Annual Report
2021

PayPoint Group

Making people's lives a little easier

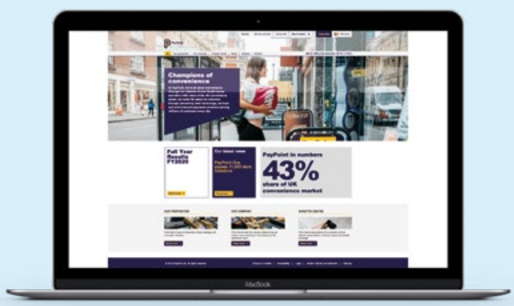
Who we are

The PayPoint Group delivers innovative services and technology connecting millions of consumers with over 60,000 retailer partner and SME locations.

Our Group businesses serve a diverse range of customers: from leading service organisations like EDF and Monzo; retailers and SMEs from Asda to the best UK independent stores; parcel carriers like eBay and DPD to the millions of consumers who pay bills, get cash, make card payments or pick up parcels every day at thousands of locations across the UK.

Our purpose

We deliver innovative services that make people's lives a little easier every day.



For more information go to **corporate.paypoint.com**

Contents

Highlights

Revenue from continuing operations

£127.7m

-11.5%

(2020: £144.3m)[1]

Profit before tax from continuing operations[2]

£19.4m

-61.1%

(2020: £50.0m)

Net corporate debt[4]

£68.2m

-465.8%

(2020: £12.0m)

Cash generation from continuing operations

£44.1m

-23.8%

(2020: £57.9m)

Operating margin from continuing operations before exceptional items[5]

38.0%

-9.2ppts

(2020: 47.2%)

Ordinary dividend paid per share

31.2p

-34%

(2020: 47.2p)

Ordinary reported dividend per share

32.2p

-17.9%

(2020: 39.2p)

Diluted earnings per share

31.3p

-52.8%

(2020: 66.3p)

Net revenue from continuing operations

£97.1m

-9.1%

(2020: £106.8m)

Underlying profit before tax from continuing operations[3]

£35.5m

-19.3%

(2020: £44.1m)

1. Comparative information has been restated for the discontinued operation. Refer to note 9.
2. 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.
3. 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 30.
4. 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.
5. Operating margin before exceptional items % is an alternative performance measure and is calculated by dividing operating profit before exceptional items by net revenue.

PayPoint Group at a glance

Delivering innovative services and technology

After a transformational year for the PayPoint Group, we are now positioned for growth in the UK with significant opportunities to deliver shareholder value as we maximise the opportunities available to the business.

We have updated how we describe our business to reflect more accurately the market opportunities and service innovation driving growth in the UK.

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

Read more on page 12

Our divisions:
We operate across three divisions:

Payments & Banking

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 payments – MultiPay
- Cash through to digital payments – eMoney
- Cash payments – bill payments, CashOut and Banking

Who we work with

monzo, TV LICENSING, e.on

Shopping

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 – EPoS, FMCG, Home Delivery, ATMs
- Card payments

Who we work with

co op, EG Euro Garages, BOOKER Group

E-commerce

We provide a technology-based delivery 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 – Collect+ (Parcels Send, Pick Up, Drop Off)

Who we work with

ebay, dpd, amazon.co.uk

PayPoint Group in Numbers

PayPoint sites
28,067

Card payment sites
30,000

Parcel transactions
26.6m

Bill payment transactions
195.5m

Retailer partner and SME locations
60,000

Collect+ Trustpilot score
4.5/5

Our approach

Our Purpose

Why we exist

We deliver innovative services that make millions of people's lives a little easier every day

Our values

How we bring our vision to life

- Ambitious
- Results focused
- Accountable
- Collaborative
- Can do
- Good colleague

Read more on page 47

Our Vision

What we aim to achieve

First-time delivery of outstanding technology and services to our customers

Creating a dynamic place to work for our people

Delivering positive outcomes for all our stakeholders

Our strategy

Embed PayPoint Group at the heart of SME and convenience retail businesses

Become the definitive technology-based e-commerce delivery platform for first and last mile customer journeys

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

Building a delivery-focused organisation and culture

Read more on page 20

ESG

Creating long-term value for all our stakeholders

We are committed to delivering sustainable, essential services that have a positive impact on our customers, UK communities and the world we live in

Read more on page 42

Chief Executive's review

Significant step change in strategic delivery

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.

Nick Wiles
Chief Executive

Our new acquisitions

Strategic repositioning of the business for growth driven through acquisitions of Handepay, Merchant Rentals, i-movo and RSM 2000

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.

> **I am confident the steps we have taken during the 2020/21 financial year have strengthened the business and better positioned us for growth.**

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', 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+. 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.

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.

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 £12.5 million 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 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 2020/21 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 16.6 pence 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.

How we responded to structural changes in our legacy markets and Covid-19

Chief Executive's review continued

How we responded to structural changes in our legacy markets and Covid-19

The business is now positioned with stronger capabilities to deliver growth and take advantage of the enduring trends that have accelerated through 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 (£3.8 million), 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 card payments and Direct Debit
- 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. 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, benefiting 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.

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. On completion of the acquisition of Handepay/Merchant Rentals, we brought back their employees from furlough 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 that 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.

	% Increase/(decrease)			
Service	**Q1 20/21 vs 19/20**	**Q2 20/21 vs 19/20**	**Q3 20/21 vs 19/20**	**Q4 20/21 vs 19/20**
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	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.

Card payment transaction growth year on year

+53.8%

eMoney transaction growth year on year

+24.9%

Year in review

A transformative year for the PayPoint Group

Against the background of delivering a solid financial performance for the year, we have 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.

April 2020

Acquired full ownership of Collect+ brand

Deliveroo partnership launched

May

PayPoint retailer partner Covid-19 support programme launched

Retail Heroes campaign, NFRN Covid-19 Hardship Fund donation of £25k, RPI Service Fee increase cancelled, service fee waived for stores closed due to Covid-19

CashOut milestone

250k vouchers with a value of over £8.5m issued in two months for Covid-19 support

June

Major retail partnership renewals

East of England Co-op and MFG partnerships extended

Housing Quality Network partnership launched

Offering digital payments solutions to housing sector

July

EPoS 'Try Before You Buy' promotion launched to retailer partners

Key initiative launched to strengthen EPoS adoption

Major retail partnership renewed with Scotmid Co-op

Partnership extended with key regional Co-operative for bill payment and parcel services

September

PayByLink product launched, enhancing digital payments solutions

Digital payment solution to reduce collections payment friction and debt management support via personalised SMS reminders containing a payment link

Major retail partnership renewed with Southern Co-op

Partnership extended in 200 stores across the South of England providing bill payment and parcel services

October

Event Streamer product launched

Delivering real-time payment visibility and a single view of customer payments across all digital and cash channels

Major retail partnership renewed with EG Group

Partnership with leading forecourt operator - continuation of bill payment and parcel services in nearly 400 of EG Group's forecourt sites across the UK

November

i-movo acquisition completed

UK's leading secure digital vouchering system, enhancing our EPoS, terminal services and digital vouchering proposition

PayByLink product enhanced with personalised SMS reminders

Ability to send customers a tailored text message, which can also include a payment link to increase engagement and reduce payment friction

Innovative 'over-the-counter' cash withdrawals trial launched with LINK

Our pioneering LINK Counter Service 'cashback without purchase' solution

December

Partnership launched with Bulb Energy

Bulb's customers able to pay for their energy top-ups at over 28,800 convenience stores across the UK

Curo Group goes live with MultiPay digital payments solutions for housing

West of England housing association, Curo, selected PayPoint's MultiPay platform to deliver an integrated payment solutions to serve their customers

January 2021

CashOut milestone

Over 90 local authorities and housing associations using service to provide financial support to people in local communities

February

Handepay and Merchant Rentals acquisition completed

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

April

RSM 2000 acquisition completed

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

Romania disposal completed

Delivering a strong profit on its disposal and underpinning the focus on our UK markets

PayPoint Group

Market overview

Our markets

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 increase in shopping local and growth in e-commerce.

UK Convenience Sector Growth 2020

£3.8bn

(+9.2% YOY)

UK Online Sales Growth 2020

+35% YOY

PayPoint Card Payments Growth 2020/21

+53.8% YOY

Key trends and changes since the end of the 2020/21 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 £3.8 billion 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 19.7 billion payments, with 36% contactless[5]
- in FY 2020/21, PayPoint has seen card payment volume increase by 53.8% YOY
- UK convenience store card payments transactions overall increased by 27.2%[6]

CashOut

- despite the shift from cash usage during Covid-19, PayPoint's CashOut 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 c.100 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 roll-out 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 2020/21
- 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

- the price cap for prepay customers reduced to £1,164 for the six months to September 2020. This is 6%[12] 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 c.29%[13]
- the roll-out of smart meters has slowed further with Covid-19 impacting installations with only 3.2 million meters installed in 2020[14] versus 4.5 million in 2019. The deadline for completion of the roll-out 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[15] subscribers in September 2020, from 24.9 million in 2019

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 Ecommerce Delivery Benchmark Report 2021
10. https://www.imrg.org/uploads/media/default/0001/08/2477f50ad2fee946cdf5ed23ebb8df21f2489d09.pdf?st
11. OC&C analysis
12. 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
13. https://www.ofgem.gov.uk/data-portal/retail-market-indicators
14. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/968356/Q4_2020_Smart_Meters_Statistics_Reportv2.pdf
15. https://www.statista.com/statistics/273608/number-of-prepaid-mobile-subscriber-in-the-united-kingdom-uk/

Our business model

How we deliver innovative services

What makes our model work

Unparalleled network of retailer partners and SMEs

- the enlarged PayPoint Group now delivers technology and services to a universe of over 60,000 SME and retailer partner locations across multiple sectors, including food services, convenience retail, garages and hospitality

A diverse range of clients and brands

- our Payments & Banking division delivers digital payment solutions to clients across diverse sectors, including energy, housing, local authorities and a growing portfolio of digital brands such as Amazon, PlayStation, Xbox and Love2shop
- our Shopping division serves the best SMEs and retailers in the UK, delivering digital solutions and essential services from large retailers, like Asda, McColl's, The Co-operative Group and EG Group, to the best independent store owners across the country
- our E-commerce division enables the delivery of best-in-class customer journeys for e-commerce brands over the first and last mile, including Amazon, eBay, Yodel, FedEx, DPD, DHL, Hubbox and Parcel2Go

Cutting-edge technology

- we pride ourselves on delivering innovative technology and services across all our business divisions, whether through PayPoint One, helping our convenience retailer partners run their businesses more efficiently, or our proprietary e-commerce software solutions that have a singular focus on the delivery of great consumer experiences and confidence in the crucial first and last mile of parcel journeys

Talented and committed people

- we have a talented, diverse and committed workforce with years of experience from a wide range of industries

How we create value

Our three business divisions driving growth in the UK:

Our purpose is to deliver innovative services that make millions of people's lives a little easier every day.

Connecting millions of consumers with over 60,000 retailer partner and SME locations:

Payments & Banking

Offering seamless and convenient online and in-store payments

We are developing new ways of using digital payments so organisations can seamlessly and effectively serve their customers, on the channel of their choice, and so consumers can easily access vital cash services in over 28,000 locations across the UK

Read more on page 14

Shopping

Creating a better in-store experience

We provide digital solutions to help our retailer and SME partners keep pace with changing shopper needs, service expectations and demographics, offering everything a modern business needs, including EPoS, parcel services, card and bill payments, home delivery and digital vouchering

Read more on page 16

E-commerce

Delivering great customer journeys

We enable the delivery of best-in-class customer journeys for e-commerce brands over the first and last mile in c.10,000 locations through our Collect+ brand, helping consumers pick up and drop off online shopping or send parcels across the UK

Read more on page 18

The value we create

Consumers

We serve millions of consumers every day, online and in-store, helping them make payments and send/pick up parcels through our digital payments platforms and extensive retailer partner network

Transactions per year

498.8m

Retailers and SMEs

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

Retailer and SME locations

60,000

Employees

We create a dynamic and innovative place to work for our employees across the PayPoint Group

No. of employees

669

Investors

We aim to deliver a sustainable and rewarding business model and superior returns for our investors

Dividends paid per share

31.2p

Local communities

We provide essential services to hundreds of communities across the UK, at over 28,000 locations, with 99.4% of the population living within one mile of a PayPoint location in urban areas

Population within one mile

99.4%

Our business model explained

Payments & Banking

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.

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 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 also 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 like cash withdrawals. 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.

eMoney transaction growth year on year

+24.9%

UK bill payment and top-up transactions

231.2m

Our business model explained continued

Shopping

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 c.3,600 ATMs and our pioneering 'cashback without purchase' solution, partnering with LINK and launching in late 2021.

Card payments – we provide card payments services for over 30,000 SMEs across the hospitality, convenience retail, auto trade, clothing and households goods sectors via our PayPoint, Handepay and Merchant Rentals brands.

PayPoint One sites

17,805

Card payment transaction growth year on year

+53.8%

Our business model explained continued

E-commerce

We provide a technology-based delivery 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 c.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 Parcel2Go. 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.

No. of parcel transactions

26.6m

Trustpilot score

4.5/5

Our strategy

Our strategic framework

Strategic priorities	FY 2020/21 progress
1 Embed PayPoint Group at the heart of SME and convenience retail businesses Read more on page 22	• 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 • good progress on enhancing our retailer proposition – number of important initiatives now ready to launch in 2021 • home delivery and click and collect proposition ready for launch in summer 2021 in partnership with Snappy Shopper • driven significant improvements in retailer partner experience – Trustpilot score improved to 4.8/5 • positive progress on our banking proposition with our pioneering LINK Counter Service 'cashback without purchase' solution
2 Become the definitive technology-based e-commerce delivery platform for first and last mile customer journeys Read more on page 24	• 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 • three new partnerships launched with DPD, Hubbox and Parcel2Go • secured full ownership of Collect+ in April and new Collect+ website launched • investment in 3,600 Zebra thermal printers yielded improved customer experience and transaction growth • send service, enabling customers to send parcels from our network, successfully launched in March 2021
3 Sustain leadership in 'pay-as-you-go' and grow digital payments Read more on page 26	• major relationships renewed with client contract renewal programme now complete – 36 renewals completed in the period, including EON • continued diversification from cash to digital solutions – 34 new clients signed, with eight taking digital payments solutions • continued strong growth in eMoney, with transactions increasing by 24.9% and a 25.8% increase in net revenue • continued demand for our CashOut service due to ongoing government schemes and Covid-19 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 and Event Streamer
4 Building a delivery focused organisation and culture Read more on page 27	• good progress on integration of Handepay, Merchant Rentals and i-movo acquisitions, with work well underway for RSM 2000 • Executive Board strengthened to deliver growth and focus on UK market • Alan Dale was appointed to the Board as Finance Director on 20 November 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

Link to principal risks

1. Competition and markets
2. Emerging technology
3. Transformation and acquisition integration
4. Operating model
5. Legal and regulatory
6. People and culture
7. Cyber security and data protection
8. Business interruption
9. Credit and operational

FY 2021/22 priorities | KPIs | Risks

Enhancing retailer proposition and driving value from acquisitions

- deliver further enhancements to our retailer proposition and experience
- embed the combined and restructured sales teams across PayPoint
- home delivery and click and collect proposition roll-out in summer 2021 in partnership with Snappy Shopper
- LINK Counter Service – deploy scaled solution in November 2021
- bring all new card business across PayPoint retail and Handepay under a single acquiring service provider
- launch PayPoint card switching proposition in Q2

KPIs

PayPoint One sites
17,805
(2020: 16,098)

Card payment transactions
210.4m
(2020: 136.8m)

Risks: 1, 3

Delivering best-in-class e-commerce customer journeys

- complete Send service website and scale in H1 2021/22, supported by significant marketing investment plan
- add further partners in 2021 in time to ensure business as usual for peak trading volumes
- expand service proposition to existing partners, including staged send and in-store printing leveraging Zebra printer investment
- deliver further improvements to in-store consumer and retailer partner experience, including enhanced StoreScan app

KPIs

Parcels sites
10,509
(2020: 8,646)

Parcel transactions
26.6m
(2020: 24.5m)

Risks: 1

Enhancing digital capability and diversifying into new sectors

- leverage RSM 2000 acquisition with enhanced digital payments capability and new sector reach
- invest in new verticals and deliver new business wins, particularly within housing, events, charities and not-for-profit sectors
- creation of a bid management team focusing 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

KPIs

eMoney transactions
11.4m
(2020: 9.1m)

UK bill payment and top-up transactions
231.2m
(2020: 336.4m)

Risks: 1, 2, 4

Delivering sustainable synergies, growth and value

- 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
- 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 in our proposition and service delivery to reposition our business in response to changes in our markets

KPIs

Employee engagement
77%
(2020: 68%)

Risks: 3, 6, 8

Our strategy continued

Priority 1

Embed the PayPoint Group at the heart of SME and convenience retail businesses

(Shopping business division)

Previously named: 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.

