrated. During the year we engaged a third party to assess our cyber defences and we are strengthening controls for recommendations made. We are also enhancing our cyber monitoring and response capabilities including the introduction of a Security Operations Centre.
7	Business Interruption Unchanged Operational	Clients, retailers and consumers rely on our systems being resilient with continued service delivery, and failure to promptly recover services may result in financial loss and reputational harm. Integrating recent acquisitions, and transforming our infrastructure as we transition our business from cash to digital, increases the risk of disruptive events and change must be carefully managed to avoid business interruption. Our infrastructure and service delivery is supported by multiple suppliers and poor supplier performance or supplier failure may adversely impact our business.	The Executive Board reviews PayPoint's business continuity framework and the Cyber Security and IT sub-committee of the Audit Committee maintains oversight. Business continuity, disaster recovery and major incident response plans are maintained and tested with failover capabilities across third party data centres and the cloud. Systems are routinely upgraded with numerous change management processes deployed and resilience embedded where possible. Supplier failure can disrupt PayPoint's service delivery and risk is managed through contractual arrangements, alternative supplier arrangements and business continuity plans.	Risk is considered stable as much of the business continued trading throughout Covid-19 lockdowns and we adapted well to home working with the change having little to no impact on business operations. Only one supplier failed during the year without causing disruption. However, an IT supplier performance issue caused a service outage in November 2020 primarily impacting card payments. Numerous internal and external reviews were conducted following the incident and we are making substantial changes to our infrastructure and processes which will significantly strengthen our continuity controls. Card payment transactions have already been re-routed for nearly all retail partners which would prevent a repeat incident.
8	Credit and Operational Unchanged Operational	Material credit exposures exist with large retailers and other counterparties, and failure of a large retailer or counterparty could result in significant financial loss. PayPoint processes large volumes of payments and is exposed to risk of direct or indirect loss from failed or inadequate processes. Effective operational controls are essential to ensure funds are settled securely and timely, and inadequate or failed controls could result in fraud, liquidity risk, contractual breaches or other financial loss.	PayPoint has effective credit and operational processes and controls. 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 with new systems and technology implemented. We have effective governance with oversight committees, delegated authorities and policies for key processes. Segregation of duties and approvals are implemented for all areas where fraud or material error may occur.	Risk is considered stable as there were no material credit losses, frauds or processing errors during the year and our credit exposure has not been materially impacted by Covid-19. We adapted well to home working during Covid-19 which had little to no impact on our control environment. We continue to enhance our governance, controls and systems and during the year we implemented a new payment platform with increased resilience and controls. For the recently acquired companies, we are conducting assessments of operational processes and controls and making enhancements where necessary.

9	People and Culture Unchanged Business	Failure to attract and retain key talent, and appropriately integrate acquisition employees, may impact service levels and delivery of strategic objectives. An inability to maintain a strong culture of ethical behaviours and employee wellbeing creates risk to our business, people customers and other stakeholders. As we move to new hybrid way of working with increased home working, in addition to integrating cultures from recent acquisitions, it is important our people are well supported to ensure strong service delivery and achievement of strategic objectives.	The Executive Board clearly define and advocate PayPoint's purpose, vision and values. An Employee Forum comprising employees from across the business engages directly with the Board on employee matters. Integrating acquisition employees is a strategic priority and we continue to invest in, and support our people, particularly through Covid-19 where numerous steps have been taken to ensure employee wellbeing. We have well established processes for talent management and people development and there is continued focus on culture and ethics.	Risk is considered stable as during the year employee engagement survey results improved and staff turnover reduced. Acquisition integration is on track and our next engagement survey to assess progress is underway. We continue to follow government guidance on Covid-19 working practices and have implemented numerous initiatives to protect our people and ensure their wellbeing. Additionally, the Executive Board recently revised PayPoint's purpose, vision and values and the Employee Forum continues to play an active role in employee engagement, particularly regarding return to work plans following the Covid-19 lockdown.
Emerging Risks				
1	Government policy	Changes in government policy cannot be reliably predicted and may lead to adverse impacts on our proposition and markets. Material policy changes may structurally impact our markets and it is important we plan for possible policy outcomes where impacts are identified to ensure our ability to respond, adapt and take advantage of changes where they may arise.	The Board monitors government policy changes impacting products and markets and incorporates changes into strategic decisions where feasible. PayPoint is a member of industry bodies who consult with government policy makers to help them make informed decisions. We also engage with key government stakeholders including HM Treasury and Department for Environment, Food and Rural Affairs on matters impacting PayPoint's markets and continually assess our approach to engagement.	Two main areas of government policy impacting our markets are the Access to Cash Review and the Payment Systems Regulator Market review into the supply of card acquiring services. For Access to Cash, we continue to engage HM Treasury and the FCA. We are also closely monitoring developments from the review into card acquiring services and modelling the impact of possible outcomes on our business. As government policy grows in importance to our business, we are increasing our focus on government engagement.
2	Climate & Social Responsibility	Climate risk is increasingly becoming a key priority for governments and organisations, and PayPoint needs to play its part in reducing carbon emissions and its impact on the environment. Approximately 25% of our revenue is derived from the energy market and we need to closely monitor the impact on our energy clients of the UK moving to net zero emissions by 2050, to ensure our revenue streams are sustainable. We anticipate climate considerations to impact all areas of business going forward including terminal manufacture and disposal, office space and travel. Additionally, there is increasing focus on social responsibility and we need to ensure our business creates shared value to all stakeholders to protect our brand and ensure sustainability.	The Executive Board sets PayPoint's climate and social responsibility agendas and recommends strategy to the Board. We continually review our approach to climate risk and social responsibility and as we move forward environmental and social responsibility will be integral in decision making. We aim to align our business model with reducing carbon emissions such as our parcel proposition which eliminates the need for couriers to drive the last mile to people's homes. We have multiple policies and processes governing our social responsibility strategy and we continually assess and evolve our strategy and working practices to ensure the best outcomes for stakeholders and the environment.	During the year we reviewed and enhanced our climate and environmental impact processes to better understand and measure our impact on the environment and identify steps to reduce emissions and our impact on the environment. We have already taken significant steps to reduce our environmental impact including moving to hybrid working model reducing journeys to the office and we engaged a new supplier to dispose of terminals sustainably by promoting reuse and recycling. We are also rationalising the amount of office space needed following acquisitions. We have strengthened our anti-slavery and anti-bribery processes and new products and initiatives will assist reducing emissions such as LINK counter service which would reduce the need for physical ATM terminal manufacture.

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 25 to 28) and the strategic plans that are reviewed at least annually by the Board.