FY 2020/21 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 an 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 Net Promoter Score ('NPS') – introduction of Retail Services Hub to align retailer-facing service resource; new customer relationship management ('CRM') functionality giving single customer view; new phone system enabling improvement in calls 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 proposition developed and ready for launch in summer 2021, in partnership with Snappy Shopper, fulfilling customer orders from partnered stores with home delivery and click and collect

ATM

- ATM services were live in 3,626 sites at 31 March 2021, an increase of six 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 reopen 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 – trial live since October 2020 and now extended until October 2021, with legislation now implemented enabling full roll-out 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 £2.5 million 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

FY 2021/22 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 in partnership with Appreciate Group
- 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 proposition roll-out 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 deploy scaled solution in November 2021, working with LINK and its 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 2021/22. 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

PayPoint One sites

17,805

CASE STUDY

Delivering digital solutions to the convenience sector

PayPoint One app

The app enables our retailer partners to manage their store from anywhere:

"I use the app to manage the stock in store. It's very easy to use and it's great that there is everything in one device. It's amazing, it's very flexible, you can go into the cash and carry and use it. I don't think there is any other terminal like PayPoint One in the market."

Dan Vranceanu of Dan's Goods, St Andrews

"We use the app when in the cash and carry to book in the stock which saves a lot of time as we don't have to scan when in the shop and manually add everything. This gives me real peace of mind knowing that everything is running smoothly while I'm gone."

Jake Baudet of MI Shop, Birmingham

"I've used the app while on holiday; being away but not disconnected from the business is what PayPoint One has allowed me to do. Having that information on hand makes me feel more at ease."

Ken Singh of Mill Hill Stores, Pontefract

Our strategy continued

Priority 2

Become the definitive technology-based e-commerce delivery platform for first and last mile customer journeys

(E-commerce business division)

Previously named: PayPoint becomes the definitive parcel point solution

Collect+ is our technology-based delivery 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 10,000 sites. We provide a solution for carriers and a footfall driver for retailer partners, including Amazon, eBay, DHL, DPD, FedEx, Hubbox, Parcel2Go 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 2020/21 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 reopening
- 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 Parcel2Go, 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, 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

FY 2021/22 priorities

- scale our Send service in H1 2021/22, 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 2020/21, 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

Parcel sites

10,509

Parcel transactions

26.6m

Continue to Priority 3 and 4

CASE STUDY

DPD partners with Collect+

As the lockdown at the start of the pandemic forced the closure of non-essential retail in March of 2020, DPD saw restrictions placed within its Pickup network as some of its high street shop partner networks were forced to close. At this point, DPD took the decision to temporarily suspend its PUDO network and concentrate on serving customers at their home addresses.

As it became clear that regional tiered restrictions would mean some parts of the country were able to move around more than others, it became necessary to support out of home deliveries – but with non-essential retail still highly restricted. Additionally, peak volume planning was indicating that delivery volume would exceed all previous highs and consumers would require more, safe, flexible ways to receive their Christmas parcels.

In October 2020, DPD turned to Collect+ to expand its convenience store capabilities and provide local pick-up points, with 3,000 Collect+ parcel shops added to the DPD Pickup network.

This swift implementation was made possible through our proprietary software solutions which are easily deployable in thousands of diverse locations across the 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, meaning we were able to deliver the fastest and most reliable deployment of DPD software into the Collect+ network. Furthermore, the speed of onboarding was facilitated by the great working relationships, experience and trust between the main stakeholders – built over many years of working in the parcel industry.

Setting c.3,000 sites live in a matter of weeks allowed DPD to offer Click & Collect and inflight redirection to a much wider network, despite the ongoing limitations placed on its larger retail partners which remained closed or highly restricted. Providing this network gave customers more choice and flexibility, ultimately allowing each consumer to make the decision as to the safest way to receive their parcel that suited the new way of living and working during the pandemic.

Our strategy continued

Priority 3

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

(Payments & Banking business division)

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 eight 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.

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

FY 2020/21 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 eight taking digital payments solutions, including Nursing and Midwifery Council, BBC TV Licensing, Curo Group
- key multiple retailer contracts renewed – McColl's, Sainsbury's, 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 CashOut service 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 it moves customers to its in-house solutions

FY 2021/22 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 focusing 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

Build a delivery-focused organisation and culture

(PayPoint Group)

Underpinning PayPoint's future success is the continued development of 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 2020/21 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 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
- in-house warehouse operations extended to products and consumables, giving complete control of experience and key moments of retailer lifecycle

FY 2021/22 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

Measuring performance across the Group

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

Financial

Net revenue from continuing operations (£ million) (UK)

£97.1m

(9.1)%

2021	97.1
2020[1]	106.8
2019[1]	103.6

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

See Financial Review – 'Overview' on page 30

Operating margin from continuing operations before exceptional items (%) (UK)

38.0%

(9.2)ppts

2021	38.0
2020[1]	47.2
2019[1]	46.5

Description and purpose: 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 34

Diluted earnings per share from continuing operations (pence) (UK)

21.9p

(62.3)%

2021	21.9
2020[1]	58.1
2019[1]	57.5

Description and purpose: 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 10 to the financial statements on page 111

Dividends paid per share (pence) (Group)

31.2p

(62.9)%

2021	31.2
2020[1]	84.0
2019[1]	82.9

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

See Financial Review – 'Dividends' on page 35

Non-financial

Cash generation
(£ million) (UK)

£52.2m
(21.4)%

2021	52.2
2020[1]	66.4
2019[1]	62.8

Description and purpose: 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 capex, taxation and dividend payments.

See Financial Review – 'Cash flow and liquidity' on page 34

Network stability one-mile urban population cover (%)

99.4%
(0.1)ppts

2021	99.4
2020[1]	99.5
2019[1]	99.5

Description and purpose: Total urban population covered within a one-mile radius of a PayPoint site. This is monitored to ensure PayPoint is above our minimum service level agreement of 95%.

Network stability five-mile rural population cover (%) (UK)

98.3%
(0.0)ppts

2021	98.3
2020[1]	98.3
2019[1]	98.5

Description and purpose: Total rural population covered within a five-mile radius of a PayPoint site. This is monitored to ensure PayPoint is above our minimum service level agreement of 95%.

Retailer partner site churn
(%) (UK)

3.6%
(4.8)ppts

2021	3.6
2020[1]	8.4
2019[1]	5.2

Description and purpose: The percentage of the retailer partner network that on an annual basis exits PayPoint. This is calculated by taking the number of retailers which 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.

Employee engagement
(%) (UK)

77.0%
9.0ppts

2021	77.0
2020[1]	68.0
2019[1]	69.0

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

1. Comparative KPIs have been restated for the discontinued operation. Refer to note 11.

Financial review

Solid underlying performance against backdrop of Covid-19

Alan Dale
Finance Director

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	10.6%
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[3] from continuing operations (excluding exceptional costs)	**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	11.8%
Underlying profit before tax from continuing operations[4]	**35.5**	44.1	(19.3%)
Cash generation	**52.2**	66.4	(21.4%)
Cash generation from continuing operations[5]	**44.1**	57.9	(23.8%)
Net corporate debt[6]	**(68.2)**	(12.0)	(465.8%)

1. Comparative information has been restated for the discontinued operation. Refer to note 11.
2. Net revenue is an alternative performance measure as explained in note 1 to the financial statements. Refer to note 4 to the financial statements for a reconciliation to revenue.
3. Total costs is an alternative performance measure as explained in note 1 to the financial statements; a reconciliation to costs is included in the Financial Review on page 30.
4. Underlying profit before tax from continuing operations is an alternative performance measure as explained in note 1 to the financial statements. Refer to note 6 to the financial statements 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 34 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 statements for a reconciliation to cash and cash equivalents.

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 below 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 £3.8 million 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 Covid-19 on UK bill payments, ATMs 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 £2.5 million 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 MultiPay) net revenue decreased by £14.3 million (31.5%), or £10.5 million (25.4%) on an underlying basis (excluding 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 its 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 eMoney 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 £0.7 million (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.

Financial review continued

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%

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 which wish to use PayPoint services.

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:

Sites temporarily suspended due to Covid-19	As at 31 Mar 2020	As at 30 Jun 2020	As at 30 Sep 2020	At 31 Dec 2020	As at 31 Mar 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

1. PayPoint card payments business only.

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 on the following pages.

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), which 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 £2.5 million 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[1] 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. Comparative information has been restated for the discontinued operation. Refer to note 11.

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%) and 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 its 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 and 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 displaced 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-ups 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.

Financial review continued

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	**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 £2.1 million 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 three-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%
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)%

1. Comparative information has been restated for the discontinued operation. Refer to note 11.
2. Operating margin from continuing operations 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 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 (2020: £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 25 June 2021 and 27 August 2021 respectively. The final dividend is subject to the approval of the shareholders at the annual general meeting on 21 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 page 41. 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.

Risk management

Robust approach to managing risk

Strategy
Risks are assessed through PayPoint's risk management and internal control framework which are designed to identify and manage risk.

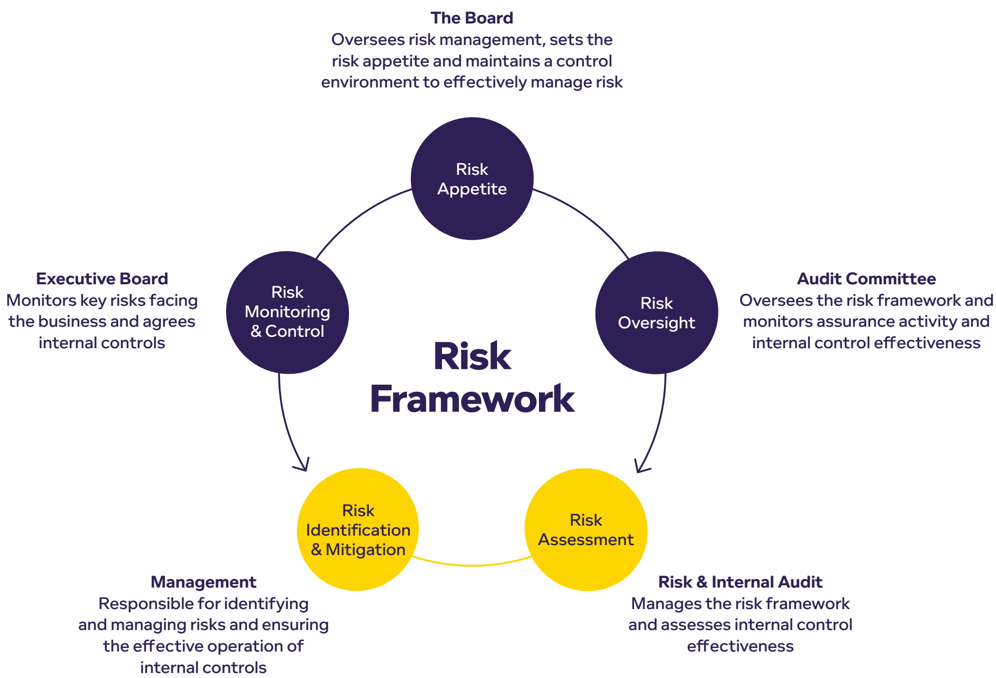
Processes apply throughout the Group and are designed to manage rather than eliminate risk. The Board is responsible for overseeing the risk management process and approves levels of acceptable risk. The Board is also responsible for maintaining an appropriate control environment to manage risk effectively. 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 impacts many principal risks and each incorporates specific Covid-19 risks where applicable.

The table opposite 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.



Principal risks and uncertainties

Mitigating risks effectively

Change in status and trend
- Increased
- Unchanged
- Decreased

Principal risks

Market risks

	Potential impact	Mitigation strategies	Status	Change
1 Competition and markets	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 oversees and challenges 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.	Unchanged
2 Emerging technology	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 which 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 focused on digital products.	Risk is increasing as new technology such as SMETS2 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 replatforming 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.	Increased

Principal risks and uncertainties continued

Strategic risks

	Potential impact	Mitigation strategies	Status	Change
3 Transformation and acquisition integration	Failure to integrate acquisitions and effectively manage significant change 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 assesses transformation as part of the strategic planning process, including acquisition opportunities, and the Board oversees and challenges 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 oversees 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 replatforming 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.	↑

Business risks

	Potential impact	Mitigation strategies	Status	Change
4 Operating model	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 that 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 acquisitions of Handepay and Merchant Rentals increase our card acquirer partnerships and we are expanding our relationship with LINK through the new LINK Counter Service initiative.	–
5 Legal and regulatory	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 Statement of Objections from Ofgem under the Competition Act, and possible outcomes from the Statement of Objections are a risk for the Company.	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 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.	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 Compliance team and framework to ensure we have strong processes. Our work responding to Ofgem's Statement of Objections continues. No other significant legal matters occurred during the year.	↑

	Potential impact	Mitigation strategies	Status	Change
6 People and culture	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 defines and advocates 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 latest Covid-19 lockdown.	–

Operational risks

	Potential impact	Mitigation strategies	Status	Change
7 Cyber security and data protection	Cyber-attacks 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 assesses PayPoint's cyber security and data protection framework and processes and the Cyber Security and IT Sub-Committee of the Audit Committee maintains oversight. Our IT security framework is comprehensive with multiple security systems and controls deployed across the Group. We are ISO 27001 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.	↑
8 Business interruption	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 rerouted for nearly all retail partners which would prevent a repeat incident.	–

Principal risks and uncertainties continued

	Potential impact	Mitigation strategies	Status	Change
9 Credit and 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.	–

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 that consult with government policy makers to help them make informed decisions. We also engage with key government stakeholders including HM Treasury and the 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 and 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 its 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 our decision making. We aim to align our business model with reducing carbon emissions as shown by 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 a 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 in 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 37 to 40) 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 11 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 37 to 40) 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
  - 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 16.6 pence 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.

Responsible business

How we operate efficiently and responsibly

In delivering our purpose (outlined on page 47) we hold ourselves accountable for delivering positive outcomes for all of our stakeholders through the implementation of a meaningful ESG strategy and measures.

Our ESG agenda has gathered pace in the year, as we consider our social responsibility towards, and impact on, each of the key areas of ESG. Our refreshed purpose, vision and values reflect how we deliver innovative, sustainable services and value for all our stakeholders. We will continue to develop our overall ESG strategy in the year ahead and ensure that its principles are embedded into our strategy and value creation.

Environment

GHG emissions	Units	Year ended 31 March 2021	Year ended 31 March 2020
Scope 1 (fuel combustion)	tonnes CO_2e	**60**	349
Scope 2 (purchased electricity)	tonnes CO_2e	**369**	534
Total Scope 1 & 2		**429**	883
No. of employees		**669**	694
Total Scope 1 & 2 per employee	tonnes CO_2e	**0.64**	1.27
Scope 3 (business travel, supply chain[1])	tonnes CO_2e	**1,326**	317

PayPoint aims to reduce its environmental impact by reducing its carbon emissions and waste and by considering environmental and sustainability issues in all aspects of its operations and business activities.

Climate change
We aim to reduce emissions and maximise the resource efficiencies of our operations. As we move to a hybrid way of working we will work with our people to encourage sustainability at home as well as in the office.

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

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

The methodology used to calculate our emissions is based upon the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance' (March 2019) issued by DEFRA. Using the latest UK government GHG Conversion Factors, PayPoint's Global total Scope 1 and Scope 2 GHG emissions have decreased this year from 883 tCO_2 (2,210,379 KWh) (FY2020) to 429 tCO_2 (1,657,108 KWh).

The primary sources of PayPoint's carbon emissions are energy consumption and business travel. The decrease of 454 tCO_2 shown at 31 March 2021 is therefore primarily due to Covid-19. During the pandemic our energy use in the office reduced as people worked from home and mileage reduced as our field team were unable to visit our retailer partners.

We envisage that our carbon footprint will continue to reduce due to new ways of working, less international travel following the sale of our Romanian business, and through the planned replacement of office gas boilers. Our Salesforce platform already optimises the journeys of our field team and through the introduction of hybrid company cars, their CO_2 emissions will reduce even further.

Being a responsible business means that we need to be mindful of our environmental impact beyond our own operations. Over the next year we will engage with our suppliers and partners to better understand our Scope 3 GHG emissions and consider how we can work collaboratively on sustainability matters.

Our next phase 2 Energy Saving Opportunity Scheme assessment is due in December 2023 (the last assessment was completed in November 2019).

Natural resources
Water
We use water for domestic purposes such as washroom facilities. Our current measures to reduce usage include time-controlled taps and dishwashers and reduced flush toilets. Due to Covid-19 our water consumption has significantly reduced. With the transition to hybrid working we expect that our water consumption will not revert to our previous levels and we will be actively working with our people to reduce their water usage at home.

Paper
The move to remote working has reduced our use of paper. When people return to the office we intend to encourage people not to print unless necessary and also introduce FollowMe Printing to reduce printed waste from documents left uncollected at the printer.

Waste management
We recycle wherever possible, including paper, cans, plastic cups, cardboard, toners, print cartridges and computer equipment. Once the business has returned to office working, plans are to be resurrected to recycle batteries, glasses, specialised clothing and mobile phones.

Redundant equipment is recycled by an ISO 27001 accredited firm which is certified by the Asset Disposal and Information Security Alliance ('ADISA'). ADISA recycles as much of the equipment as possible. Any parts which are not recyclable are disposed of in line with the Waste Electric and Electronic Equipment Regulations 2013 ('WEEE'). ATMs which have reached the end of their life are disposed of via Cennox. All surrounding materials are segregated into four key material types: metal; circuitry boards; wires; and WEEE. Cennox operates an internal recycling process for all of these materials with the exception of WEEE waste which is collected by their licensed waste carrier.