The Directors believe that a three-year period remains 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 2021. It reflects the nature of PayPoint's key product and client relationships and the markets in which we operate as described on page 8 of this report.

PayPoint's strategic and financial planning process reflects the Directors' best estimate of the prospects for the Group including assumptions around key client renewals, new client and sector targets, integration of acquisitions and the development of existing and new key products and service lines.

The Directors have carried out an assessment of the principal risks and uncertainties (which are set out on pages 25 to 28) and applied several different but plausible scenarios arising from those risks to test the Group's viability. These scenarios include:

Competition and Markets and operating model:

- Failure to maintain significant client contracts resulting in 20% to 40% reduction in transaction volumes depending on the nature of clients and their contracts and
- Inadequate recruitment or excessive churn in the retail network with the estate reducing by a third.
- Transformation and acquisition integration: Acquisitions and new products or service lines do not deliver to expectations with minimal contribution from new products and the synergies of acquisitions not coming to fruition
- Legal and regulatory: Fines / reputational damage amounting to £18 million (being the higher of 4% of turnover or Eur 20 million fine as referenced in EU General Data Protection Regulations)
- Cyber security and business interruption: The financial impact of technical failure from cyber-attacks resulting in a network outage for up to seven days
- Credit and operational: Multiple retailer groups entering receivership assuming a 10% loss of client funds, where PayPoint is liable, across all large multiple groups

In the unusual set of circumstances of all the above significant scenarios occurring together, the viability scenario also factors mitigations including achievable reductions in expenditure and a reduction in level of dividends following the payment of the final dividend of 16.6p declared in respect of financial year ending 31 March 2021.
In last year's annual report there was a specific consideration of a Covid-19 scenario but based on the solid business performance in the financial year the Directors consider this is no longer required.

Based on this assessment and the availability of sufficient financing facilities, 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 viability period.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March (£000)	Note	2021	Restated[1] 2020
Continuing operations			
Revenue	2,3	**127,747**	144,289
Cost of revenue	4	**(47,280)**	(53,142)
Gross profit		**80,467**	91,147
Administrative expenses – excluding exceptional items		**(43,578)**	(40,687)
Exceptional items – administrative expenses	5	**(15,600)**	
Operating profit		**21,289**	50,460
Finance income		**22**	149
Finance costs – excluding exceptional items		**(1,352)**	(626)
Discount unwind of deferred, contingent consideration liability	15	**(57)**	-
Exceptional items – finance costs	5	**(459)**	-
Profit before tax from continuing operations		**19,443**	49,983
Tax on continuing operations	6	**(4,335)**	(9,961)
Profit from continuing operations		**15,108**	40,022
Discontinued operation			
Profit from discontinued operation, net of tax	9	**6,423**	5,646
Profit for the year attributable to equity holders of the parent		**21,531**	45,668
Earnings per share			
Basic	8	**31.5p**	66.9p
Diluted	8	**31.3p**	66.3p
Earnings per share – continuing operations			
Basic	8	**22.1p**	58.6p
Diluted	8	**21.9p**	58.1p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March (£000)	2021	2020
Items that may subsequently be reclassified to the consolidated statement of profit or loss:		
Exchange differences on translation of foreign operations	**(912)**	256
Other comprehensive (loss)/income for the year	**(912)**	256
Profit for the year	**21,531**	45,668
Total comprehensive income for the year attributable to equity holders of the parent	**20,619**	45,924

[1] Comparative information has been restated for the discontinued operation (note 9).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March (£000)	Note	2021	2020
Non-current assets			
Goodwill	10	**51,551**	11,853
Other intangible assets		**41,698**	17,274
Property, plant and equipment		**21,379**	24,840
Net investment in finance lease receivables		**6,511**	-
Deferred tax asset		**-**	565
Total non-current assets		**121,139**	54,532
Current assets			
Inventories		**1,059**	214
Trade and other receivables	11	**69,576**	108,368
Current tax asset		**3,021**	1,099
Cash and cash equivalents	12	**38,940**	93,774
		112,596	203,455
Assets held for sale	9	**57,353**	-
Total current assets		**169,949**	203,455
Total assets		**291,088**	257,987
Current liabilities			
Trade and other payables	13	**102,504**	148,621
Provision	14	**12,500**	
Deferred, contingent consideration liability	15	**1,462**	-
Lease liabilities		**194**	197
Loans and borrowings	18	**63,627**	70,000
		180,287	218,818
Liabilities directly associated with the assets held for sale	9	**40,866**	-
Total current liabilities		**221,153**	218,818
Non-current liabilities			
Trade and other payables	13	**-**	95
Deferred, contingent consideration liability	15	**4,285**	-
Lease liabilities		**253**	744
Loans and borrowings	18	**22,956**	-
Deferred tax liability		**2,971**	-
Total non-current liabilities		**30,465**	839
Total liabilities		**251,618**	219,657
Net assets		**39,470**	38,330
Equity			
Share capital	16	**229**	228
Share premium		**4,975**	4,485
Merger reserve	16	**999**	-
Share-based payment reserve	17	**2,005**	1,875
Translation reserve		**(1,645)**	(733)
Retained earnings		**32,907**	32,475
Total equity attributable to equity holders of the parent		**39,470**	38,330

The financial statements were approved by the Board of Directors and authorised for issue on 26 May 2021 and were signed on behalf of the Board of Directors.

Nick Wiles
Chief Executive
26 May 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Share premium £000	Merger reserve £000	Share-based payment reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Opening equity 1 April 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	9	-	-	-	-	256	-	256
Comprehensive income for the year		-	-	-	-	256	45,668	45,924
Adoption of IFRS 16		-	-	-	-	-	(73)	(73)
Issue of shares	16	1	-	-	-	-	-	1
Equity-settled share-based payment expense	17	-	-	-	631	-	-	631
Vesting of share scheme	17	-	1,133	-	(1,416)	-	(746)	(1,029)
Deferred tax on share-based payments		-	-	-	(24)	-	169	145
Dividends	7	-	-	-	-	-	(57,419)	(57,419)
Closing equity 31 March 2020		**228**	**4,485**	**-**	**1,875**	**(733)**	**32,475**	**38,330**
Profit for the year		-	-	-	-	-	21,531	21,531
Exchange differences on translation of foreign operations		-	-	-	-	(912)	-	(912)
Comprehensive income for the year		-	-	-	-	(912)	21,531	20,619
Issue of shares	16	1	-	999	-	-	-	1,000
Equity-settled share-based payment expense	17	-	-	-	1,066	-	-	1,066
Vesting of share scheme	17	-	490	-	(926)	-	286	(150)
Deferred tax on share-based payments		-	-	-	(10)	-	-	(10)
Dividends	7	-	-	-	-	-	(21,385)	(21,385)
Closing equity 31 March 2021		**229**	**4,975**	**999**	**2,005**	**(1,645)**	**32,907**	**39,470**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March (£000)	Note	2021	2020
Net cash inflow from operating activities	19	**55,438**	51,481
Investing activities			
Investment income		**332**	531
Purchases of property, plant and equipment		**(3,287)**	(2,963)
Purchases of intangible assets		**(8,745)**	(5,445)
Acquisitions of subsidiaries net of cash acquired		**(60,800)**	-
Proceeds from restructuring discontinued operation		**21**	-
Net cash used in investing activities		**(72,479)**	(7,877)
Financing activities			
Dividends paid	7	**(21,385)**	(57,419)
Proceeds from issue of share capital		**1**	1
Repayment of loans and borrowings	18	**(70,000)**	-
Proceeds from loans and borrowings	18	**81,259**	70,000
Payment of lease liabilities		**(211)**	(271)
Net cash (used in)/from financing activities		**(10,336)**	12,311
Net (decrease)/increase in cash and cash equivalents		**(27,377)**	55,915
Cash and cash equivalents at beginning of year		**93,774**	37,485
Effect of foreign exchange rate changes		**(1,591)**	374
Cash and cash equivalents at end of year		**64,806**	93,774