Innovation
Our innovative digital solutions support a reduction in our environmental impact. Recent examples include:
- the recent acquisition of i-movo, the UK's leading secure digital vouchering system, enables us to offer an alternative to paper vouchers thereby reducing paper usage
- our pioneering Link Counter Service, a 'cashback without purchase' solution, enables cash withdrawals without the need for ATMs. Energy consumption is thereby reduced together with our need for the supply and distribution of ATMs

Responsible business continued

Social

We hold ourselves accountable for delivering positive and inclusive outcomes for society including our people, retailer and client partners, consumers and the wider community.

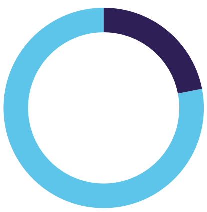
People and culture

Gender balance as at 31 March 2021

Board

- Female 28%
- Male 72%

Leadership Team

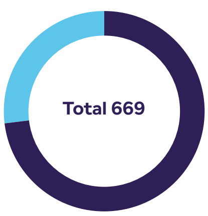


- Female 22%
- Male 78%

All employees

- Female 43%
- Male 57%

Headcount by business unit



- PayPoint 489
- Handepay and Merchant Rentals 180

The make-up of our population shifted during the course of the year as a result of the acquisitions of i-movo, Handepay and Merchant Rentals and the sale of PayPoint Romania. We employed 669 people on 31 March 2021 and all of our people are now based in the UK.

We aim to create a dynamic place to work for our people where we deliver for our customers by collaborating and being good colleagues to each other, creating a positive and inclusive environment where everyone can learn, grow and shine. PayPoint recruits externally from a wide range of industries and we continued to recruit during the year, welcoming over 100 new starters to the business during the course of the pandemic. We did not put any of our people on furlough during the period and have welcomed people from Handepay and Merchant Rentals back from furlough following the acquisition.

Unsurprisingly, employee turnover in PayPoint reduced significantly during the year with voluntary turnover reducing from 16% to 10%. Total turnover fell to 18% with the excess reflecting a continued drive to manage performance and ensure the business has the skills and capabilities needed to deliver our future strategy.

Our people
We ran two engagement surveys during the period with a particular focus on our response to the Covid-19 crisis. Our overall engagement score in October 2020 was 77% which represents a significant increase to our scores pre Covid-19, reflecting the way we transitioned to new ways of working and the support that we put in place for our people during the pandemic. Our response rate continued to be strong at 81% of our UK-based population. Our latest survey, launched at the end of May 2021, aims to gauge the sentiment following our latest acquisitions and the impending return to office.

Each team is responsible for developing and implementing actions that are relevant to them and at a Company level plans are developed in conjunction with our employee forum. Our priority during the period has been ensuring that our people remain connected, both to the business and to each other, and supported from a wellbeing perspective. We continued to hold regular briefings for our people to update on business priorities and performance as well as ways of working and our response to the pandemic. As a result of the survey we have implemented regular company-wide virtual events including a quiz, bake-off and team Christmas events.

In addition to formal staff briefings we hold monthly 'Natter with Nick' sessions, inviting small groups to an informal conversation with the Chief Executive and HR Director, providing an excellent opportunity to hear what is on people's minds and respond directly to questions, suggestions and concerns.

Our employee forum completed its first term in July 2020 when a new set of representatives were elected. The forum now consists of 13 representatives from around the business and will soon be increased as representatives from our newly acquired businesses are added. The forum is chaired by our HR Director, and Gill Barr, who represents the Board, attends the meetings. The purpose of the employee forum is to give feedback to the Board and Executive Board about how it feels to work in the business, what is working well and ideas for change to ensure that the employee voice is considered in decision making. The forum has met formally three times during the period to discuss topics including the employee survey, executive remuneration, purpose, vision and values, and return to office plans. The forum also meets informally, providing feedback on and suggestions for employee-related activities and events.

We continue to see a high level of participation in our share incentive plan with a 40% participation rate by PayPoint people. We also run a discretionary all-employee bonus scheme in order to engage all of our people in delivering our objectives for the year. We were delighted to pay the maximum bonus of £500 to our people for the year ended March 2021, recognising their support and commitment to the delivery of our performance during the period.

Promoting mental health and wellbeing
We have continued to support the wellbeing of our people during the year with a particular focus on wellbeing support during the Covid-19 pandemic. Our wellbeing strategy provides support for physical health, mental health, financial health and work-life balance. During the Covid-19 pandemic we provided an additional two weeks' paid leave for people who needed it to support with caring responsibilities, for their children or other family members. We continue to hold our weekly yoga sessions virtually and send regular communications offering general support and advice. Our trained mental health first aiders also provide confidential advice, support and guidance to our people.

Developing our people
We are committed to supporting the development of our people through a combination of online courses, apprenticeships, further education and in-house and external courses based on business and individual need. During the period two cohorts completed apprenticeships in leadership and management and we currently have apprentices studying programmes including Management, Project Management, MBA and Data Science. Focus for the coming year will be developing our sales capability, supporting the embedding of our values and the transition to hybrid working.

Earlier this year we launched a Board mentoring programme to support career development of our senior management population. During the year 14% of UK vacancies were filled internally and we continue to focus on ensuring that we have good development plans in place for our people to create a strong pipeline of internal talent.

Supporting human rights
PayPoint supports fundamental human rights, such as the right to privacy, safety and to be treated fairly, with dignity and respect. Our employment standard sets out our commitment to good employment practices and the principles to govern the practices adopted in each of our businesses. All employees have a right to safe working conditions, consideration of their welfare, fair terms of employment, reward and treatment, clarity and openness about what is expected. We have a zero-tolerance approach to modern slavery and we are committed to acting ethically and with integrity in all of our business dealings and relationships. PayPoint's statement on modern slavery can be found on the website[1].

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

The overall gender balance across all employees within the business on 31 March 2020 was 43% female and 57% male. We recently published our fourth gender pay gap report which can be found on our website[3]. Over the last few years we have implemented a number of initiatives to address our gender balance. However, a pay gap continues to exist in the organisation driven by the fact that we have more men than women in higher paid roles such as roles in our Information Technology ('IT') function and senior management positions. Our focus over the next 12 months includes looking at what further actions we can take to ensure we attract more female candidates for our roles as well as continuing to support development plans for identified talent. We celebrated International Women's Day in March 2021 with a virtual event. Rosie Shapland, Non-Executive Director, attended as our guest speaker and shared some of her own experiences linked to the theme of 'Choose to Challenge'. As a result of that we have recently introduced a professional networking group to provide a safe place to discuss topics and issues that impact women in the workplace and act as a catalyst for change.

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

Over the last few years our key focus has been gender diversity. For the year ahead we are seeking to widen this, considering equity and inclusion more generally and in alignment with our refreshed purpose, vision and values.

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

They guide our day to-day actions and give our people clarity on acceptable behaviour. Our statements on ethical principles and modern slavery can be found on our website[4]. During the year we carried out a review of our systems and controls to ensure modern slavery is not taking place anywhere within our business or supply chains. For example, our procurement process has been enhanced with regard to due diligence for modern slavery when selecting suppliers. Our 2021 modern slavery statement, which will be available on our website in September 2021, will illustrate our progress in this area over the last year. We operate an anti-bribery and corruption policy which was put in place in response to the UK Bribery Act 2010. Further information regarding this can be found on page 71 in the Audit Committee report.

A strong and supportive proposition for retailer partners and SMEs
We provide a broad range of innovative services and technology connecting millions of consumers with over 60,000 retailer partner and SME locations across multiple sectors.

We provide a leading and differentiated set of services, through highly reliable technology that enables our retailer partners to run their businesses more efficiently as well as generating consumer footfall from their surrounding communities. The breadth of products and services offered by PayPoint is greater than any other bill payment network. We have made good progress on enhancing our retailer proposition to increase footfall, revenue opportunities, service and engagement through a number of initiatives ready to launch in the next 12 months including: an FMCG proposition that uses digital vouchering; digital screen advertising; sales data; and PayPoint's retailer engagement channels to drive in-store activity and execution.

We have driven significant improvements in the retailer partner experience, including the introduction of the Retail Services Hub to align retailer-facing resource and the implementation of a new phone system enabling improvement in call answering to 97%. Our improved communication infrastructure will enable us to offer additional communication channels and we plan to expand into live chat over the next 12 months. We regularly survey our retailer partners, in conjunction with an independent third-party organisation, to better understand where and how we can improve our service. Throughout the year we hold retailer forums, comprised of leading independent retailers from our network, to discuss progress, receive feedback and work collaboratively to improve the customer experience in-store.

Responsible business continued

During the Covid-19 pandemic we supported our retailer partners via a series of proactive initiatives including launching a new partnership with Deliveroo, introducing the PayPoint Retailer Heroes awards that recognises retailers who had gone above and beyond to support consumers through the pandemic, waiving service fees for stores closed due to Covid-19, postponing the annual RPI service fee increase and a £25,000 contribution to the NRFN ('National Federation of Retail Newsagents') Covid-19 Hardship Fund. We also refocused our field team to work with our retailer partners to help them maximise the value of the PayPoint technology in their stores, enabling them to continue to provide essential services to their local community as well as helping them run their businesses more efficiently and understand sales trends from increased footfall as customers continue to shop local. Our Trustpilot score has increased to 4.8 out of 5 as a result of this activity.

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

We also engage regularly with the leadership and members of the NFRN and the SGF ('Scottish Grocers' Federation'). During these sessions we provide updates on business strategy, discuss member feedback and agree common areas of activity and partnerships, particularly on public affairs and improving the service and support we provide to members and their businesses.

Enabling clients to provide vital services in the community

We partner with over 270 clients in the UK, providing omnichannel payment solutions that enable them to seamlessly and effectively serve their customers however they wish to pay. Our contracts with clients contain clear obligations with respect to the services being provided, underpinned by measurable service levels which are set to ensure a high standard of delivery across key elements, including system and service availability, file delivery and funds settlement. We enable the delivery of best-in-class customer journeys for e-commerce brands over the first and last mile in c.10,000 locations through our Collect+ brand, helping consumers pick up and drop off online shopping or send parcels across the UK.

During the reporting period, 38 new clients were signed, with 28 coming from the non-energy sector and 13 taking digital payments solutions including the Nursery and Midwifery Council and Curo Group. We also concluded 36 renewals including Ovo, SSE and EON, delivering a broad range of services from our MultiPay digital payments portfolio. We launched several enhancements to our MultiPay product portfolio during the year including Direct Debit, PayByLink (reducing collections payment friction via personalised SMS reminders containing a payment link) and Event Streamer (enabling an overall view of live cash transactions in real-time).

Our CashOut service was well used in the period, enabling local authorities to disperse government meal voucher schemes and Covid-19 related hardship funds.

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

Society

Enabling consumers, including some of the most vulnerable in society, to access the services they need

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

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. Our cash bill payment solutions enable less privileged people to access services that may otherwise be unavailable to them and our CashOut service enabled the most vulnerable to access meal vouchers and hardship funds during the Covid-19 pandemic. Our Link Counter Service 'cashback without purchase' solution is currently being trialled, supporting the FCA and PSR's Access to Cash initiative to maintain services for the many people who continue to rely on cash as a vital way of making payments.

Our MultiPay platform is designed to provide a simpler and more convenient way for consumers to pay essential bills such as gas, electricity and rent. We are uniquely placed to be able to provide consumers with complete flexibility to choose to pay using whichever method is most convenient for them.

85%

of our ATM network is 'speech enabled', the largest proportion of an independent network in the UK

Supporting the communities where we live and work

We support the communities where our people live and work by providing them with the financial support they need to serve their causes. PayPoint has a charity committee made up of volunteers which leads and provides support to fundraising activities carried out by our people for charities which are important to them. Fundraising activity was impacted by the Covid-19 pandemic this year. However, the Committee continued to support our people with their fundraising efforts including a squat challenge, Movember and a gaming marathon. The Committee also hosted a number of company-wide events including 'Move for Mind' encouraging our people to get active and raise money for Mind, our annual Children in Need Quiz, logging miles for the HereForEachOther East & North Herts Hospitals' Charity campaign and a number of activities to support Comic Relief. In total over £19,000 was donated to local and national charities of which £17,000 was funded by the Company.

Additionally, our people in Welwyn Garden City supported our Christmas foodbank campaign, donating over £700 to provide food to local foodbanks in Stevenage and Welwyn Garden City.

A contribution of £25,000 was made to the NFRN Covid-19 Hardship Fund, helping retailers adversely affected by Covid-19.

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

Championing the employability of young people

Externally we continue to support young people in our community with a commitment to the local schools community and the continued development of young talent. PayPoint started to work as an enterprise advisor to a local secondary school in 2016, supporting students with the transition from school to the workplace. Our support has since expanded to other schools in the community and in the last year we partnered with Welwyn Hatfield Borough Council on a virtual careers fair, interviewing individuals from companies across Hertfordshire to showcase different careers. We also conducted mock interviews for IT and Engineering students at the University of Hertfordshire and in June and July this year will hold virtual business days for sixth formers at two local schools. PayPoint has also signed The Tech She Can Charter which is a PwC initiative designed to encourage more girls to study IT and view it as a career choice.

1. https://www.paypoint.com/modern-slavery-act
2. https://corporate.paypoint.com/downloads/investorcentre/board-policy-on-diversity-and-inclusion-2020.pdf
3. https://corporate.paypoint.com/downloads/csr/gender_pay_report_2020.pdf
4. https://corporate.paypoint.com/downloads/investorcentre/ethical-principles-2020.pdf

Purpose, vision and values

We have recently reviewed and updated our purpose, vision and values to ensure that they remain relevant, and clearly reflect our aspirations for the business in a way that can be understood by all of our stakeholders. This work was carried out with input from our employee forum as well as colleagues from our recently acquired companies.

Purpose

Why we exist

We deliver innovative services that make millions of people's lives a little easier every day

Values

How we bring our vision to life

- AMBITIOUS
- COLLABORATIVE
- ACCOUNTABLE
- RESULTS FOCUSED
- CAN DO
- GOOD COLLEAGUE

Vision

What we aim to achieve

- First-time delivery of outstanding technology and services to our customers
- Creating a dynamic place to work for our people
- Delivering positive outcomes for all of our stakeholders

In delivering our purpose we hold ourselves accountable for delivering positive outcomes for all our stakeholders through the implementation of a meaningful ESG strategy and measures. Further information can be found in the Responsible Business section on page 42.

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

Value award winner: James Worn
James Worn, Territory Development Manager, received multiple nominations from colleagues around the business for the service that he provides to our retailers as well as the support he gives to colleagues internally. James always responds quickly to customer queries and goes the extra mile for urgent matters such as conducting installations on a Sunday, receiving excellent feedback from his customers. James also took responsibility for CRM within his region and supported his team to ensure a high level of understanding and performance. James has excellent relationships both internally and with his customers and continues to achieve outstanding results for the business.

Value award winner: Sucharita Manikanden
Sucharita Manikanden, Client Change & Delivery Manager, received a values award for her work delivering multiple projects for our clients under tight deadlines. Suchi showed real commitment and determination to deliver, juggling clients, internal teams and processes to ensure successful outcomes. She demonstrates strong customer focus and a can do attitude, collaborating with colleagues and clients to find solutions to obstacles and ensure that new products are delivered to clients on time.

Responsible business continued

Governance

The Executive Board, as PayPoint's team with responsibility for the day-to-day operational management of the Group, is accountable for the ESG strategy to help drive change and a more sustainable future for PayPoint.

The framework through which PayPoint provides transparency on how it operates its business, which is in line with current regulations, is set out in the Corporate Governance Report on pages 58 to 63 and in the Risk Management Report, on page 36. In addition, our anti-bribery and corruption policy is set out in the Audit Committee Report on page 71.

PayPoint recognises that driving better corporate behaviours provides returns over the longer-term and ESG is therefore a key focus of our Board.

We are developing our approach to climate-related risks in terms of governance, strategy and risk management. Over the next year, metrics will be also be agreed to measure our performance against environmental targets.

As part of our ESG journey, we participated in the CDP survey for the first time last year and our results for the 2021 CDP survey will provide environmental information to existing and potential investors, customers and other stakeholders who will be able to assess our progress towards environmental stewardship. Our participation in the CDP survey also assists in our preparation to report against the Task Force on Climate-related Financial Disclosures ('TCFD'). Full disclosure in accordance with the TCFD will be provided in our 2022 annual report.

PayPoint Plc, and certain of its subsidiaries, are signatories to the Prompt Payment Code, a voluntary code of practice for payment practices whereby signatories undertake to pay 95% of their supplier invoices within 60 days. Our payment practices are reported on a six-monthly basis and details can be found at www.gov.uk/check-when-businesses-pay-invoices.

Over the coming months we intend to broaden the due diligence undertaken as part of our procurement process to assess environmental, social and governance risks within our supply chain to align ESG standards of our suppliers with those of PayPoint.

Together with our Green Team of volunteers from around the business we will also continue to develop and implement initiatives in the office in order to reduce our impact on the environment.

Compliant with current mandatory disclosures our greenhouse gas emissions are detailed on page 43.

Finally, the following table sets out our Group Non-Financial Information statement, prepared in order to comply with sections 414C and 414CB of the Companies Act 2006. A description of our business model and strategy, as well as the non-financial KPIs relevant to our business, can be found on pages 12 to 29.