Reconciliation of cash and cash equivalents

As at 31 March (£000)		2021	2020
Continuing operations			
Corporate cash		**10,535**	49,349
Clients' funds and retailers' deposits		**28,405**	20,097
		38,940	69,446
Discontinued operation			
Corporate cash		**7,814**	8,686
Clients' funds and retailers' deposits		**18,052**	15,642
		25,866	24,328
Cash and cash equivalents on the statement of financial position	12	**64,806**	93,774

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 2021 or 31 March 2020, 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 2020 have been delivered to the Registrar of Companies and those for 2021 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 are set out in the 2021 Annual Report. The accounting policies applied are consistent with the prior year apart from non-current assets held for sale and discontinued operations and deferred, contingent consideration as set out in the 2021 Annual Report. No subsequent material changes have been made to the Group's accounting policies with selected accounting policies included below.

The financial statements have been prepared on a going concern basis. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt to equity balance. The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent comprising capital, reserves and retained earnings. The Group's policy is to borrow centrally to meet anticipated funding requirements. Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group. At 31 March 2021, the Group had cash and cash equivalents of £64.8 million, including £46.5 million of clients' funds and retailer partners' deposits. At 31 March 2021, the Group had cash and cash equivalents from continuing operations of £38.9 million, including £28.4 million of clients' funds and retailer partners' deposits. In addition, following refinancing in the year the Group has in place a three-year £32.5m amortising term loan and a three-year unsecured £75 million revolving credit facility expiring in February 2024. At 31 March 2021, £49.5 million (2020: £70 million) was drawn down from the revolving credit facility to finance the acquisitions made in the year. At 31 March 2021 the Group also had £4.6 million (2020: £nil) of block loan balances. The Group has a strong statement of financial position, with net assets of £39.5 million as at 31 March 2021, having made a profit for the year of £21.5 million and delivered net cash flows from operating activities of £55.4 million for the year then ended. The Group has net current liabilities of £51.2m (2020: £15.4m). On 8 April 2021 the Group received £48.3 million proceeds from the disposal of the Romanian business. The proceeds were used to reduce net debt.

The Directors have prepared cash flow forecast scenarios for a period of at least 12 months from the date of this announcement, 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. Additionally, the Directors have carried out an assessment of the principal risks and uncertainties and applied several severe but plausible scenarios to further test the Group viability, these included a reduction in the volume of transactions, loss of key contracts and under-performance of acquisitions and new products or service lines. 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 16.6 pence per share declared in respect of financial year ending 31 March 2021.

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

Adoption of standards

The accounting policies applied by the Group in the financial statements for the year ended 31 March 2021 are the same as those set out in the Group's Annual Report for the year ended 31 March 2020, apart from non-current assets held for sale and discontinued operations, deferred, contingent consideration and government grants which are detailed below.

Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. The post-tax profit or loss of the discontinued operations is shown as a single line on the face of the consolidated income statement, separate from the continuing operating results of the Group. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

Deferred, contingent consideration
Where a business combination agreement provides for an adjustment to the consideration, contingent on future performance over the contractual earnout period, the Group accrues the fair value, based on the estimated additional consideration payable as a liability at the acquisition date. To the extent that the contingent consideration is payable after more than one year from the acquisition date, the contingent consideration is discounted at an appropriate interest rate and carried at net present value in the consolidated statement of financial position. The discount component is then unwound as a finance cost in the consolidated statement of profit or loss over the life of the earnout. The liability is measured against the contractually agreed performance targets at each subsequent reporting date with any adjustments recognised in the consolidated statement of profit or loss. Where the contingent consideration is contractually linked to ongoing employment of the founders over the contractual period it is treated as an expense and recognised in the consolidated statement of profit or loss.

Government grants
Government grants have been accounted for in line with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. Grants for the reimbursement of operating expenditure are deducted from the related category of costs in the income statement.

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, other than underlying performance measures as defined below. 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.

Underlying performance measures (non-IFRS measures)
Underlying performance measures allow shareholders to better understand the underlying operational performance in the year, to facilitate comparison with prior years and to better assess trends in financial performance. They usually exclude the impact of one-off, non-recurring and exceptional items (exceptional items are disclosed in note 5).

Net revenue (non-IFRS measure)
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)	2021	Restated[1] 2020
Continuing operations		
Service revenue	**123,886**	141,280
Sale of goods	**1,343**	1,793
Royalties	**2,518**	1,216
Total revenue	**127,747**	144,289
less:		
Retailer partners' commissions	**(30,272)**	(37,243)
Cost of mobile top-ups and SIM cards as principal	**(337)**	(286)
Net revenue from continuing operations	**97,138**	106,760
Discontinued operation		
Service revenue	**17,842**	16,192
Sale of goods	**49,900**	53,519
Total revenue	**67,742**	69,711
less:		
Retailer partners' commissions	**(5,847)**	(4,976)
Cost of mobile top-ups and SIM cards as principal	**(46,567)**	(50,102)

Net revenue from discontinued operation	**15,328**	14,633
Total net revenue	**112,466**	121,393

[1] Comparative information has been restated for the discontinued operation (note 9).

Effective tax rate (non-IFRS measure)
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 where 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 19. 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 other costs of revenue (note 4), administrative expenses, finance income and finance costs. Total costs exclude exceptional costs.

Operating margin before exceptional items (non-IFRS measure)
Operating margin before exceptional items is calculated by dividing operating profit before exceptional items by net revenue. This measure reflects the efficiency of converting revenue into profits.