Reporting requirement	Where to find further information	Page	Relevant policies if applicable
Environmental matters	Responsible Business	–	Our environmental policy will be launched during the next 12 months
Employees	Responsible Business Principal Risks Audit Committee Report	44 to 45 37 to 40 71	Diversity Recruitment and Selection Health and Safety Whistleblowing Code of Ethics
Society and communities	Responsible Business	46	Charitable donations
Respect for human rights	Responsible Business & and https://www.paypoint.com/modern-slavery-act	44 and 45 –	Modern Slavery Statement Human Rights
Anti-bribery and corruption	Audit Committee Report	71	Anti-bribery and corruption

Section 172(1) Statement

Board decision making

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

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

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

We delegate authority for day-to-day management of the Company to the Executive Board and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held periodically at which the Directors consider the Company's activities and make decisions. For example, each year we make an assessment of the strength of the Company's balance sheet and future prospects relative to market uncertainties and make decisions about the payment of dividends. For the year ended 31 March 2021, we are recommending a final dividend of 16.6 pence per share.

How we consider our stakeholders

During the year under review the Executive Board brought a proposal to the Board to acquire Handepay and Merchant Rentals. Extensive due diligence was carried out, supported by PricewaterhouseCoopers LLP, Freshfields Bruckhaus Deringer LLP and OC&C to ensure the proposal was in the best interests of all stakeholders and would promote the success of the PayPoint Group.

Following the completion of the acquisition of Handepay/Merchant Rentals, we brought back their employees from furlough to return to sales activity and customer support. Furthermore, the enlarged size of the PayPoint Group has increased the career opportunities available to our people.

The acquisition has brought additional capabilities to PayPoint and resultant synergies have created a national card payments business with over 30,000 SME customers and reach into food services, garages and hospitality sectors. The sectors we serve have also realised terminal leasing opportunities.

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

Nick Wiles
Chief Executive
26 May 2021

Responsible business continued

Engaging with our stakeholders

By understanding our stakeholders we can consider their needs, concerns and the potential impact on stakeholders when making decisions in the boardroom.

Our stakeholders	How we engage
People We have a talented, diverse and committed workforce with experience from a wide range of industries.	Our employee forum is a communication platform attended by employee representatives elected by their colleagues. In addition, we hold regular staff briefings and invite small groups of our people to informal sessions with our Chief Executive and HR Director (see page 44 for more information on how we engage with our people).
Shareholders We aim to deliver a sustainable and rewarding business model.	Through our investor relations programme (see page 63 for more information), our annual report and accounts and our annual general meeting, we ensure shareholder views are brought into our boardroom and considered in our decision making.
Convenience retailer partners Our retailer partners offer their consumers one or more PayPoint services. Ranging from independent retailer partners with one store to large multiple retailer partners.	An account management team develops our relationships with multiple retailer partners, whilst our Retail Services Hub and field operations team support independent retailer partners. Independent retailers are also represented by a retailer partner forum, which has regular meetings across the year. In addition, communications are sent out via weekly emails and regular bulletins.
SMEs We provide card payments services for over 30,000 SMEs across various sectors.	Our field team are always available to support and engage with business owners across all the sectors we serve. We use a range of channels and methods to communicate with and seek feedback from new and existing customers including social media, customer referrals and case studies.
Consumers We serve millions of consumers every day, helping them to make payments and collect parcels conveniently through our retailer partner network and omnichannel payments solutions.	Our communication platforms provide the environment for us to engage with consumers. Through our Retail Services Hub we inform, update and quickly resolve issues with consumers at first point of contact where possible. Feedback, queries and data gathered from surveys are all collated to improve the consumer experience.
Clients Our client base operates across a broad and diverse range of sectors including commercial, not-for-profit and the public sector. They are critical to our business. Understanding their needs and requirements is essential to retention and development.	Dedicated account managers have client review meetings throughout the year to discuss performance and future innovations. We also have daily operational contact where required to resolve business as usual queries. For the larger strategic accounts, we will hold a mixture of operational, tactical, and strategic meetings throughout the year.
Local communities Our network places us at the heart of local communities.	We support fundraising events by providing financial support to causes that are important to employees. We act as an enterprise advisor to a local secondary school, supporting the transition between school and the workplace.

Key topics discussed	How the Board engages/is kept informed	Key outcomes in 2021
The employee forum discusses the issues raised by the engagement survey and any business-related issues. The impacts of the pandemic continued to be discussed throughout the year. In addition, our Chairman of the Remuneration Committee explained the remit of the Remuneration Committee and how it set the Remuneration Policy which was approved by shareholders in 2020.	Gill Barr, the Board representative of the employee forum, facilitates the flow of communication between the forum and the Board. The HR Director updates the Board on results of engagement surveys and people matters generally in a formal presentation to the Board each January and as required throughout the year.	The employee forum has helped shape survey actions and ensured that our return to office plans have taken into account feedback from around the business.
Financial performance, strategy and business model, dividend policy and ESG.	The Chief Executive updates the Board on any shareholder feedback received and on investor sentiment following each roadshow. The approach to ongoing shareholder engagement is agreed by the Board. All members of the Board are available for questions by the shareholders at the annual general meeting.	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. A final dividend of 16.6 pence per share has been declared for approval by shareholders.
Performance reviews, market trends and insights, sharing best practice, new clients and product development.	The Executive Board keeps the Board informed of our relationships with convenience retailer partners throughout the year.	Significant improvements have been made to the retailer partner experience through several initiatives over the year and these have contributed positively to our retailer partner NPS. Key multiple retailer contracts have been renewed.
Performance, support, pricing and service enhancements.	Updates on current and future services to enhance the services we offer to SMEs are provided to the Board by the Executive Board.	Maintaining a good Trustpilot score.
Services and partnerships, performance, network expansions, product portfolio, systems and support on customer complaints.	The Executive Board provides updates to the Board on the levels of transactions, performance and overall services provided to our consumers.	First-time delivery of product releases and improvement in our NPS and customer satisfaction programme.
Service and performance versus key performance indicators, business challenges where we may be able to provide support, short and long-term strategic goals to drive alignment, and PayPoint service evolution to enhance our clients' own service performance to their end users.	The Executive Board provides updates to the Board when required.	Several MultiPay product portfolio enhancements launched in year. Major client contracts renewed and several new clients secured.
Our charity committee agrees which charities we should support.	The HR Director updates the Board via a formal presentation each January.	Page 46 details our charitable work and support provided for young people in the community.

Chairman's statement for governance

"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."

Dear Shareholders,

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 but you can find out more details on our journey to date on page 48.

Giles Kerr
Chairman

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 Limited; 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 Ziehn of Lintstock Ltd. We are pleased to receive external confirmation that our Board and Committees continue to operate effectively. More information on the process and results of that evaluation can be found on the following page.

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. Details of the matters to be approved by shareholders are set out in our Notice of Annual General Meeting on pages 128 to 134 of this annual report.

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 at sarahcarne@paypoint.com.

Giles Kerr
Chairman
26 May 2021

Performance evaluation of the PayPoint Board and its Committees

In accordance with the Code, the Board and its Committees undertake an external evaluation every three years, with internal evaluations being undertaken in the intervening years. The last such external evaluation was carried out in 2018.

2021 external evaluation process and output
In 2020, PayPoint engaged Lintstock to facilitate an external evaluation. Lintstock is an advisory firm that specialises in Board reviews and provides no other services to the Company.

The first stage of the review involved Lintstock engaging with the Chairman and Company Secretary to set the context for the evaluation and to tailor the survey content to the specific circumstances of PayPoint. All Board members were then invited to complete surveys addressing the performance of the Board, each of the Board Committees and the Chairman. The anonymity of the respondents was ensured throughout the process in order to promote open and candid feedback.

The exercise was designed to cover core aspects of Board performance, and had a particular focus on the following themes:

- the quality of the relationship developing between the Board and the new Chief Executive, and the top priorities for the new Chief Executive over the coming year the adjustment in the Board's focus in response to Covid-19, and the effectiveness of meetings conducted remotely during the pandemic
- the level of the Board's focus on risk, including how well the organisation's risk management arrangements have coped with challenges associated with Covid-19
- the size of the Board, the range of skills and the level of diversity amongst members, as well as key changes that should be made to the Board's composition over the coming years
- the knowledge of the views of employees, the monitoring of culture throughout PayPoint, and the quality of insight that the Board gains through the employee forum
- the Board's understanding of other key stakeholder groups, including our people, shareholders, convenience retailer partners, SMEs, consumers and clients
- the clarity and achievability of PayPoint's strategic plan, and the Board's understanding of the organisation's strengths and weaknesses relative to key competitors

The observations and recommendations resulting from the review were considered at subsequent Board and Committee meetings.

The following areas were proposed and agreed for focus over the next 12 months:

Area	Board discussion	Agreed action
Strategy	The integration of the newly acquired businesses was key.	The Board would continue to be provided with regular updates on these integrations.
Stakeholders	The Board would benefit from greater exposure to client/retailer engagement.	Management would provide a detailed review of the ongoing relationships with and experiences of these stakeholders to include site visits as appropriate.
Diversity	The Board acknowledged that the gender balance within the Board had fallen from 33% to 28.5%.	The Board agreed that the current composition of the Board is appropriate and that the succession plan will take account of the 33% gender target when considering the future Board composition.

The following actions were agreed in respect of the evaluations of each of the Committees of the Board:

Committee	Discussion	Agreed action
Audit	The Committee agreed that training on specific areas would be of benefit to the members.	External providers would be contacted and training arranged.
Nomination	The Committee was working effectively.	No specific actions required. The Committee was fit for purpose.
Remuneration	Keeping abreast of the views of investors and proxy advisors was essential.	The remuneration consultants would provide an update to the Committee.

2020 internal evaluation
The following table sets out the progress made against the agreed actions arising from the 2020 evaluation:

Area	Board discussion	Agreed action
Succession planning	To establish a leader for the business.	Nick Wiles was appointed Chief Executive in May 2020.
Strategy	To review the strategic priorities of the Company.	There has been a strategic repositioning to deliver growth. See Year in Review on pages 8 and 9 and the strategic framework on pages 20 and 21.

Board of Directors

A balanced and effective team

Giles Kerr
ACA

Chairman

Appointed to the Board in November 2015 as an Independent Non-Executive Director and Chairman of the Audit Committee. Assumed the role of Senior Independent Director in May 2017 and became Chairman in May 2020.

Career
Giles' former roles include chief financial officer at the University of Oxford and Amersham plc, group finance director at Arthur Andersen & Co and non-executive director roles at BTG plc, Victrex plc, Elan Corporation Inc and Adaptimmune Therapeutics plc.

Board skills and experience
Corporate finance, accounting, risk management.

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

Committee memberships
Chairman of the Nomination Committee and a member of the Remuneration Committee.

Nick Wiles

Chief Executive

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

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

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

Board skills and experience
Investment banking, corporate finance, equity markets, investor sentiment and relations.

Other principal roles
None.

Committee memberships
Member of the Market Disclosure Committee.

Alan Dale
ACA

Finance Director

Appointed to the Board as Finance Director in November 2020 having acted as Interim Finance Director since July 2020. He joined PayPoint in August 2017 as Head of UK Finance.

Career
Alan is a chartered accountant with over 30 years' experience in the financial services sector. Prior to joining PayPoint he held a number of senior finance roles with financial institutions including GE Capital.

Board skills and experience
Corporate finance, accounting, risk management.

Other principal roles
None.

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

Gill Barr

Independent Non-Executive Director

Appointed to the Board in June 2015.

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

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

Other principal roles
Senior Independent Director of N Brown Group plc and Non-executive director of Wincanton plc.

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

Rakesh Sharma

OBE FREng CPhys MInstP

Senior Independent Director

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

Career

Rakesh started his career as an electronic design engineer at Marconi in 1983 before moving to Dowty as chief engineer in 1989. He was chief executive of Ultra Electronics Holdings Plc ('Ultra') having previously held several senior and management positions within Ultra and has managed businesses and divisions across the full range of that company's wide portfolio including in the B2B fintech sector.

Board skills and experience

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

Other principal roles

Chairman of Kromek Group plc.

Committee memberships

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

Ben Wishart

Independent Non-Executive Director

Appointed to the Board in November 2019.

Career

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

Board skills and experience

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

Other principal roles

None.

Committee memberships

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

Rosie Shapland

FCA

Independent Non-Executive Director

Appointed to the Board in October 2020.

Career

Rosie is a chartered accountant and was a former audit partner at PwC. She has over 30 years of audit experience across multiple sectors.

Board skills and experience

Rosie brings extensive knowledge of accounting, financial reporting, risk management and governance.

Other principal roles

Non-executive director and audit committee chair of Foxtons Group plc. Non-executive director of Workspace Group PLC.

Committee memberships

Chair of the Audit Committee and a member of the Remuneration and Nomination Committees.

Board experience

Cyber security and IT

28%

Finance

57%

Operational

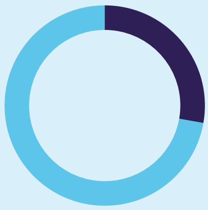
28%

Risk management

57%

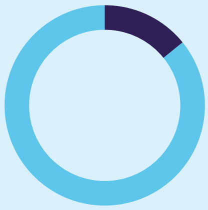
Board diversity

Gender



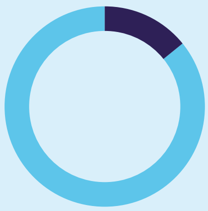
Female	28%
Male	72%

Ethnicity



Ethnic Minority British	1
White British	6

Location



Netherlands based	1
UK based	6

Executive Board

Leading with experience

Nick Wiles
Chief Executive

See **Board of Directors** for biography.

Alan Dale
Finance Director

See **Board of Directors** for biography.

Simon Coles
Chief Technology Officer

Biography
Simon joined the Executive Board in April 2021. He was appointed as Chief Technology Officer in May 2017, having previously managed the IT team at PayPoint's Mobile and Online subsidiary prior to its sale. Simon has worked in both the payments and retail wealth management sectors for over 30 years as an engineer, manager, consultant and IT executive. He has launched and managed card processing systems for several banks and consulted on payments in the UK, USA and Australia. Prior to joining PayPoint, Simon was a management consultant for several years and has delivered significant IT programmes for several banks, wealth managers and insurance firms.

Danny Vant
Client Services Director

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

Before joining PayPoint Danny worked for Mitie plc in the FM sector managing a number of businesses, predominantly within the security sector. Danny also worked in consultancy for Newton Europe specialising in process efficiency improvements across a diverse range of sectors, including healthcare and defence. Prior to this Danny started his career as a graduate in the logistics industry, spending six years working in the parcel carrier industry for Target Express.

Katy Wilde
HR Director

Biography

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

Prior to joining PayPoint, Katy worked for RSA Insurance Group where she held a number of senior business partnering roles in the UK and latterly in the emerging markets business where she was responsible for ensuring the delivery of the HR agenda across 22 countries in Central and Eastern Europe, Asia, the Middle East and Latin America. Prior to that Katy spent seven years at General Electric where she held HR roles in both its consumer finance and insurance businesses. Katy has a degree in International Business and Modern Languages from Aston University and is a Chartered Member of the CIPD.

Ben Ford
Retail Services Director

Biography

Ben Ford was appointed to the Executive Board as Retail Services Director on 1 July 2020 to lead a newly established Retail Services function. The function incorporates all retail supporting teams, responsible for the end-to-end delivery of products and services to our retailers and the management of relationships within the network. Ben was previously at Addison Lee where he was head of Global Customer Experience and Operations responsible for global service delivery of customers, clients, drivers, and fleet. Prior to joining Addison Lee Ben worked in similar roles for companies including Premier Inn, Danone, Joules and Boden.

Tanya Murphy
General Counsel and Head of Compliance

Biography

Tanya joined PayPoint as General Counsel and Head of Compliance in September 2020 and leads PayPoint's in-house Legal and Compliance teams advising all companies across the PayPoint Group on legal and regulatory matters relating to their businesses.

Prior to joining PayPoint, Tanya worked at Zurich Insurance for 11 years where she held a number of roles including head of the UK Corporate & Commercial Legal team.

Tanya qualified as a solicitor in 1996 at the international law firm Lovell White Durrant, now Hogan Lovells LLP, where she worked as a solicitor for 12 years specialising in corporate and commercial law across a number of business sectors.

Mark Latham
Card Services Director

Biography

Mark joined PayPoint as Card Services Director in February 2021 following the acquisition of Handepay and Merchant Rentals, with responsibility for the combined cards business. Prior to this, Mark was chief commercial officer at Handepay from 2013 where he developed the market-leading customer proposition and led the marketing and customer management teams.

Mark has previously held international product management positions with global payment processor Elavon, where he was responsible for mobile payment, currency conversion and gift card solutions. Mark began his career in the payment industry in 2002, supporting major acquiring and retail customers for Ingenico.

Corporate Governance Report

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

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

Membership and attendance at scheduled Board meetings held during the year

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

Current members	Role	Attendance at scheduled meetings during the year: Eligible to attend	Attended
Executive Directors			
Nick Wiles[1]	Chief Executive	7	7
Alan Dale[2]	Finance Director	3	3
Non-Executive Directors			
Giles Kerr[3]	Chairman	7	7
Gill Barr	Independent Non-Executive Director	7	7
Rosie Shapland[4]	Independent Non-Executive Director	4	4
Rakesh Sharma[5]	Senior Independent Director	7	7
Ben Wishart[6]	Independent Non-Executive Director	7	6

In addition to the seven scheduled meetings, the Board met a further 18 times during the year under review to give consideration to and approval of ad hoc matters in accordance with the schedule of matters reserved to the Board.