Net corporate debt (non-IFRS measure)
Net corporate debt 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 is as follows:

As at 31 March (£000)	**2021**	2020
Cash and cash equivalents from continuing operations	**38,940**	69,446
Cash and cash equivalents from discontinued operation	**25,866**	24,328
less:		
Clients' funds and retailers' deposits from continuing operations	**(28,405)**	(20,097)
Clients' funds and retailers' deposits from discontinued operation	**(18,052)**	(15,642)
Loans and borrowings	**(86,583)**	(70,000)
Net corporate debt	**(68,234)**	(11,965)

Revenue accounting policy

Revenue represents the value of services and goods delivered or sold to clients and SME and retailer partners 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 from SME and retailer partners 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. Retailers simultaneously receive and consume the benefits related to the services fee, therefore a straight-line approach appropriately depicts the transfer of the service
- commissions, rebates and fees from card payment, ATM transaction fees and money transfer transactions are recognised when each transaction is processed

- lease income from card terminals is recognised over the lease term
- fees earned for processing parcels are 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 which are recognised at the time the transaction occurs
- royalty income from the Collect+ brand which is recognised as the parcels are processed

Exceptional items

Exceptional items (note 5) are typically non-recurring or intermittent, and because of their nature and expected infrequency of the events giving rise to them, do not reflect current operational performance. Examples of exceptional items include, but are not limited to:

- Costs incurred as part of the acquisition and integration of acquired businesses as these are non-operational, non-recurring and material (mainly legal, due diligence, valuation and IT integration costs and stamp duty).
- Revaluation of the deferred, contingent consideration liability to fair value, as this is not a reflection of underlying operational performance and material.
- Profit or loss items arising from changes to the Group’s capital structure, including significant refinancing, which are non-operational, non-recurring and material (legal and advisory fees and write-off of unamortised arrangement fees on the old facility).
- Other one-off profit or loss items which are non-recurring, material and do not reflect underlying operational performance.

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 partners’ deposits as security for those collections.

A critical judgement in this area is whether clients’ funds and retailer partners’ 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 credit risk

Where there is a binding agreement specifying that PayPoint holds funds on behalf of the client (i.e. acting in the capacity of a trustee) and those funds have been separately identified as belonging to that beneficiary, the cash and the related liability is not 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, 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 £46.9 million (2020: £50.3 million), refer to note 4.

Critical estimate: Business combinations: Initial recognition of goodwill and intangible assets
Accounting for a business combination requires an assessment of the existence, fair value and expected useful economic lives of separable intangible assets such as brands, customer relationships and developed technology assets at the date of acquisition. The fair value attributed to intangible assets arising on acquisition is recognised in accordance with IAS 38 Intangible Assets and is based on a number of estimates, including the long-term revenue growth rate of the related business and discount rate. The fair value of acquired intangible assets in the year relating to Handepay and Merchant Rentals amounted to £20.1 million whilst £44.7

million was recognised as goodwill. Of the intangible assets recognised on the acquisition of Handepay and Merchant Rentals, the Handepay and Merchant Rentals customer relationship intangible assets are deemed to be critical estimates.

Acquired customer relationships attributed to Handepay and Merchant Rentals are valued using the multi-period excess earnings method ("MEEM approach") by estimating the total expected income streams from customer relationships and deducting portions of the cash flow that can be attributed to supporting, or contributory, assets (including workforce). The residual income streams are discounted. No tax amortisation benefit is applied. The key inputs to this method are the customer churn rate, revenue growth rate and discount rate applied to future forecasts of the businesses. A reasonably possible change to these assumptions in aggregation, or to customer churn rate in isolation, impacts on the financial statements as follows:

	Handepay acquired customer relationships	**Merchant Rentals acquired customer relationships**
Valuation per financial statements	£10.2m	£6.7m
Discount rate applied	13.8-15.8%	16.8-18.8%
Revenue growth rate applied	2%	2%
Customer churn rate applied	2.0-2.1%	1.0-3.0%
2% change in discount rate	£0.5m	£0.3m
(5%) / 5% change in revenue growth rate	(£0.5m) / £0.5m	(£0.3m) / £0.3m
(1%) / 1% change in customer churn rate	£3.8m / (£3.8m)	£1.4m / (£1.4m)

Critical estimate: Valuation of deferred, contingent consideration
Where a sale and purchase agreement provides for an adjustment to the consideration, contingent on future performance over a contractual earn-out period, the Group recognises the discounted fair value as a liability in the consolidated statement of financial position , based on the estimated additional consideration payable at the acquisition date. At each subsequent reporting date, the liability is measured against the contractually agreed performance targets with any fair value adjustments recognised in the consolidated statement of profit or loss. The estimation of the liability requires the Directors to make an estimate of future performance of the related business over the earnout period, based on Board-approved forecasts. For the revenue-linked contingent consideration recognised on PayPoint's consolidated statement of financial position, the range of reasonably possible outcomes for the fair value of the undiscounted earnout is £4.5 million to £6.0 million by applying a reasonably possible 20% sensitivity to the board-approved revenue forecasts.

Prior year critical estimates
Capitalised development expenditure and useful economic lives of intangibles assets, which were critical estimates in the previous financial year, are no longer considered to be critical estimates. At 31 March 2021 these estimates no longer have a significant risk of resulting in material adjustment to the carrying amounts of intangible assets within the next financial year. The useful economic lives of intangible assets including capitalised development expenditure are reviewed annually. Potential write-offs and revisions to the useful lives of intangible assets are not expected to materially impact the annual amortisation charge and the carrying amounts of intangible assets in the next financial year.

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, the Executive Board, 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 Financial review on pages 19 to 21.

Geographical information

Revenue

Year ended 31 March (£000)	**2021**	Restated[1] 2020
Continuing operations		
UK	**127,747**	144,290
Discontinued operation		
Romania	**67,742**	69,711
Total	**195,489**	214,001

Comparative information has been restated for the discontinued operation (note 9).

Non-current assets

As at 31 March (£000)	**2021**	2020
Continuing operations		

UK	**121,139**	40,493
Discontinued operation		
Romania	**-**	14,039
Total	**121,139**	54,532

3. Revenue

Disaggregation of revenue

Year ended 31 March (£000)	2021	Restated[1] 2020
Continuing operations		
Bill payments	**45,938**	65,004
Top-ups and eMoney	**24,150**	24,203
Retail services	**57,659**	55,083
	127,747	144,290
Discontinued operation		
Romania	**67,742**	69,711
Total	**195,489**	214,001

[1] Comparative information has been restated for the discontinued operation (note 9).

Service fee revenue of £14.6m (2020: £13.1m) and management fees, set-up fees and up-front lump sum payments of £1.2m (2020: £1.5m) are recognised on a straight-line basis over the period of the contract. The remainder of revenue is recognised at the point in time when each transaction is processed. The normal timing of payment by customers is usually on fourteen day terms.

Seasonality of operations
PayPoint operates in many sectors each with 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)	2021	2020
Trade receivables	**10,772**	12,346
Net investment in finance lease receivables	**10,575**	-
Accrued income	**3,320**	2,518
Contract assets - capitalisation of fulfilment costs	**1,889**	2,862
Contract liabilities - deferral of setup and development fees	**(1,472)**	(1,965)
Deferred income	**(565)**	(328)
Total	**24,519**	15,433

The net investment in finance lease receivables balance of £10.6m (2020: £nil) increased in the current year due to the acquisition of Merchant Rentals in February 2021.

4. Cost of revenue

Year ended 31 March (£000)	2021	Restated[1] 2020
Continuing operations		
Retailers' commissions	**30,272**	37,243
Cost of mobile top-ups and SIM cards as principal	**337**	286
Total cost of revenue deducted for net revenue	**30,609**	37,529
Depreciation and amortisation	**9,655**	8,295
Other	**7,016**	7,318
Total other costs of revenue	**16,671**	15,613
Total cost of revenue from continuing operations	**47,280**	53,142

Discontinued operation		
Retailers' commissions	**5,847**	4,976
Cost of mobile top-ups and SIM cards as principal	**46,567**	50,021
Total cost of revenue deducted for net revenue	**52,414**	54,997
Depreciation and amortisation	**381**	798
Other	**331**	683
Total other costs of revenue	**712**	1,481
Total cost of revenue from discontinued operation	**53,126**	56,478
Total cost of revenue	**100,406**	109,621

[1] Comparative information has been restated for the discontinued operation (note 9).

5. Exceptional items

Year ended 31 March (£000)	**2021**	Restated[1] 2020
Acquisition costs expensed – administrative expenses	**2,796**	-
Provision in relation to Ofgem Statement of Objections – administrative expenses	**12,500**	-
Refinancing costs expensed – administrative expenses	**304**	-
Total exceptional items included in operating profit	**15,600**	-
Refinancing costs expensed – finance costs	**459**	-
Total exceptional items included in profit or loss	**16,059**	-

Reconciliation of profit before tax from continuing operations to underlying profit before tax from continuing operations

Year ended 31 March (£000)	**2021**	Restated[1] 2020
Profit before tax from continuing operations	**19,443**	49,983
Current year exceptional items	**16,059**	-
Prior year variable pay benefit	**-**	(2,081)
Prior year net revenue from British Gas contract	**-**	(3,848)
Underlying profit before tax from continuing operations	**35,502**	44,054

[1] Comparative information has been restated for the discontinued operation (note 9). Underlying performance measures allow shareholders to better understand the underlying operational performance in the year. Prior year underlying profit before tax has been restated to exclude the variable pay benefit, as last year it was disclosed as a one-off benefit, and exclude the profit from the British Gas contract ending, as it was the largest contract in the business and this impact makes it more difficult to assess trends in financial performance.

6. Tax

Year ended 31 March (£000)	**2021**	Restated[1] 2020
Continuing operations		
Current tax		
Charge for current year	**4,722**	9,510
Adjustment in respect of prior years	**(146)**	268
Current tax charge	**4,576**	9,778
Deferred tax		
(Credit)/charge for current year	**(444)**	155
Adjustment in respect of prior years	**203**	28
Deferred tax (credit)/charge	**(241)**	183
Total income tax charge on continuing operations	**4,335**	9,961
Discontinued operation		
Current tax		
Charge for current year	**1,107**	1,162
Adjustment in respect of prior years	**-**	-
Current tax charge	**1,107**	1,162
Deferred tax		
Charge for current year	**21**	8
Adjustment in respect of prior years	**-**	-
Deferred tax charge	**21**	8
Total income tax charge on discontinued operation	**1,128**	1,170

Total income tax charge	**5,463**	11,131

[1] Comparative information has been restated for the discontinued operation (note 9).

The income tax charge is based primarily on the United Kingdom statutory rate of corporation tax for the year of 19% (2020: 19%). The tax charge on continuing operations for the year is reconciled to profit before tax from continuing operations, as set out in the consolidated statement of profit or loss, as follows:

Year ended 31 March (£000)	2021	Restated[1] 2020
Profit before tax from continuing operations	**19,443**	49,983
Tax at the UK corporation tax rate of 19% (2019: 19%)	**3,694**	9,497
Tax effects of:		
Disallowable expenses and non-taxable income	**509**	158
Adjustments in respect of prior years	**57**	296
Tax impact of share-based payments	**75**	130
Revaluation of deferred tax asset	**-**	(120)
Actual amount of tax charge on continuing operations	**4,335**	9,961

[1] Comparative information has been restated for the discontinued operation (note 9).

7. Dividends on equity shares

Year ended 31 March	2021 £000	2021 pence per share	2020 £000	2020 pence per share
Reported dividends on ordinary shares:				
Interim ordinary dividend	**10,708**	**15.6**	16,133	23.6
Proposed final ordinary dividend	**11,397**	**16.6**	10,667	15.6
Total ordinary dividends	**22,105**	**32.2**	26,800	39.2
Interim additional dividend	**-**	**-**	12,577	18.4
Proposed additional final dividend	**-**	**-**	-	-
Total additional dividend	**-**	**-**	12,577	18.4
Total reported dividends (Non-IFRS measure)	**22,105**	**32.2**	39,377	57.6
Dividends paid on ordinary shares:				
Final ordinary dividend for the prior year	**10,676**	**15.6**	16,133	23.6
Interim dividend for the current year	**10,709**	**15.6**	16,133	23.6
Total ordinary dividend paid	**21,385**	**31.2**	32,266	47.2
Final additional dividend for the prior year	**-**	**-**	12,576	18.4
Additional interim dividend for the current year	**-**	**-**	12,577	18.4
Total additional dividend paid	**-**	**-**	25,153	36.8
Total dividends paid	**21,385**	**31.2**	57,419	84.0
Number of shares in issue used for purposes of dividends per share calculations	**68,656,907**		68,376,750	

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.