1. Nick Wiles was the Executive Chairman of the Board and with effect from 20 May 2020 he was appointed Chief Executive.
2. Alan Dale was appointed Finance Director on 20 November 2020 having acted as Interim Finance Director since July 2020.
3. Giles Kerr stepped down as Senior Independent Director on 20 May 2020 and was appointed Chairman effective from the same date.
4. Rosie Shapland was appointed an Independent Non-Executive Director on 2 October 2020.
5. Rakesh Sharma was appointed Senior Independent Director on 20 May 2020.
6. Ben Wishart was unable to attend the Board meeting on 24 July 2020 as he was convalescing following some medical treatment.

Corporate governance framework

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

Board composition

At the date of this report, the Board comprises seven Directors: the Chairman; the Chief Executive; the Finance Director; the Senior Independent Director; and three Independent Non-Executive Directors. The size of our Board allows time for full discussion and debate of matters and enables all Directors' views to be heard. The Non-Executive Directors have a broad range of skills and experience bringing balance and diversity to the Board. The biographies, skills and competences of each of our Directors are set out on pages 54 to 55.

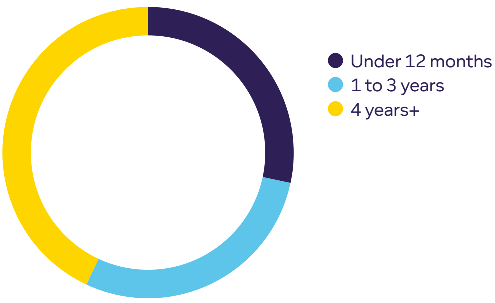
The composition of the Board is subject to ongoing review and a key consideration for any new Board appointment will be the additional breadth a new Director could bring.

The process undertaken to appoint Rosie Shapland to the Board in October 2020 is set out in the Nomination Committee Report on page 65.

The terms and conditions of appointment of the Non-Executive Directors and the Executive Directors' service contracts are available for inspection at the Company's registered office during normal business hours and at the annual general meeting. In accordance with the provisions of the Code all Directors submit themselves for election or re-election at each annual general meeting. The Board's recommendations in respect of the election/re-election of each Director can be found in the Notice of Annual General Meeting on page 130.

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

Tenure of Board



Independence statement

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

Corporate Governance Framework

The Board

The Board is collectively responsible for the long-term success of the Company and is accountable to the shareholders of the Company. The Board provides effective leadership by setting the strategic aims of the Company and overseeing the efficient implementation of these aims in order to achieve sustainable growth of the business. It monitors operational and financial performance against agreed goals and objectives whilst ensuring that the appropriate controls and systems exist to manage risk. The Board ensures that there are the necessary financial resources and people with the necessary skills to achieve the strategic goals the Board has set. The Nomination, Audit and Remuneration Committees support the Board in carrying out its role which is formally set out in 'the Matters Reserved for the Board', full details of which can be found on the Company's website www.corporate.paypoint.com. The details of the roles of each of those Committees can be found on pages 64 to 83. In addition, the Executive Board carries out strategic objectives delegated to it by the Board and the roles of each member of the Executive Board are set out on pages 56 and 57.

Audit Committee
The key role of this Committee is to ensure the integrity of the Company's financial reporting to shareholders. Read more on pages 66 to 71.

Nomination Committee
The Nomination Committee is responsible for reviewing the composition of the Board to ensure its members have the right skills and experience to implement the strategy of the Company. Read more on pages 64 to 65.

Remuneration Committee
The Committee's key responsibility is to determine and apply the Remuneration Policy to ensure it promotes the delivery of the Company's strategy. Read more on pages 72 to 83.

Market Disclosure Committee
This Committee oversees the disclosure of information by the Company to ensure that it meets its obligations under the Market Abuse Regulations. Its members are the Chief Executive, Finance Director, Company Secretary and the General Counsel and Head of Compliance.

Cyber Security & Information Technology Sub-Committee
This is a sub-committee of the Audit Committee. The role of the Committee is provided on page 70.

Executive Board
The Executive Board is led by the Chief Executive and comprises: the Finance Director, HR Director, Client Services Director, Retail Services Director, Card Services Director, General Counsel and Head of Compliance and Chief Technology Officer. The Executive Board is responsible for the day-to-day operational management of the Group and supports the Chief Executive in implementing the Group's strategic aims. The Board oversees the activities of the Executive Board.

Regulated entities within the Group
Following the acquisitions detailed in the Year in Review on pages 8 and 9, the Group has five regulated entities as detailed below. The managing directors of each of these regulated entities report to the Chief Executive:

- PayPoint Payment Services Limited[1]
- i-movo Limited[2]
- Handepay Limited[3]
- Merchant Rentals Limited[4]
- RSM 2000 Limited[5]

1 This an authorised payment institution regulated by the FCA with permission to provide regulated payment services (including certain CashOut services) under the Payment Services Regulations 2017. It is a Limited Permission Consumer Credit firm although it is not currently conducting business of this nature.
2 This is a small payment institution regulated by the FCA with money remittance permissions under the Payment Services Regulations 2017.
3 This is an authorised Consumer Credit (Consumer Hire) company regulated by the FCA with credit broking permissions under the Consumer Credit Act. This is a Limited Permission Consumer Credit firm.
4 This is an authorised Consumer Credit (Consumer Hire) company regulated by the FCA with permission to enter into Regulated Consumer Hire Agreements as owner and to exercise or have the right to exercise the owner's rights and duties under regulated Consumer Hire Agreement permissions. This is a Limited Permission Consumer Credit firm.
5 This is an authorised Consumer Credit company regulated by the FCA with permissions for credit broking, debt collecting, debt administration, entering into Regulated Consumer Hire Agreements as owner and exercising or having the right to exercise the owner's rights and duties under a regulated Consumer Hire Agreement. This is a Full Permission Consumer Credit Firm and also an authorised payment institution regulated by the FCA with permission to provide regulated payment services under the Payment Services Regulations 2017.

Corporate Governance Report continued

Induction
On joining the Board, all new Directors receive a full, formal and tailored induction. One-to-one meetings are held with each member of the Executive Board and other senior management in the business and external advisors as appropriate. The induction includes the provision of relevant current and historical information about the Company together with applicable business policies. The Company Secretary assists in the induction of new Directors and undertakes a review with new Directors post induction to consider any initiatives which would improve the process. Following Ben Wishart's induction last year the governance information provided on induction is now summarised with full documentation available via the Board portal.

Training and support
Directors are provided with clear and accurate information on matters to be considered at the Board and its Committee meetings. This information is provided in a timely manner to ensure an appropriate level of review by each Director ahead of the meetings.

In the course of the year, the Board is briefed on any significant changes in the law, regulations, governance, best practice or developments within PayPoint which affect their roles both on the Board and on Board Committees. Experts and advisors are brought in as necessary to present to the Board or its Committees on technical subject matters. During the year the Board received an update on directors' duties and an overview of the impending Task Force on Climate-related Financial Disclosures.

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

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

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

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

A register of conflicts of interest is maintained by the Company Secretary No material conflicts were reported by the Directors during the year.

Meetings
The Board and its Committees meet regularly throughout the year with meetings scheduled around key dates in the Company's corporate calendar, and when necessary to consider key corporate transactions or events that may arise.

Two strategy sessions are also held each year, the first in September followed by a session in February. The Board is updated on progress against the strategic plan and any new initiatives to grow and develop the PayPoint Group.

The Chairman sets the agenda for the Board and ensures that adequate time is available for discussion of all agenda items. He ensures informed decisions are reached in an effective manner by facilitating open discussion and debate of agenda items by Board members. The Non-Executive Directors meet ahead of each Board meeting to discuss the business of the meeting and any related issues. Consultations with management and with external advisors are held when necessary to aid the Board's decision-making process. The table opposite shows the key areas of Board activity during the year ended 31 March 2021.

Strategy and business review

- two scheduled strategy sessions followed by progress reviews throughout the year
- regular business and performance updates across all divisions
- acquisitions and disposal as detailed in the 'Year in Review' on pages 8 and 9
- further to Covid-19, continued implementing an operating model to minimise disruption of service and support to clients and retailer network whilst ensuring the safety of all employees
- progress on climate-related disclosures

Internal control and risk management

- considered the implications for the Group post withdrawal from the EU
- considered the continuing impact of Covid-19 for the Group
- assessed the IT infrastructure
- assessed the effectiveness of the internal controls and risk management process within the Group
- approved the renewal of insurance policies for the Group
- carried out a robust assessment of the nature and extent of emerging and principal risks and uncertainties facing the Group and how these risks could affect the business, financial condition or operations of the Group

Financial

- approved half year, full year and trading updates
- approved dividends paid to shareholders during the financial year ended 31 March 2021
- reviewed management presentations to analysts for the full and half year results
- considered and approved the plan for financial year ending 31 March 2022
- approved the entering into a new banking facilities agreement
- reviewed Group forecasts and scrutinised the built-in risks and opportunities
- received monthly management accounts
- received management reports

Governance

- approved the Notice of Annual General Meeting
- reviewed and approved the Board policy on diversity and inclusion
- reviewed investor feedback from the full and half year roadshows
- approved the Modern Slavery Statement
- reviewed and considered the impending climate-related regulations
- considered the feedback received from the employee forum when making decisions regarding the new purpose, vision and values and regarding the return to office planned for 21 June
- appointed Lintstock Ltd to facilitate an external performance evaluation of the Board and its Committees
- approved revisions to the terms of reference of the Audit, Remuneration and Nomination Committees
- approved revisions to various policies and the Board's delegated authority in accordance with the Matters Reserved for the Board
- considered shareholder analysis summary reports

People

- relaunched the PayPoint purpose, vision and values
- reviewed the Group health and safety reports
- received regular updates on the employee forum from Gill Barr, Non-Executive Director, the appointed Board representative for the employee forum
- appointed Nick Wiles as Chief Executive, Giles Kerr as Chairman and Rakesh Sharma as Senior Independent Director all effective 20 May 2020
- appointed Rosie Shapland as an Independent Non-Executive Director, effective 2 October 2020
- appointed Alan Dale as Finance Director, effective 20 November 2020
- reviewed the PayPoint gender pay gap report and approved the commitments and actions therein, prior to publication of the report
- continued the monitoring of working practices for all our people to safeguard employees in light of Covid-19

Corporate Governance Report continued

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

Board leadership

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

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

Running the business

Chief Executive – Nick Wiles
Nick Wiles is responsible for running the Group's business and for proposing and developing the Group's strategy and overall commercial objectives. He leads the Executive Board, the responsibilities of which are set out on page 59. His other main responsibilities include:

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

Finance Director – Alan Dale
Alan Dale is responsible for all financial reporting, investor relations, tax, treasury and financial control aspects of the Group. As a member of the Executive Board he also provides support to the Chief Executive in the development and implementation of the strategy, and in the wider activities of the Group as required. Alan is also a director of various subsidiaries of the Group.

Constructive challenge and independent oversight

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

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

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

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

Board support

Company Secretary – Sarah Carne
Sarah Carne was appointed Secretary to the Board and all its Committees in December 2019 having previously acted as Deputy Company Secretary from August 2019. She provides advice and assistance to the Board to ensure good governance practices and compliance with company law, Listing Rules, Disclosure Guidance and Transparency Rules and the Market Abuse Regulations. Her other responsibilities include:

- supporting the Board and Committee Chairs in setting the agendas and ensuring information is made available to the Board members in a timely fashion
- arranging the induction of new Directors and co-ordinating training requirements for the Non-Executive Directors as required
- organising internal and external Board and Committee evaluations at the request of the Chairman
- membership of the Market Disclosure Committee of the Board
- acting as secretary to the subsidiaries of the Group

Accountability

Financial and business reporting

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

- page 86 for the Board's responsibility statement setting out the steps taken to present a fair, balanced and understandable assessment of the Company's position and prospects
- pages 1 to 49 for the strategy and business model which explains how the Company generates and preserves value over the longer term and the strategy for delivering the objectives of the Company
- page 85 for the statement that the financial statements have been prepared on a going concern basis

Risk management and internal control

The Board has overall responsibility for establishing and maintaining sound risk management and internal control systems and the monitoring of these systems to ensure that they are effective and fit for purpose. The Audit Committee provides support to the Board in this regard and oversees the monitoring process. Further information on the risk management and internal control system is set out in the Risk Management Report on page 36.

The Board has carried out a robust assessment of the nature and extent of the emerging and principal risks facing the Group and how these risks could affect the business, financial condition or operations of the Group. The explanation of these principal risks including how they are being mitigated can be found on pages 37 to 40, and a statement on how the Directors have assessed the prospects of the Group taking into account the current position and principal risks is on page 41.

Remuneration

Details of how the provisions of the Code have been applied in respect of Directors' remuneration are set out in the Remuneration Committee Report on pages 72 to 83.

Engagement with stakeholders

In its decision making, the Board has regard to each Directors' duty to promote the success of the Company on behalf of the Company's stakeholders, to foster the Company's relationships with its people, shareholders, convenience retailer partners, SMEs, consumers, clients and local communities and to consider the effect of the principal decisions taken by the Company during the financial year on the Company's stakeholders. For more information see pages 50 and 51.

Engagement with and feedback from our people across the business is vital. This year the employee forum received an overview of the Directors' Remuneration Policy, provided feedback on proposals for returning to the office post Covid-19 and the roll-out of our new purpose, vision and values. Gill Barr, our Board representative for the employee forum, feeds back issues raised by the members of the forum for consideration by the Board.

Shareholder relations

The Directors consider that the annual report and accounts play an important role in providing shareholders with an evaluation of the Company's position and prospects. The Board aims to achieve clear reporting of its financial performance to all shareholders.

The PayPoint website provides comprehensive information for current and potential shareholders and the annual general meeting is an ideal forum for interaction between the Board and shareholders. In addition, the Company maintains a full investor relations programme, including formal roadshows following the full and half year results and regular one-to-one meetings with current and potential investors.

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

Nomination Committee Report

2020 was a transitional year for the Board."

Giles Kerr
Chairman,
Nomination Committee

Membership and attendance

Current members	Date appointed as member	Attendance at meetings during the year: Eligible to attend	Attendance at meetings during the year: Attended
Giles Kerr (Chairman)	20 November 2015, assuming chairmanship in May 2020	6	6
Gill Barr	1 June 2015	6	6
Rakesh Sharma	12 May 2017	6	6
Rosie Shapland	2 October 2020	2	2
Ben Wishart	14 November 2019	6	6

Nomination Committee responsibilities

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

Dear Shareholders,

On behalf of the members of the Nomination Committee, I am pleased to present the Nomination Committee Report for the year ended 31 March 2021.

The Committee met six times during the year. The key areas of focus included the:
review of the structure and development of the Board and the Executive Board

- appointment of Rosie Shapland, an Independent Non-Executive Director, in October 2020 and as Chairman of the Audit Committee in December 2020
- appointment of Alan Dale as Finance Director in November 2020
- Board succession planning process
- review of the progress of the recently launched mentoring programme
- renewal of the Board's policy on diversity and inclusion
- annual review of the Directors' length of service
- annual review of the Directors' conflicts of interest register and number of external directorships held
- annual review of its terms of reference

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

Changes to the Board

As mentioned in my Chairman's statement, 2020 was a transitional year for the Board appointing a new Chairman, Chief Executive, Finance Director, Senior Independent Director and an additional independent non-executive, Rosie Shapland, whose recruitment process is outlined opposite.

Succession planning

In addition to having succession planning in place for the Board and Executive Board, we also focus on the succession plans for key management to ensure we have the right pipeline of talent coming through the business to support the future needs of the Group.

As mentioned last year, we have recently launched a senior management mentoring programme which is proving beneficial to both the mentees and mentors. Each Non-Executive Director is mentoring two senior managers. The mentees are receiving guidance on areas such as leadership, strategy setting and implementation, decision making, networking, corporate governance and Board expectations so as to support their career development. In turn, the mentors are receiving invaluable insight into the workings of the business.

Diversity

Our policy on diversity and inclusion, which is reviewed annually by the Committee, applies to all employees of the Group and covers the specific requirements of the UK Corporate Governance Code in relation to the Board and voluntarily incorporates the recommended targets set out in the reports on diversity of Sir Philip Hampton & Dame Helen Alexander and of Sir John Parker.

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

As at the date of this report, PayPoint Plc continues to have two female members on the Board. However, following our internal appointment of Alan Dale to the role of Finance Director, the representation of women on the Board has fallen from 33% to 28.5%. The Board does not currently have any intention to appoint a further Director to the Board but it will be mindful of the 33% gender target when considering future Board succession and will engage with executive search firms in a manner which enhances opportunities for diverse candidates to be considered for appointment. PayPoint Plc does meet the target set out in the Parker Review in respect of ethnic diversity on UK boards.

For more information on our diversity and inclusion policy please refer to page 45.

Directors' time commitment and length of service

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

Having reviewed the length of service of the Non-Executive Directors, Gill Barr's second three-year term expired on 1 June 2021. Following Gill's agreement, the Committee recommended to the Board that she be reappointed for a further three years.

All Directors, in accordance with the Code, will be offering themselves for election/re-election at the annual general meeting on 21 July 2021.