8. Earnings per share

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

Year ended 31 March (£000)	2021	2020
Total profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**21,531**	45,668
Continuing operations		

Profit for basic and diluted earnings per share is the net profit from continuing operations attributable to equity holders of the parent	**15,108**	40,022
Discontinued operation		
Profit for basic and diluted earnings per share is the net profit from discontinued operation attributable to equity holders of the parent	**6,423**	40,022

As at 31 March (Number of shares)	2021	2020
Weighted average number of ordinary shares in issue (for basic earnings per share)	**68,406**	68,264
Potential dilutive ordinary shares:		
Long-term incentive plan	**164**	417
Restricted share awards	**197**	45
Deferred annual bonus scheme	**62**	73
SIP and other	**50**	35
Weighted average number of ordinary shares in issue (for diluted earnings per share)	**68,879**	68,834

Earnings per share (pence)	2021	2020
Basic	**31.5**	66.9
Diluted	**31.3**	66.3

Earnings per share – continuing operations (pence)	2021	2020
Basic	**22.1**	58.6
Diluted	**21.9**	58.1

Earnings per share – discontinued operation (pence)	2021	2020
Basic	**9.4**	8.3
Diluted	**9.3**	8.2

9. Discontinued operation

On 21 October 2020, PayPoint announced that it had signed an agreement to sell its Romanian business, PayPoint Services SRL, to Innova Capital (the sale included Payzone SA, which was legally merged with PayPoint Services SRL on 27 March 2021). The sale was consistent with PayPoint's focus on its key strategic priorities and the delivery of enhanced growth and value in its core UK markets. The sale was subject to regulatory and other customary approvals, as well as other conditions precedent, and completed on 8 April 2021, following the end of the financial year ended 31 March 2021 (note 20). Cash proceeds received were £48.3 million net of working capital adjustments. The Romanian business has been classified as a discontinued operation for the year ended 31 March 2021.

As the sale completed following the end of the financial year the major classes of assets and liabilities comprising the discontinued operation were classified as held for sale as at 31 March 2021 as follows:

Year ended 31 March (£000)	2021	2020
Assets		
Goodwill	**11,149**	11,853
Other intangible assets	**455**	336
Property, plant and equipment	**2,242**	1,835
Deferred tax asset	**-**	16
Inventories	**124**	151
Trade and other receivables	**17,517**	20,368
Corporate cash	**7,814**	8,686
Clients' funds and retailer partners' deposits	**18,052**	15,642
Total assets of discontinued operation	**57,353**	58,887
Liabilities		
Trade and other payables	**39,954**	40,307
Lease liabilities	**707**	912
Current tax liability	**201**	334
Deferred tax liability	**4**	-
Total liabilities of discontinued operation	**40,866**	41,553
Net assets of discontinued operation	**16,487**	17,334

The Romanian business was not previously classified as a discontinued operation. The comparative consolidated statement of profit or loss has been restated to show the discontinued operation separately from continuing operations.

UK revenue has been restated to include the £0.6 million (2020 £0.7 million) intercompany revenue recharge for transactional services with the discontinued operation. Subsequent to the disposal, the Group will continue to recharge the discontinued operation for transactional services. Although intra-group transactions have been fully eliminated in the consolidated financial results, PayPoint has elected to attribute the elimination of transactions between the continuing and discontinued operation before the disposal in a way that best reflects the continuance of these transactions subsequent to the disposal. To achieve this presentation, the discontinued operation results include the intercompany cost for transactional services within the expenses line below.

The results of the discontinued operation, which have been included in the profit for the period, were as follows:

Year ended 31 March (£000)	**2021**	2020
Revenue	**67,742**	69,711
Cost of revenue	**(53,126)**	(56,478)
Gross profit	**14,616**	13,233
Expenses	**(7,188)**	(6,704)
Operating profit	**7,428**	6,529
Finance income	**311**	382
Finance costs	**(188)**	(95)
Profit before tax	**7,551**	6,816
Tax	**(1,128)**	(1,170)
Post-tax profit from discontinued operation attributable to equity holders of the parent	**6,423**	5,646

The results of the discontinued operation do not reflect £0.4m depreciation and amortisation relating to the period over which its assets were classified as held for sale, in accordance with IFRS 5.

Cash flows from discontinued operation

Year ended 31 March (£000)	**2021**	2020
Net cash from operations	**11,018**	6,942
Net cash (used in)/from investing activities	**(689)**	678
Net cash used in financing activities – dividends paid to parent company	**(7,146)**	(920)
Net increase in cash and cash equivalents	**3,183**	6,700
Cash and cash equivalents at beginning of year	**24,328**	17,263
Effect of foreign exchange rate changes	**(1,645)**	365
Net cash flow for the period	**25,866**	24,328

10. Acquisitions

Collect+ Group

On 6 April 2020, PayPoint plc acquired the remaining 50% of the asset that Yodel owned, resulting in Collect+ becoming a fully owned brand within the PayPoint Group. From 6 April 2020, Collect+ Holdings Limited and Collect+ Brand Limited (Collect+ Group) were fully owned and controlled subsidiaries.

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 has been developed and a new Collect+ website has been launched.

Total consideration payable was £6.0 million cash paid on completion resulting in a net £5.1 million cash outflow on acquisition (net of cash acquired). An intangible brand asset of £6.0 million has been recognised initially at cost and will be amortised over a useful life of 12 years.

In the period since acquisition, the Collect+ Group earned revenue of £2.5 million and profit before tax of £2.5 million.

i-movo

On 24 November 2020, PayPoint acquired 100% of i-movo Holdings Limited and its wholly owned subsidiary i-movo Limited for initial consideration of £1.7 million cash and £1.0 million shares, resulting in a net £1.4 million cash outflow on acquisition (net of cash acquired) and 170,882 shares issued at a fair value of £5.9 per share. The increase in share capital and merger reserve in the current year resulted from the share consideration on acquisition of i-movo. The fair value of the ordinary shares issued was based on the average of the middle market listed share price for an ordinary share of the Company for each of the five business days immediately preceding the allotment and issue of the share consideration.

As the UK's leading secure digital vouchering system, i-movo will enhance our EPOS and terminal services proposition and create new opportunities with Newspaper, Government, FMCG, Utilities and banking clients.

There is also an element of contingent consideration over the 29-month earnout period linked to four monthly revenue growth targets on two potential key revenue streams, which is estimated to total £6.0 million (on an undiscounted basis) at the acquisition date and at 31 March 2021 based on Board-approved forecasts. The contingent consideration is capped at £6.0m (£4.0m cash and £2.0m shares). The Directors are required to make an estimate regarding the future results in order to determine the fair value of the discounted contingent consideration liability. Any subsequent revaluations to contingent consideration as a result of changes in such estimations are recognised in the consolidated statement of profit or loss.

An i-movo customer relationship asset of £1.5 million has been recognised and is being amortised over a useful life of 12 years.

In the period since acquisition, i-movo earned revenue of £0.4 million and reported profit before tax of £nil. Had the acquisition taken place on the first day of the financial year, revenue would be £0.9 million and profit before tax would be £nil. Acquisition costs incurred in the year in relation to i-movo totalled £0.1 million, which are reported within exceptional items in profit or loss.

Handepay and Merchant Rentals
On 3 February 2021, PayPoint acquired 100% of Handepay Ltd for total cash consideration of £50.7 million and Merchant Rentals Ltd for total cash consideration of £15.5 million, resulting in a net £60.3 million cash outflow on acquisition (net of cash acquired).

The acquisition of Handepay and Merchant Rentals significantly enhances PayPoint's existing cards business, creating access to new SME sectors including food services, garages and hospitality and the opportunity to accelerate the growth of the combined business in a growing cards market through clear operational initiatives, cross selling opportunities and synergies.

A Handepay intangible brand asset of £2.2 million has been recognised and is being amortised over a useful life of 15 years. A Merchant Rentals intangible brand asset of £0.7 million has been recognised and is being amortised over a useful life of 11 years. Handepay customer relationship assets of £10.2 million have been recognised and are being amortised over a useful life of 10 years. Merchant Rentals customer relationship assets of £6.7 million have been recognised and are being amortised over a useful life of 4 to 13 years.

In the period since acquisition, Handepay earned revenue of £1.8 million and profit before tax of £0.7 million and Merchant Rentals earned revenue of £1.0 million and profit before tax of £0.5 million (on an unconsolidated basis). Had the acquisition taken place on the first day of the financial year, Handepay revenue would be £10.8 million and profit before tax would be £5.2 million and Merchant Rentals revenue would be £5.3 million and profit before tax would be £1.2 million (on an unconsolidated basis). Acquisition costs incurred in the year in relation to Handepay and Merchant Rentals totalled £2.5 million, which are reported within exceptional items in profit or loss.

The following table summarises the fair values of the identifiable assets purchased and liabilities assumed of the acquired companies as at the date of acquisition:

£000	Collect+ Group	i-movo	Handepay	Merchant Rentals	Total
Acquired brands	5,975	-	2,229	680	8,884
Acquired customer relationships	-	1,500	10,186	6,718	18,404
Acquired developed technology	-	-	306	-	306
Software intangible assets	-	626	-	-	626
Property, plant and equipment	-	5	19	106	130
Right of use assets	-	-	-	298	298
Deferred tax assets and liabilities	-	(285)	(2,543)	(923)	(3,751)
Trade and other receivables	8	445	1,664	803	2,920
Net investment in finance leases	-	-	-	11,167	11,167
Inventories	-	-	-	964	964
Corporate cash	923	136	4,957	921	6,937
Client funds and retailer deposits	-	166	-	-	166
Trade and other payables	(906)	(1,041)	(810)	(8,250)	(11,007)
Lease liabilities	-	-	-	(370)	(370)
Current tax liabilities	-	-	(950)	(358)	(1,308)
Loans and borrowings	-	(50)	-	(5,274)	(5,324)
Total identifiable net assets acquired at fair value	**6,000**	**1,502**	**15,058**	**6,482**	**29,042**
Initial cash consideration	6,000	1,679	50,690	15,534	73,903
Initial share consideration	-	1,000	-	-	1,000
Discounted contingent consideration	-	5,690	-	-	5,690
Total consideration	**6,000**	**8,369**	**50,690**	**15,534**	**80,593**
Goodwill recognised on acquisition	**-**	**6,867**	**35,632**	**9,052**	**51,551**
Acquisitions of subsidiaries net of cash acquired	**923**	**(1,377)**	**(45,733)**	**(14,613)**	**(60,800)**

The acquired identifiable assets and liabilities have been recognised at their fair values at acquisition date and in accordance with the Group's accounting policies (note 1):
• Acquired brands have been valued using the relief-from-royalty method and acquired customer relationships have been valued using the multi-period excess earnings method.
• Acquired software intangible assets and property, plant and equipment have been valued using the depreciated replacement cost method, considering factors including economic and technological obsolescence.
• Inventories, trade receivables and trade payables have been assessed at fair value on the basis of the contractual terms and economic conditions existing at the acquisition date, reflecting the best estimate at the acquisition date of contractual cash flows not expected to be collected.
• The net investment in finance lease is measured at its acquisition date fair value, determined based on the assumptions about

discount rates and other factors that market participants would use.

The values presented above other than corporate cash, clients' funds and retailer deposits and loans and borrowings represent the best estimate based on information available at the acquisition date and are therefore subject to adjustment within the measurement period if new information about facts and circumstances that existed at the acquisition date is obtained and, if known, would have resulted in the recognition of those assets and liabilities at that date.

Of the £51.6 million (2020: £nil) of goodwill acquired during the period, no goodwill (2020: £nil) is expected to be deductible for tax purposes. The goodwill arising on acquisitions is attributable to workforce in place and know-how within the business, new customer relationships as well as the growth in new customers that is anticipated to arise post-acquisition and the fair value of the expected market participant synergies and other benefits arising from the acquisition.

11. Trade and other receivables

As at 31 March (£000)	2021	2020
Trade receivables	**10,772**	12,346
Items in the course of collection[1]	**47,512**	88,692
Revenue allowance	**(949)**	(1,379)
	57,335	99,659
Other receivables	**152**	594
Net investment in finance lease receivables	**4,064**	-
Contract assets - capitalisation of fulfilment costs	**1,889**	2,862
Accrued income	**3,320**	2,518
Prepayments	**2,816**	2,735
Total	**69,576**	108,368

[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.

12. Cash and cash equivalents

Included within continuing cash and cash equivalents of £38.9 million (2020: £69.4 million) are balances of £28.4 million (2020: £20.1 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 13). Clients' funds held in trust which are not included in cash and cash equivalents amounted to £50.3 million (2020: £41.9 million).

During the year the Group operated cash pooling amongst most of its bank accounts in the UK whereby individual accounts could be overdrawn without penalties being incurred so long as the overall position is in credit.

13. Trade and other payables

As at 31 March (£000)	2021	2020
Amounts owed in respect of clients' funds and retailer partners' deposits[1]	**28,405**	35,739
Settlement payables[2]	**47,512**	88,692
Client payables	**75,917**	124,431
Trade payables	**5,925**	8,318
Other taxes and social security	**6,439**	4,006
Other payables	**692**	3,886
Accruals	**11,494**	5,782
Deferred income	**565**	328
Contract liabilities - deferral of setup and development fees	**1,472**	1,965
Total	**102,504**	148,716
Disclosed as:		
Current	**-**	148,621
Non-current	**-**	95
	-	148,716

[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.