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

Directors' conflicts of interest

The Nomination Committee annually reviews and considers the interests and other external appointments held by the members of the Board. Conflicts declared are recorded in our register of conflicts of interest and this was reviewed and approved by the Committee at its meeting in March 2021. The Directors have a continuing duty to inform the Board of any potential conflicts immediately so that such conflicts may be considered and, if authorised, included within the register of conflicts of interest. We recognise that the Non-Executive Directors have other business interests outside of PayPoint Plc and that other directorships bring significant benefits to the Board. All key external roles are given within the Director biographies on pages 54 and 55. Non-Executive Directors are required to obtain the approval of the Chairman before accepting any further appointments.

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

The Nomination Committee Report was approved by the Board on 26 May 2021.

Giles Kerr
Chairman, Nomination Committee

Appointment of Rosie Shapland as a Non-Executive Director

Following Giles Kerr assuming the role of Chairman of PayPoint Plc, the search for a new Independent Non-Executive Director began in May 2020. The incoming Director required recent and relevant financial experience in order to take over the chairmanship of the Audit Committee from Giles. Ridgeway Partners was appointed to lead the external search. After interviewing various candidates Ridgeway provided a candidate shortlist. The candidates were interviewed by all members of the Board. The Committee recommended Rosie Shapland, a chartered accountant and former audit partner at PwC, to be appointed a Non-Executive Director which was approved by the Board and became effective on 2 October 2020. Rosie became chair of the Audit Committee in December 2020.

Audit Committee Report

The Committee has satisfied itself that the PayPoint Plc 2021 annual report and accounts is fair and balanced. We have sought to make the annual report as clear, understandable and informative as possible to provide the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee therefore supports the Board in making its formal statement on page 86."

Rosie Shapland
Chair, Audit Committee

Membership and attendance

Current members	Date appointed as member	Attendance at meetings during the year: Eligible to attend	Attended
Rosie Shapland (Chair)	2 October 2020, becoming Chair[1] in December 2020	2	2
Gill Barr	1 June 2015	4	4
Rakesh Sharma	12 May 2017	4	4
Ben Wishart	14 November 2019	4	4

1. Giles Kerr stepped down as Chairman of the Audit Committee in December 2020 following his appointment as Chairman of PayPoint Plc in May 2020. Giles attended two of the meetings held during the year as Chairman and two meetings as an invited attendee.

The Audit Committee invites the Head of Risk and Internal Audit to attend and provide updates to the Committee at each meeting covering the matters set out in the Internal audit and risk management section of this report. The external auditors KPMG are also in attendance at each meeting along with the Chief Executive, Finance Director and Chairman. Other members of management attend as and when requested. The Company Secretary acts as secretary to the Committee.

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

Dear Shareholders,

Further to my appointment as Chair of the Audit Committee in December 2020, I am pleased to present my first Audit Committee Report for the year ended 31 March 2021. The report sets out the remit of the Committee, its areas of focus for this financial year and the Company's relationship with its external auditors, KPMG LLP.

The Committee met four times during the year, with meetings timed to coincide with the financial and reporting cycles of the Company. We also met on 20 May 2021 to review the 31 March 2021 annual report and accounts and the findings of the external auditor. In addition, the Committee met with both the Company's external auditor and Head of Risk and Internal Audit during the year without management being present.

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

Financial reporting

- reviewed the annual and interim financial statements
- considered significant accounting policies, financial reporting issues, judgements and estimates, most notably in relation to the acquisitions which took place during the year ended 31 March 2021
- considered the provision in relation to the Ofgem Statement of Objections, the receipt of which was announced on 30 September 2020
- considered findings as set out in the reports from the external auditors
- considered and recommended to the Board the going concern basis for preparation of the financial statements
- considered and recommended to the Board the viability statement and the period over which the Company's viability is measured. In doing so the Committee had regard to an assessment which modelled the possible occurrence of significant risks and events, and which showed that the Company would continue to be viable and profitable over the three-year period
- reviewed PayPoint's treasury policy
- approved PayPoint's annual tax strategy
- considered the potential risks associated with Covid-19

Internal audit and risk management

- carried out a review of the Group's insurance coverage
- reviewed the results of an in-depth review of the Group's IT infrastructure
- monitored progress against the approved audit plan, key findings from internal and third-party reviews undertaken and implementation of recommendations
- monitored resource requirements for risk and internal audit and approved the annual audit budget
- considered any reported frauds and any concerns raised via the Company's whistleblowing process
- approved various policies including: whistleblowing and anti-bribery & corruption
- reviewed the Company's risk framework and any changes thereto prior to approving the principal and emerging risks of the Company for inclusion in the annual report
- carried out an annual review of and approved the internal audit charter

Governance

- provided advice to the Board on whether the Company's annual report, taken as a whole, was fair, balanced and understandable and that it complied with all legal and regulatory requirements
- reviewed the effectiveness of the Group's risk management and internal control systems
- considered incoming safeguarding requirements for payments firms; ISAE 3000 framework
- carried out an external review of the performance of the Committee (see page 53 for further details)
- carried out an annual review of its terms of reference
- carried out reviews of the Company's terms of Delegated Authority
- received reports from the Chairman of the Cyber Security & Information Technology Sub-Committee. See page 70 for details on the role of the Sub-Committee

External audit

- agreed the scope of the 2021 audit together with the fees and terms of engagement. Details of the amounts paid to the external auditors for the audit services for 2021 are given on page 110, note 8 to the financial statements
- received the external auditor's plan for the financial year, reviewing materiality thresholds and areas of risk where the auditor would focus their work
- reviewed the effectiveness of the external audit process, by discussing the results of the auditor's work and their views on material accounting issues and key judgements and estimates
- reviewed the robustness of the audit process and reviewed the Audit Quality Review Report, published in July 2020, regarding the overall quality of audit work provided by KPMG for listed companies
- reviewed and monitored the independence of the external auditor and approved their provision of non-audit services
- recommended KPMG for reappointment at the 2021 annual general meeting
- considered the regulations contained within the Competition and Markets Authority Audit Order to ensure that the Company carries out specific functions in relation to audit services

Significant judgements and critical estimates in relation to the financial statements

In preparing the financial statements for 2021, there were several areas requiring the exercise by management of judgement or a high degree of estimation. Throughout the year, the finance team worked closely with the external auditor to ensure the Company provides the required level of disclosure. The Committee also continued to focus on revenue recognition during the year due to the level of transactions and the complexity of the systems. The tables overleaf outline the significant areas of judgement and estimation together with other financial reporting matters that have been considered by the Committee in discussion with management and the external auditor.

Audit Committee Report continued

Significant financial judgements and critical estimates for the year ended 31 March 2021	How the Audit Committee addressed these significant financial judgements and critical estimates
Business combinations: recognition of goodwill and intangible assets **(Critical estimate)** During the year, PayPoint has acquired i-movo and Handepay/Merchant Rentals. Accounting for each business acquisition 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 Committee reviewed and approved a paper setting out each acquisition. Depending on the size of the business combination this may be supported by a third-party valuation specialist. The Committee reviewed the valuation methodology for the acquired assets, with particular focus on the acquired customer contracts/relationships and is satisfied that the acquisition accounting and related disclosures are appropriate. The Committee has challenged the key assumptions that drive the valuation of each acquired asset including customer churn, growth rate and discount rate.
Valuation of deferred, contingent consideration **(Critical estimate)** There is an element of deferred contingent consideration included within the i-movo purchase agreement. This is linked to monthly revenue growth over two potential key revenue streams. The contingent consideration is capped at £6 million (on an undiscounted basis). Where a sale and purchase agreement provides for an adjustment to the consideration, contingent on future performance over a contractual earnout period, the Group recognises the discounted fair value as a liability on the consolidated balance sheet, based on the estimated additional consideration payable at the acquisition date. A critical estimate is required to provide a fair value of the deferred contingent consideration at each reporting period. The determination of fair value is based on discounted cash flows.	A paper was reviewed and approved by the Committee setting out the estimation of the liability. This is based on the Directors' estimate of future performance of the related business over the earnout period, based on Board-approved forecasts. The Committee reviewed the discount rate, classification of the consideration and likelihood of achieving each specific target and is satisfied that these are appropriate.
Recognition of cash and cash equivalents **(Critical judgement)** The nature of bill payments services means that PayPoint collects and holds funds on behalf of clients and also retains retailer deposits as security for those collections. The recognition of cash, retailer receivables and the related client payables is a key judgement area as those funds pass through the settlement process. Cash processed but moved to accounts held in trust for clients is not shown in the statement of financial position and neither is the matching liability to pay those funds to the client. PayPoint uses the following criteria to determine whether clients' funds and retailers' deposits are recognised on the statement of financial position: a) existence of a binding agreement clearly identifying the beneficiary of the funds b) the identification, ability to allocate and separability of funds c) identification of the holder of those funds at any point in time	The Committee approves relevant accounting policies and considers the treatment of transactions with management. Where there is a binding agreement specifying that PayPoint holds funds on behalf of the client (i.e. acting in the capacity of a trustee) and those funds have been separately identified as belonging to that beneficiary, the cash and the related liability are not shown in the statement of financial position. In all other situations the cash and corresponding liability are recognised on the statement of financial position. This is consistent with the judgement in prior years.
Agent vs principal **(Critical judgement)** The nature of bill payments services means that PayPoint collects and holds funds on behalf of clients and also retains retailer deposits as security for those collections. A critical judgement for revenue recognition is PayPoint's assessment of whether it is acting as a principal or agent. By acting as a principal the total sales proceeds are shown in revenue and related cost in cost of revenue. If acting as agent then the net margin of sales proceeds and cost of revenue are shown in revenue. This includes evaluating: a) which party was responsible for fulfilling the promise to provide the service b) inventory risk before the service is transferred to a customer c) discretion in establishing the price for the service	The Committee approves relevant accounting policies and considers the treatment of transactions with management. In most cases it was clear that PayPoint acts in the capacity of an agent for clients; however, in the case of mobile top-ups in Romania, due to the nature of the product, this becomes a key judgement area. Revenues are recognised on the principal basis considering the level of service responsibility, inventory risk and price discretion held by PayPoint. This is consistent with the judgement in prior years.

Other financial reporting matters for the year ended 31 March 2021	How the Audit Committee addressed these financial reporting matters
Provision made in relation to Ofgem Statement of Objections We announced on 30 September 2020 that we had received a Statement of Objections from Ofgem. 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. Accounting for a provision requires an assessment of a number of criteria and consideration of background information as a provision is a liability of uncertain timing or amount. The provision is recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and is based on considering Ofgem's provisional views and the range of potential outcomes.	The Committee reviewed and approved a paper setting out the estimation of the provision. This was based on the Directors' best estimate of the future outflow of funds after considering the range of potential outcomes.
Viability and going concern Each year the Directors consider the Group's viability over a three-year period which is consistent with the Group's strategic planning period. For the purposes of assessing the going concern assumption, a 12-month period from the date of the approval of the 2021 financial statements was considered. Based on a satisfactory assessment the Directors conclude that it is appropriate to prepare the financial statements on a going concern basis.	The Committee reviewed management's assessment of going concern and viability statement. The review included consideration of forecast cash flows, relevant sensitivities and the impact of these on the Group's cash position over the period. The viability was further tested by applying a number of plausible downside scenarios, considering mitigation actions and the impact of such scenarios on the Group's future financial position.

Audit Committee Report continued

Cyber Security & Information Technology Sub-Committee

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

Its key responsibilities include to:

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

The Cyber Sub-Committee comprises two Non-Executive Directors: Rakesh Sharma and Ben Wishart as Chairman of the Sub-Committee; the Finance Director, the Chief Technology Officer (who is a member of the Executive Board) and the IT & Service Operations Director. The Company Secretary is the secretary to the Sub-Committee.

During the year the Cyber Sub-Committee held three meetings at which the Head of Compliance & Continuity and Head of Risk & Internal Audit were also in attendance by invitation. The matters considered by the Sub-Committee during the year included: the monitoring of cyber security issues and vulnerabilities and implementing remediation and improvements as required; assessing the Company's security controls; considering the results of an external evaluation of the performance of the Sub-Committee; raising staff awareness of cyber security, data protection and compliance requirements; carrying out security audits on the businesses acquired and implementing improvements that were required; and the annual review of both the information and cyber security policy and the Sub-Committee's terms of reference.

External audit

The effectiveness of the audit process is underpinned by appropriate audit planning and risk identification at the outset of the audit cycle. The auditor provides a detailed audit plan identifying their assessment of the risks and other key matters for review. For the year ended 31 March 2021, the key audit matters identified were: data capture and processing of revenue transactions and accounting for the Handepay/Merchant Rentals acquisition in the year.

The Committee reviews and challenges the work undertaken by the auditor to test management's assumptions on these matters. An assessment of the effectiveness of the audit process in addressing these items is based on the auditor's reports for the half year and full year. The Chair of the Committee meets regularly with the auditor throughout the audit process, the auditor attends all Committee meetings to present their audit plan and the results of their work and the Committee seeks feedback from management on the effectiveness of the audit process. No significant issues were raised with respect to the audit process for the period and the quality of the audit process was assessed to be good.

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

KPMG was appointed as the Company's auditor on 15 August 2017 following a formal auditor tender process. The lead audit partner, Michael Harper, has been in post for four years. The Committee considers that it would be appropriate to conduct an external audit tender by no later than the year ending 2028. During the year the Committee reviewed KPMG's scores following their inspection by the AQR for audit engagements during FY2020; 61% of KPMG's audits rated good or limited improvements were required and none required significant improvements. The Committee recommends that KPMG be reappointed as the Company's statutory auditor for the year ending 31 March 2022. It believes the independence and objectivity of the external auditor and the effectiveness of the audit process are safeguarded and remain strong. There are no contractual obligations restricting the Committee's choice of auditor. The Notice of Annual General Meeting at which a resolution for reappointment of the auditor will be proposed, can be found on pages 128 to 134.

Non-audit services

In accordance with the FRC Revised Ethical Standard 2019, the Committee has a policy on auditor independence and the provision of non-audit services by the external auditor. This policy is a guide to the types of work that are acceptable for the external auditor to undertake, and provides clarity on the process to be followed for approval of the provision of non-audit services by the external auditor. The policy also covers the 70% cap on non-audit fees as prescribed by the FRC Revised Ethical Standard 2019. It states that subject to prior approval by the Finance Director, the fees for permitted non-audit services provided by the external auditor must not exceed a specified amount and must have a cumulative annual total of less than 23% of that year's audit fee before VAT.

The ratio of non-audit fees to audit fees paid to the auditor for the year was 7.5%, with non-audit services limited to assurance services for the half year review. Details of the auditor's remuneration for the statutory audit and non-audit services are set out in note 8 to the financial statements.

Risk management and internal control

The Board is responsible for establishing and maintaining the Group's internal control framework and regularly reviewing its effectiveness. The Board has delegated responsibility for reviewing the effectiveness of risk management and internal controls to the Committee. The Committee performs robust assessments of the risks which could significantly impact the Group's performance, future prospects and reputation.

The Company's management of risks and its internal control framework are detailed on page 36.

Internal audit

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

The Committee is responsible for ensuring the Group has a rigorous internal audit programme covering all business areas and risks.

Whistleblowing

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

Anti-bribery and corruption

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

The Audit Committee Report was approved by the Board on 26 May 2021.

Rosie Shapland
Chair, Audit Committee

Directors' Remuneration Report

This has been an exceptional year for PayPoint in which the business has delivered a significant step change in strategic delivery and a solid financial performance during a challenging year against the backdrop of Covid-19."

Rakesh Sharma
Chairman,
Remuneration Committee

Membership and attendance

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

		Attendance at meetings during the year	
Member	**Date appointed as member**	**Eligible to attend**	**Attended**
Rakesh Sharma (Chairman)	12 May 2017	6	6
Gill Barr	1 June 2015	6	6
Giles Kerr	20 November 2015	6	6
Rosie Shapland	2 October 2020	2	2
Ben Wishart	14 November 2019	6	6

Remuneration Committee responsibilities

The Committee's key roles are to ensure that the Remuneration Policy and practices of the Company are aligned with the Company's purpose and business strategy, promote long-term sustainable success and reward fairly and responsibly with a clear link to corporate and individual performance. The Committee's decision-making process takes account of legislation, regulation, corporate governance standards, guidance issued by regulators, shareholders and shareholder representative bodies and has access to the advice of independent remuneration consultants. To avoid conflicts of interest, no Committee member or attendee is present when matters relating to his or her own remuneration are discussed. Full terms of reference for the Committee are available on the Company's website.

Dear Shareholders,

I am pleased to present our Directors' Remuneration Report for the financial year ended 31 March 2021 which has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Listing Rules of the UK Listing Authority and the prevailing UK Corporate Governance Code (the 'Code'). The Directors' Remuneration Report will be subject to an advisory shareholder vote at the annual general meeting on 21 July 2021.