14. Provision

As at 31 March (£000)	2021	2020
Provision recognised in relation to Ofgem Statement of Objections (current)	**12,500**	-

Total	**12,500**	-

Further to our announcement on 30 September 2020 we continue to engage with Ofgem with respect to the provisional views set out in their Statement of Objections. In accordance with IFRS the Board has made a provision of £12.5 million (2020: £nil) as a current best estimate for a resolution of this matter.

15. Deferred, contingent consideration liability

The Group has a liability in respect of the deferred, contingent consideration under the i-movo acquisition contract (note 10).

	£000
At 31 March 2020	**-**
Recognition of discounted deferred, contingent consideration liability on acquisition	**5,690**
Discount unwind on deferred, contingent consideration	**57**
At 31 March 2021	**5,747**
Disclosed as:	
Current	**1,462**
Non-current	**4,285**
Total	**5,747**

The total discounted deferred, contingent consideration liability of £5.7 million is categorised as Level 3 in the fair value hierarchy. The fair value of the expected earnout is updated at each reporting date, determined using a probability-weighted average best estimate of discrete scenarios, based on the latest revenue forecasts which were approved by the Board discounted to present value. There was no change in the valuation of the deferred, contingent consideration liability between acquisition and 31 March 2021. The significant unobservable inputs used in the fair value measurements are the discount rate and the forecast future revenue of the acquired business which is approved by the Board. The Directors consider that the carrying amount of the deferred, contingent consideration liability of £5.7 million approximates to its fair value.

16. Share capital and merger reserve

As at 31 March (£000)	2021	2020
Called up, allotted and fully paid share capital		
68,656,907 (2020: 68,376,750) ordinary shares of 1/3p each	**229**	228

The increase in share capital by £1,000 and merger reserve by £0.9 million in the current year resulted from the share consideration on acquisition of i-movo. 170,882 shares were issued at a fair value of £5.9 per share. The fair value of the ordinary shares issued was based on the average of the middle market listed share price for an ordinary share of the Company for each of the five business days immediately preceding the allotment and issue of the share consideration.

17. Share based payments

The Group's share schemes are described in the Directors' Remuneration Report in the 2021 Annual Report and consist of the Long Term Incentive Plan (LTIP), Deferred Annual Bonus Scheme (DABS) and Restricted Share Awards (RSA) equity-settled share schemes.

No share awards were granted under the LTIP scheme in the year (2020: 192,675). The LTIP scheme has been replaced with the RSA scheme in the current financial year. For LTIP share awards granted in previous years, 50% of the vesting is 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 three financial years from the grant date.

200,013 share awards were granted under the RSA scheme in the year (2020: nil), vesting over two to five years, between 26 July 2022 and 26 July 2025. The RSAs do not contain any IFRS 2 performance conditions.

2,532 share awards were granted under the DABS scheme in the year (2020: 19,593), vesting over three years to 9 June 2023. The DABS do not contain any IFRS 2 performance conditions.

The amount charged to the statement of profit or loss in the year was £1.1 million (2020: £0.6 million). A total charge of £0.9 million (2020: £1.4 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.

18. Loans and borrowings

Year ended 31 March (£000)	2021	2020
Changes from financing cash flows		
Balance at beginning of year	**70,000**	
Repayment of old revolving credit facility	**(70,000)**	
Proceeds from new term loan and revolving credit facility	**82,000**	70,000
Funding from block loans acquired	**5,274**	

Repayment of block loans	**(691)**	
Balance at end of year	**86,583**	70,000
Disclosed as:		
Current	**63,627**	70,000
Non-current	**22,956**	-
Other liability-related changes		
Interest paid	**(1,540)**	(720)

19. Notes to the consolidated statement of cash flows

Year ended 31 March (£000)	2021	2020
Profit before tax from continuing operations	**19,443**	49,983
Profit before tax from discontinued operation	**7,551**	6,816
Adjustments for:		
Depreciation of property, plant and equipment	**4,913**	5,631
Amortisation of intangible assets	**5,980**	3,886
Discount unwind of deferred, contingent consideration liability	**57**	-
VAT credits	**(54)**	-
Exceptional item – non-cash provision	**12,500**	-
Loss on disposal of fixed assets	**54**	387
Net finance costs	**1,208**	189
Share-based payment charge	**1,066**	631
Cash-settled share-based remuneration	**(151)**	(1,028)
Operating cash flows before movements in corporate working capital	**52,567**	66,495
Movement in inventories	**(11)**	(89)
Movement in receivables	**1,292**	1,172
Movement in contract assets	**972**	775
Movement in contract liabilities	**(529)**	(731)
Movement in payables	**(765)**	(1,160)
Movement in lease liabilities	**22**	96
Cash generated by operations	**53,548**	66,558
Corporation tax paid	**(8,422)**	(15,770)
Finance charges paid	**(1,540)**	(720)
Net cash from operating activities (Corporate)	**43,586**	50,068
Movement in clients' funds and retailers' deposits	**11,852**	1,413
Net cash inflow from operating activities[1]	**55,438**	51,481

[1] Items in the course of collection and settlement payables are included in this reconciliation on a net basis through the client cash line. The Directors have included these items on a net basis to best reflect the operating cash flows of the business.

20. Subsequent events

Disposal of Romanian business
The sale of the Romanian business, PayPoint Services SRL, to Innova Capital completed on 8 April 2021 following regulatory and other customary approvals. Cash proceeds of £48.3 million were received net of working capital adjustments. Since the sale completed after the end of the financial year, the assets and liabilities of the discontinued operation were classified as held for sale in the financial statements for the year ended 31 March 2021. The provisional gain on disposal is £29.6 million and will be presented in the financial statements for year ending 31 March 2022, as follows:

	£000
Total disposal proceeds received	**48,274**
Costs of disposal	**(1,011)**
Carrying amount of net assets sold	**(15,996)**
Gain on sale before income tax and reclassification of foreign currency translation reserve	**31,267**
Reclassification of foreign currency translation reserve	**(1,645)**
Tax charge on discontinued operation	**-**
Gain on disposal after tax	**29,622**

The gain on disposal of the discontinued operation is exempt from UK corporation tax under the substantial shareholding exemption.

Acquisition of RSM 2000
On 12 April 2021 PayPoint acquired 100% of the share capital of RSM 2000 Limited for initial cash consideration of £5.9 million and deferred consideration of £1.0 million payable on the first anniversary of completion. The deferred consideration is not contingent on future performance. Beneficial ownership and control of RSM 2000 and consideration was transferred following regulatory approval. Acquisition costs incurred in the current financial year for RSM 2000 totalled £0.1 million, which are reported within exceptional items in profit or loss. The initial accounting of the business combination is yet to be finalised and therefore the allocation of the purchase price has not been disclosed.