The report is divided into three sections:

- this Annual Statement of the Remuneration Committee Chairman for the year ended 31 March 2021, which summarises remuneration outcomes for the year ended 31 March 2021
- the Policy at a Glance, which sets out the key elements of our Remuneration Policy which was approved by shareholders at the 2020 annual general meeting. Full details of our current policy can be found within our 2020 annual report on our website
- the Annual Report on Remuneration, which provides further detail on how the Remuneration Policy was implemented in the year ended 31 March 2021. There are no planned changes to how the Remuneration Policy will operate for the year ending 31 March 2022

Committee activities during the year
The Committee met six times during 2020/21. The main Committee activities during the year (full details of which are set out in the relevant sections of this report) included:
- approving the 2019/20 Directors' Remuneration Report
- updating the Directors' Remuneration Policy which was approved by shareholders and is expected to be in operation until the 2023 annual general meeting
- agreeing the payment of a discretionary award to employees in recognition of the hard work and support of our people, below Executive Board level, throughout the Covid-19 crisis
- accepting the waiver by the Executive Board of their entitlements under the 2019/20 annual bonus scheme
- accepting the Executive Board's proposal to waive their 2020 base salary increases. The 2020 company-wide pay review did not take place
- accepting Nick Wiles' proposal to reduce his base salary by 20% for a period of three months with effect from 1 April 2020 in light of the challenges facing the business at that time
- setting the performance targets for the 2020/21 annual bonus and bonus deferral levels
- approving the release of the 2017 deferred bonus awards
- approving the partial vesting of the 2017 Long-Term Incentive Plan ('LTIP') awards
- approving the vesting of the 2017 restricted share plan awards granted below Board level
- agreeing the award levels and performance targets for the 2020 Restricted Share Plan awards
- reviewing the fee level for the Chairman
- reviewing the 2021 salary approach for the workforce below Board level
- agreeing the remuneration arrangements in respect of Rachel Kentleton stepping down as Finance Director, Nick Wiles' appointment as Chief Executive and Giles Kerr's appointment as Chairman, all in June 2020 and the appointment of Alan Dale as Finance Director in November 2020
- carrying out an external evaluation of its performance and reviewing its terms of reference

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

In assessing the performance of the 2020/21 annual bonus, the Committee considered the financial and operational performance of the Group as well as the progress made in the ongoing delivery of the strategy. Annual bonuses for the year have been awarded at maximum, reflecting the significant step change in strategic delivery and solid financial performance delivered against the backdrop of Covid-19 government restrictions and structural changes to the traditional legacy cash business. PayPoint remained fully operational and did not request or receive any government support. PayPoint has not furloughed any of its employees or made any redundancies as a result of Covid-19. On completion of the acquisition of Handepay and Merchant Rentals we brought back their employees from furlough to return to sales activity and customer support. Dividends have continued to be paid.

Group profit before tax of £43.1 million and net revenue of £112.4 million both exceeded targets and all strategic targets were achieved.

The deferred annual bonus awards which were granted in 2018 in respect of the 2017/18 annual bonus awards will vest in June 2021.

The LTIP awards granted in 2018 will be performance-tested in July 2021 but the current indication, based on a review of the formulaic outcome of the performance conditions, is that these awards are unlikely to vest.

Discretion
No discretion has been exercised in the year ended 31 March 2021.

Policy implementation for the year ending 31 March 2022
A summary of the proposed approach to the implementation of the Policy is as follows:
- in respect of base salary levels, the salaries of the Chief Executive and Finance Director were both set at appointment during the year ended 31 March 2021 and no increases are proposed
- the annual bonus potential for the year to 31 March 2022 will remain at 106% of base salary and the performance targets will be based on profit before tax, net revenue and stretching strategic targets. No changes will be made to the bonus deferral and 25% of the total bonus value will be deferred in shares for three years
- Restricted Share Awards ('RSAs') to be granted in 2021 will:
  - be set at 75% of salary for the Chief Executive and 62.5% of salary for the Finance Director
  - vest 50% after three years from the grant date, 25% after four years from grant and 25% after five years from grant, subject to continued employment, satisfactory individual performance and a positive assessment of performance against an underpin. No shares can be sold until at least five years from grant, other than those required to settle any taxes

Conclusion
In accordance with its terms of reference, the Committee continues to ensure the clear linkage of Executive Directors' pay and performance to the strategy and enhancement of shareholder value and is comfortable that remuneration for the year ended 31 March 2021 is appropriately aligned to the Company's performance.

Rakesh Sharma
Chairman of the Remuneration Committee

Directors' Remuneration Report continued

Policy at a glance

Our Remuneration Policy, for which shareholder approval was obtained at the 2020 annual general meeting, will continue to apply without amendment for the forthcoming year. The Policy applies to the Chairman, Executive Directors and Non–Executive Directors and full details of this Policy can be found in the 2020 annual report and accounts which is on the Company's website.

Executive Directors' remuneration

The table below gives an overview of the remuneration package for Executive Directors:

Fixed pay	Short-term incentives	Long-term incentives
Base salary – normal salary increases should be broadly in line with general workforce **Benefits** – maximum 15% of salary **Pension** – aligned with general workforce as a % of salary	**Annual bonus and Deferred Annual Bonus Scheme ('DABS')** – maximum opportunity 150% of salary	**Restricted Share Awards ('RSAs')** – maximum opportunity 75% of salary **Shareholding guidelines** – 200% of salary **All-employee share plans** – HMRC approved

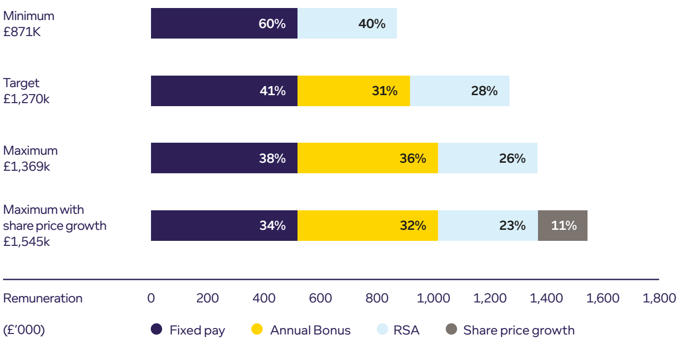
Non-Executive Directors' remuneration

Remuneration is set within the limits set by the Articles of Association. Non-Executive Directors are not entitled to pension contributions or other benefits provided by the Company and do not participate in any bonus plan or share incentive programme operated by the Company. A Non-Executive Director fee is paid with additional fees payable for roles with additional responsibilities.

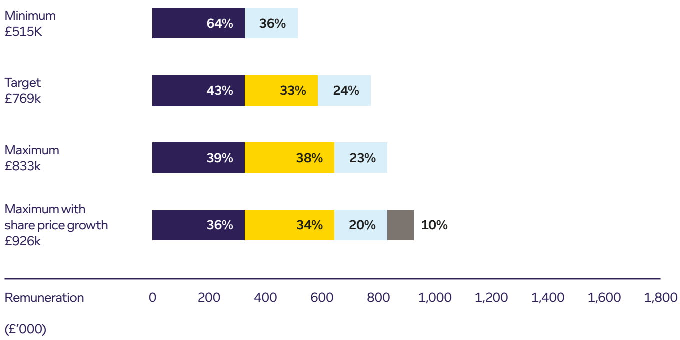
Pay scenario charts

The charts below provide an illustration of the potential reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under four different performance scenarios: minimum, target, maximum and maximum with share price growth.

Chief Executive



Finance Director



In illustrating potential reward opportunities, the following assumptions have been made for each Executive Director:

- salary effective 1 July 2021
- an approximated annual value of benefits
- 5% of salary pension provision
- a 106% of salary maximum annual bonus (with target assumed to be 80% of the maximum)
- a 75% of salary RSA (Chief Executive), a 62.5% of salary RSA (Finance Director). These awards vest over five years with 50% vesting after three years and 25% after four and five years
- share appreciation of 50% for the RSA
- for simplicity, the value of any SIP awards are excluded

Annual report on remuneration

The following section provides details of how PayPoint's Remuneration Policy was implemented during the financial year ended 31 March 2021 and how it will be implemented for the year ending 31 March 2022. The following pages contain information that is required to be audited in compliance with the Directors' remuneration requirements of the Companies Act 2006. All narrative and quantitative tables are unaudited, unless otherwise stated.

Role of the Remuneration Committee

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

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

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. To this end, the Committee continued to retain the services of FIT Remuneration Consultants LLP as the principal external advisors to the Committee during the financial year. The Committee is comfortable that the FIT team provide independent remuneration advice to the Committee and do not have any other connections with PayPoint that may impair their independence. FIT is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. During the year, FIT provided independent advice on a wide range of remuneration matters including the Remuneration Policy review and implementation, the Board changes and remuneration benchmarking. FIT provides no other services to the Company. The fees paid to FIT (on the basis of time and materials) in respect of work carried out for the year under review were £39,186 (excluding VAT).

Summary of shareholder voting

The following table shows the results of the binding vote on the Remuneration Policy Report and the shareholder advisory vote on the 2020 Annual Report on Remuneration at 24 July 2020 annual general meeting.

	Remuneration Policy		Remuneration Report	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	45,225,049	87.32%	51,777,432	99.38%
Against	6,565,202	12.68%	321,403	0.62%
Total votes cast (excluding withheld votes)	**51,790,251**		**52,098,835**	
Total votes withheld[1]	315,310		6,726	
Total votes cast (including withheld votes)	52,105,561		52,105,561	

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

Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 March 2021 and the prior period:

	Nick Wiles[1]		Alan Dale[2]		Patrick Headon[3]		Rachel Kentleton[4]	
	£'000		£'000		£'000		£'000	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Base salary earned	**447**	231	**109**	–	**–**	341	**81**	323
Taxable benefits[5]	**35**	3	**5**	–	**–**	18	**4**	21
Pension[6]	**19**	–	**5**	–	**–**	20	**12**	48
Total fixed pay	**501**	234	**119**	–	**–**	379	**97**	392
Annual bonus[7]	**499**	–	**115**	–	**–**	–	**86**	–
Long-term incentives[8]	**–**	–	**–**	–	**–**	–	**–**	45
Other[9]	**1**	–	**1**	–	**–**	–	**–**	37
Total variable pay	**500**	–	**116**	–	**–**	–	**86**	82
Total remuneration	**1,001**	234	**235**	–	**–**	379	**183**	474

1. Nick Wiles, previously the Executive Chairman, was appointed Chief Executive on 20 May 2020. From April to June 2020, Nick volunteered a 20% reduction in base salary and this is reflected in the base salary earned. The 2020 figures in the table above are in respect of remuneration paid from 27 September 2019 to 31 March 2020 in his capacity as Executive Chairman. Nick Wiles' fees for the period from 1 April 2019 to 26 September 2019, in his capacity of Non-Executive Chairman, can be found in the Non-Executive Directors table.
2. Alan Dale, previously Head of UK Finance, acted as Interim Finance Director effective 1 July 2020 before being appointed to the Board as Finance Director effective 20 November 2020. The 2021 figures in the table above are in respect of remuneration earned following his appointment to the Board.
3. Patrick Headon stepped down from the Board on 19 December 2019. Details of his leaving arrangement were disclosed in the 2020 Annual Report.
4. Rachel Kentleton stepped down from the Board on 30 June 2020. Details of her leaving arrangements can be found in the Payments to past Directors section.
5. Taxable value of benefits received in the year by Executive Directors relates to a benefits allowance and hotel costs (Chief Executive), car allowance, petrol, medical insurance, life assurance and permanent health insurance (Finance Director).
6. Pension during the year: the pension rate for Executive Directors was 5% of base salary, in line with the rate offered to the wider workforce.
7. Annual bonus: this is the total bonus earned in respect of performance during the relevant year, including any deferred amounts. 25% of the annual bonus is normally deferred in shares under the DABS.
8. Long-term incentives: for 2021 no values have also been included for the 2018 LTIP award vesting as, based on interim performance measured to 31 March 2021, these awards are unlikely to vest. For 2020, the LTIP figures have been restated based on the value at vesting (as opposed to the estimated value used in last year's report).
9. SIP matching and dividend shares awarded in the period valued at the average share price calculated over three months to 31 March 2021 of £6.07 (2020: £8.62). The SIP is an HMRC-approved plan that allows participants to purchase shares using gross salary and receive matching awards from the Company. There are no performance conditions.

Directors' Remuneration Report continued

Single total figure of remuneration for the Chairman and Non-Executive Directors (audited)
The table below sets out a single figure for the total remuneration received by the Chairman and each Non-Executive Director for the year ended 31 March 2021 and the prior year:

	Base fee £'000		Committee Chair fees £'000		Senior Independent Director fees £'000		Chairman fees £'000		Total fixed remuneration £'000	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Chairman										
Giles Kerr[1]	–	–	–	–	–	–	143	–	143	–
Nick Wiles[2]	–	–	–	–	–	–	–	83	–	83
Non-Executive Directors										
Gill Barr	49	49	–	–	–	–	–	–	49	49
Giles Kerr	6	49	1	9	1	6	–	–	8	64
Rakesh Sharma[3]	49	49	9	9	5	–	–	–	63	58
Ben Wishart	49	18	–	–	–	–	–	–	49	18
Rosie Shapland[4]	25	–	2	–	–	–	–	–	27	–
Total	178	165	12	18	6	6	143	83	339	272

Non-Executive Directors do not receive any variable remuneration.

1. Giles Kerr was appointed as Chairman from 20 May 2020. His annual fee is £165,000.
2. Nick Wiles was previously the Non-Executive Chairman, until he acted as Executive Chairman effective 26 September 2019. His remuneration for the period post 26 September 2019 in his capacity as Executive Chairman and then Chief Executive can be found in the Single total figure of remuneration for Executive Directors table.
3. Rakesh Sharma was appointed as Senior Independent Director effective 20 May 2020.
4. Rosie Shapland joined the Board as an Independent Non-Executive Director effective 2 October 2020 and as Chair of the Audit Committee effective 1 December 2020.

Shareholding guidelines
PayPoint's shareholding guidelines encourage a long-term focus and align the interests of Executive Directors with shareholders. Executive Directors are required to build up a shareholding in the Company equal in value to 200% of their base salary. Post-employment they are required to retain shares equal to 100% of the shareholding guideline up until the first anniversary of cessation. Between the first and second anniversary of cessation they will need to retain shares equal to 50% of the guideline. Executive Directors leaving the employment of PayPoint would be required to self-certify annually in writing post cessation that they still hold the required shares as part of their termination agreement.

Incentive outcomes for the year ended 31 March 2021
Annual bonus in respect of 2020/21 performance (audited)
The annual bonus for the year ended 31 March 2021 was based on a combination of Group profit before tax and exceptional items ('PBT'), net revenue and strategic targets.

Details of the performance against the Group profit before tax, net revenue and strategic targets are set out below.

Profit before tax and net revenue targets:

Measure	Maximum value	Threshold (20% of maximum) £'000	Target (80% of maximum) £'000	Stretch (100% of maximum) £'000	Actual achieved £'000	Nick Wiles	Alan Dale
Group profit before tax	64% of salary	34,100 (90% of plan)	37,900 (100% of plan)	42,300 (112% of plan)	43,100[1]	64% of salary (100% of max)	64% of salary (100% of max)
Net revenue	21% of salary	94,400 (90% of plan)	104,900 (100% of plan)	110,200 (105% of plan)	112,400	21% of salary (100% of max)	21% of salary (100% of max)

1. The Group profit before tax value stated above excludes exceptional items which do not reflect underlying performance.

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

Target	Performance and bonus earned
New organisational structure	5.3% of salary
	Embed new organisational structure into the business and ensure new appointees and roles are properly supported.
	Achievements – New organisation structure embedded with the majority of the Executive Board appointed during the year including Finance Director, Client Services Director, Retail Services Director, Card Services Director and General Counsel and Head of Compliance. High-performing managers promoted into other senior management roles. Improvements in cohesion and effectiveness in senior team overall.
Performance measurement plan	5.3% of salary
	Implement a performance measurement plan in the business, which operates from 'single dataset' and is embedded into the business.
	Achievements – Key performance metrics from which to measure and manage performance agreed and embedded into regular reporting cycle. Competing datasets eliminated. Strong focus on key performance metrics adopted and remedial action is taken rapidly in areas of under-performance.
Business strategy	5.3% of salary
	Refresh the business strategy in the light of Covid-19, including clear approach to and appetite for M&A.
	Achievements – Strategy agreed with strong delivery in year including good progress against strategic priorities and the acquisition of i-movo, Handepay/Merchant Rentals, RSM 2000 and securing full ownership of Collect+.
Corporate purpose	5.3% of salary
	Refresh the corporate purpose, vision and values in the business and ensure these are properly communicated and adopted.
	Achievements – New purpose, vision and values developed with input from employee forum and colleagues from recently acquired businesses. Communicated across the business and embedded into performance management approach. Significant improvements in accountability, can do and collaborative behaviours realised. Purpose, vision and values now provide the foundation for our ESG strategy.
Maximum value	21% of salary
% of potential award	100% of maximum
% of salary award	21% of salary

The above objectives have been assessed as achieved and the Remuneration Committee approved a payout of 100% of maximum of this part of the bonus award (to align with the achievement of the financial targets set).

Total bonus awards
The above performance resulted in the following bonus awards for the year:

	Maximum		Outcomes	
	Chief Executive	Finance Director	Chief Executive	Finance Director
Financial – % of award	80%	80%	80% of maximum	80% of maximum
(% of salary)	(85%)	(85%)	85% of salary	85% of salary
Strategic – % of award	20%	20%	20% of maximum	20% of maximum
(% of salary)	(21%)	(21%)	21% of salary	21% of salary
Total	100%	100%	106% of salary	106% of salary
(% of salary)	(106%)	(106%)	(106%)	(106%)
Total (% of maximum)			100% of maximum	100% of maximum

The Committee considers that the outcomes indicated above are reflective of the performance delivered over the year.

25% of the total bonus awarded to the Executive Directors will be deferred into shares which will vest after three years from grant, subject to continued employment.

Directors' Remuneration Report continued

2018 LTIP vesting (audited)

With respect to the LTIP awards granted on 4 June 2018, vesting is based 50% on TSR and 50% on earnings per share ('EPS'). The three-year performance period for these awards ends on 4 June 2021 for the TSR element and ended on 31 March 2021 for the EPS element with vesting on the third anniversary of the date of grant. Further details relating to these awards are provided in the table below, based on TSR calculations run to 31 March 2021:

Measure	Weighting	Targets	Outcome to 31 March 2021[1]	% vesting[1]
Relative TSR vs FTSE 250 Index (excluding companies in the oil & gas, mining and utilities sectors)	50%	0% vesting below median 25% vesting at median 100% vesting at upper quartile Straight-line vesting between these points	Below threshold	0%
EPS	50%	0% vesting at less than 5% p.a. 25% vesting at 5% p.a. 100% vesting at 12% p.a. or more Straight-line vesting between these points	Below threshold	0%
Total LTIP vesting				0%

1. Estimate based on an assessment of performance measured to 31 March 2021.

Alan Dale is the only current Executive Director for whom any awards may vest as follows:

Director	Interests held	Implied % vesting	Number of shares vesting	Date of vesting	Value £'000
Alan Dale	4,556	0%	–	4 June 2021	–

Scheme interests awarded in the year ended 31 March 2021 (audited)

RSAs

In the year under review, RSAs were granted with a face value of 75% of salary for the Chief Executive and 25% of salary for the Finance Director. It should be noted that the award to the Finance Director was granted before he was appointed to the Board on 20 November 2020 and is therefore not subject to the same vesting and holding period conditions that apply to awards made to Executive Directors. The value has also been excluded from single total value of remuneration table above. The RSAs made to Executive Directors once vested may not be sold until at least five years from grant date other than to settle any tax due.

Executive Director	Basis of award	Number of shares	Face value[1]	Performance period	Vesting profile	Performance measures
Nick Wiles	75% of salary	59,443	£352,500	27 July 2020 – 27 July 2025	50% after three years from grant, 25% after four years from grant and 25% after five years from grant	(a) continued service; (b) satisfactory individual performance: and (c) a positive assessment of performance again an underpin. **Underpin:** the Committee must be satisfied that PayPoint's underlying performance and delivery against its strategy and plans are sufficient to justify the level of vesting, having regard to such factors as the Committee considers to be appropriate in the round (including revenue, earnings and share price performance) and the shareholder experience more generally (including the risk of windfall gains).
Alan Dale	25% of salary	9,274	£55,000	27 July 2020 – 27 July 2023	100% after three years from grant[2]	

1. Face value is based on the middle market quotation of a share in the capital of the Company on the preceding dealing day of award, 27 July 2020, of £5.93.
2. The award made to Alan Dale is not subject to a five-year holding period as he was not an Executive Director when the award was granted.

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

Rachel Kentleton stepped down from her position as Finance Director and the Board on 30 June 2020. The details of Rachel's remuneration arrangements in respect of her departure were as follows:

- following Rachel's cessation of employment, she received a payment of £302,762 in respect of her notice pay (including an amount for holiday accrued but not taken)
- a sum equal to 25% of the bonus payment for the year ended 31 March 2021 which will be payable in cash at the normal payment date
- her unvested deferred annual bonus and LTIP awards will continue to vest at the normal vesting dates and in respect of her LTIP awards, vesting will be subject to time prorating and the extent to which the performance targets are met. On 5 June 2020 her deferred annual bonus awards granted in 2017 vested and she received 1,378 shares with a gross value of £10,470 and on 28 July 2020, her LTIP awards granted in 2017 vested and she received 7,604 shares with a gross value of £44,864

Dominic Taylor stepped down as a Director with effect from 1 April 2019. On 5 June 2020 his deferred annual bonus awards granted in 2017 vested and he received 9,093 shares with a gross value of £69,090 and on 28 July 2020, his LTIP awards granted in 2017 vested and he received 9,550 shares with a gross value of £56,345.

Tim Watkin-Rees stepped down as a Director on 31 March 2018. On 5 June 2020 his deferred annual bonus awards granted in 2017 vested and he received 6,044 shares with a gross value of £45,923 and on 28 July 2020, his LTIP awards granted in 2017 vested and he received 8,236 shares with a gross value of £48,592.

CEO pay ratio

The data shows how the Chief Executive's single figure remuneration for the year ended 31 March 2021 (as taken from the single figure remuneration table) compares to the equivalent single figure remuneration for full-time equivalent UK employees, on a Group basis, ranked at the 25th, 50th and 75th percentiles. The change in total remuneration levels since 2020 is driven by the fact that Nick Wiles was not appointed Executive Chairman until September 2019 and no variable awards were made in respect of the year ended 31 March 2020.

CEO single figure: £1,001,360.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option A	21:1	14:1	9:1
2021	**Option A**	**42:1**	**29:1**	**17:1**

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

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

	Salary			Total pay and benefits		
Year	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2020	£22,440	£30,251	£53,674	£24,484	£37,352	£59,603
2021	**£21,935**	**£30,000**	**£53,321**	**£23,663**	**£34,977**	**£59,399**

The data for the three employees identified have been considered and fairly reflect pay at the relevant quartiles amongst the employee population.

Annual percentage change in remuneration of Directors and employees

The table below shows the percentage change in Director remuneration, comprising salary, taxable benefits and annual bonus, and comparable data for the average of all employees on a full-time equivalent basis within the Company. The data in this table have been calculated based on a combined total of the values paid for both the Chief Executive and Finance Director roles as disclosed in the single total figure table above.

	Base salary/ Fee	Taxable benefits	Annual bonus[1]
Executive Directors			
Nick Wiles[2]	N/A	N/A	N/A
Alan Dale[3]	N/A	N/A	N/A
Non-Executive Directors[4]			
Gill Barr	0%	N/A	N/A
Giles Kerr[5]	135.9%	N/A	N/A
Rakesh Sharma[6]	8.6%	N/A	N/A
Ben Wishart[7]	N/A	N/A	N/A
Rosie Shapland[8]	N/A	N/A	N/A
Employee population[9]	0.5%	-6.5[10]	100%

1. No bonus payout was made to UK-based employees for FY2019/20.
2 Nick Wiles was appointed Chief Executive in May 2020 so there is no full year comparison.
3. Alan Dale was appointed Finance Director in November 2020 so there is no full year comparison.
4. Non Executive Directors receive fixed fees rather than salary and do not receive any variable pay. There have been no increases to the fees for the Non-Executive Director roles during the period.
5. Giles Kerr was appointed as Chairman from 20 May 2020 and his annual fee was increased to £165,000 p.a.
6. Rakesh Sharma was appointed as Senior Independent Director effective 20 May 2020 and receives an additional fee for this role.
7. Ben Wishart joined the Board in November 2019 so there is no full year comparison.
8. Rosie Shapland joined the Board in October 2020 so there is no full year comparison.
9. The data are based on UK employees who were employed by PayPoint for the entirety of both financial years, but excludes those who were promoted to a new role.
10. There have been no changes to the taxable benefits offered but the costs of providing these benefits have reduced.

Directors' Remuneration Report continued

Relative importance of spend on pay

The table below shows the Company's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 March 2020 and ended 31 March 2021.

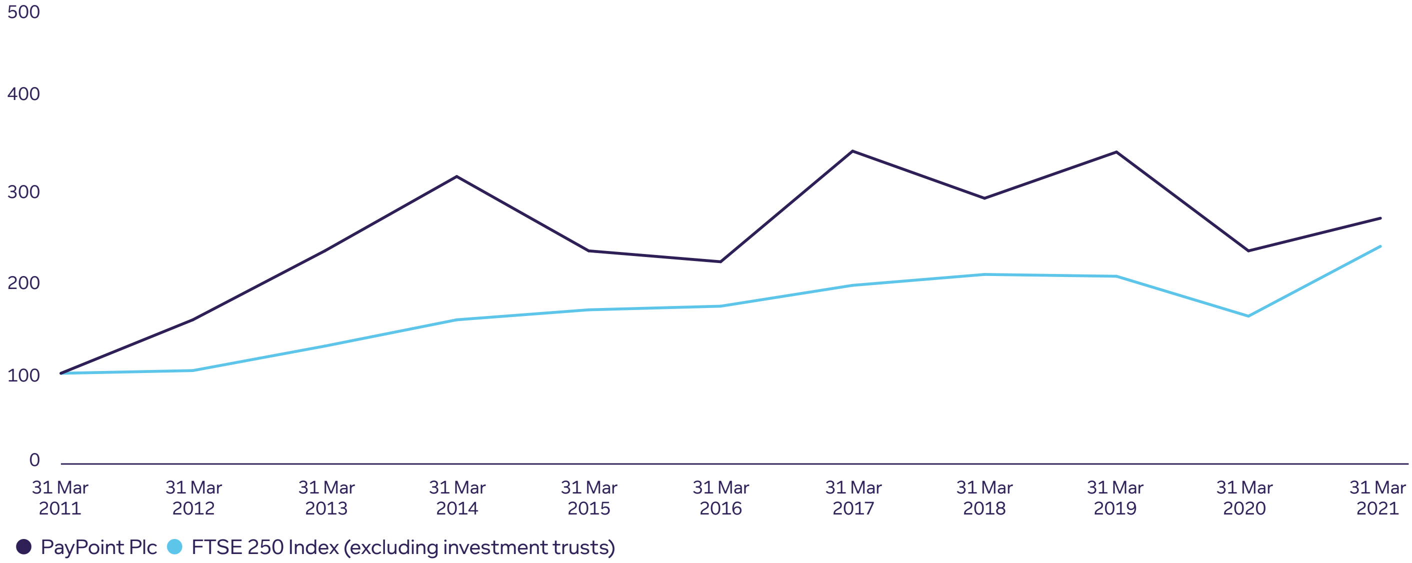
	Total employee pay expenditure £'000	Distributions to shareholders £'000
2021	**34,212[1]**	**21,385[2]**
2020	30,630	57,419
% change	11.7%	-62.8%

1. The increase in expenditure for the year ended 31 March 2021 is driven by employee bonus and share-based payment costs as well as additional employee spend in relation to Handepay, Merchant Rentals and i-movo.
2. The additional dividend programme ended in March 2020.

Pay for performance

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

Total Shareholder Return ('TSR') (rebased to 100)



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Chief Executive single figure of remuneration (£'000)	1,067	2,639	2,247	1,215	911	1,121	1,280	1,803	510	1,001
Annual bonus payout (as % of maximum)	88.7%	86.2%	91.4%	88.1%	31.0%	64.8%	66.7%	71%	0%	100%
LTIP vesting (as % of maximum)	40.10%	100%	100%	0%	0%	0%	30%	100%	31.8%	0%

Directors' shareholdings (audited)

The shareholdings of the Directors and their connected persons in the ordinary shares of the Company against their respective shareholding requirement as at 31 March 2021:

	Shares held				Shareholding guidelines[2]		
	Owned outright or vested[1]	Unvested and subject to holding period	Unvested and subject to performance conditions	Current shareholding[2]	% of salary	Shares[3]	Met?
Nick Wiles	45,129	–	59,443	45,129	200	154,860	No
Alan Dale	2,322	1,734	18,342	3,241	200	98,847	No
Giles Kerr	7,500						
Gill Barr	2,595						
Rakesh Sharma	4,270						
Ben Wishart	–						
Rosie Shapland	–						

1. Current shareholding includes SIP shares other than SIP matching shares and SIP dividend shares subject to a holding period.
2. Includes unvested deferred bonus shares on a net of tax basis.
3. An average three-month share price to 31 March 2021 of £6.07 has been used to calculate the holding relative to this guideline.

The market price of the Company's shares on 31 March 2021 was £6.07 per share (31 March 2020: £8.62 per share) and the low and high share prices during the period were £5.77 and £6.62 respectively.

Directors' interests in shares in PayPoint long-term incentive plans and all-employee plans

Long-Term Incentive Awards (audited)

	Type of awards	Number of shares at 31 March 2020	Number of shares awarded during the period	Number of shares released during the period	Number of shares lapsed during the period	**Number of shares at 31 March 2021**	Share price at grant £	Value of shares awarded	Date of grant	Lapse/ Release
Nick Wiles	RSA[4]	–	59,443	–	–	**59,443**	5.93	352,497	27.07.20	27.07.23-27.07.25
Alan Dale[5]	LTIP[2]	4,566	–	–	–	**4,566**	10.10	46,117	04.06.18	04.06.21
	LTIP[3]	4,502	–	–	–	**4,502**	10.50	47,271	10.06.19	10.06.22
	RSA[4]	–	9,274	–	–	**9,274**	5.93	54,995	27.07.20	27.07.23
Rachel Kentleton	LTIP[1]	44,767	–	7,604	37,163	**–**	8.60	384,996	26.07.17	26.07.20
	LTIP[2]	39,071	–	–	12,085	**26,986**	10.10	394,617	04.06.18	04.06.21
	LTIP[3]	38,710	–	–	25,077	**13,633**	10.50	406,455	10.06.19	10.06.22

1. 50% of LTIP awards will only vest if the Company's comparative TSR performance is equal to or greater than the median level of performance over the three-year performance period, at which point 25% of awards will vest, with full vesting occurring for upper quartile performance with pro rata vesting between points. 50% of LTIP awards will only vest if the Company's EPS grows by 5% p.a., at which point 25% of awards will vest, with full vesting occurring for EPS growth of 12% p.a. with pro rata vesting between points.
2. 50% of LTIP awards will only vest if the Company's comparative TSR performance is equal to or greater than the median level of performance over the three-year performance period, at which point 25% of awards will vest, with full vesting occurring for upper quartile performance with pro rata vesting between points. 50% of LTIP awards will only vest if the Company's EPS grows by 4% p.a., at which point 25% of awards will vest, with full vesting occurring for EPS growth of 10% p.a. with pro rata vesting between points.
3. 50% of LTIP awards will only vest if the Company's comparative TSR performance is equal to or greater than the median level of performance over the three-year performance period, at which point 25% of awards will vest, with full vesting occurring for upper quartile performance with pro rata vesting between points. 50% of LTIP awards will only vest if the Company's EPS grows by 4% p.a., at which point 25% of awards will vest, with full vesting occurring for EPS growth of 10% p.a. with pro rata vesting between points.
4. For RSAs to vest the Committee must be satisfied that PayPoint's underlying performance and delivery against its strategy and plans are sufficient to justify the level of vesting having regard to such factors as the Committee considers to be appropriate in the round (including revenue, earnings and share price performance) and the shareholder experience more generally (including the risk of windfall gains).
5. The awards granted to Alan Dale were made prior to his appointment to the Board.

Deferred Annual Bonus Scheme[1] (audited)

	Number of shares at 31 March 2020	Number of shares awarded during the period	Number of shares released during the period	Number of shares lapsed during the period	**Number of shares at 31 March 2021**	Share price at grant £	Value of shares awarded £	Date of grant	Lapse/ Release
Alan Dale[2]	709	–	–	–	**709**	10.10	7,161	04.06.18	04.06.21
	1,025	–	–	–	**1,025**	10.50	10,763	10.06.19	10.06.22
Rachel Kentleton	5,062	–	–	–	**5,062**	10.10	51,126	04.06.18	04.06.21
	5,478	–	–	–	**5,478**	10.50	57,519	10.06.19	10.06.22

1. The release of shares is dependent upon continuous employment for a period of three years from the date of grant.
2. The awards granted to Alan Dale were made prior to his appointment to the Board.

Share Incentive Plan (audited)

	Number of Partnership Shares purchased at 31 March 2020	Number of Matching Shares awarded at 31 March 2020	Number of Free Shares[1] awarded at 31 March 2020	Number of Dividend Shares[2] acquired at 31 March 2020	Total shares at 31 March 2020	Number of Partnership Shares[3] purchased during the period	Number of Matching Shares[4] awarded during the period	Number of Dividend Shares acquired during the period	Dates of release of Matching and Free Dividend Shares[5]	**Total shares at 31 March 2021**
Nick Wiles	–	–	–	–	–	126	126	3	23.10.23-22.03.24	**255**
Alan Dale	514	514	132	–	1,160	247	247	76	11.04.23-22.03.24	**1,730**
Rachel Kentleton	656	656	229	–	1,541	61	–	–	N/A	**–**

1. Free Shares are ordinary shares of the Company awarded conditionally on 24 September 2004 based on the share price on admission of £1.92.
2. Dividend Shares are ordinary shares of the Company purchased with the value of dividends paid in respect of all other shares held in the plan.
3. Partnership Shares are ordinary shares of the Company purchased on a monthly basis during the period (at prices from £5.03 to £7.00).
4. Matching Shares are ordinary shares of the Company awarded conditionally on a monthly basis during the period (at prices from £5.03 to £7.00).
5. The dates used are based on the earliest allocation of the matching shares.

Directors' Remuneration Report continued

Service contracts and exit policy

Executive Directors

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

Name	Company notice period	Contract date
Nick Wiles	12 months	19 May 2020
Alan Dale	12 months	20 November 2020

There are no special provisions in service contracts relating to cessation of employment or change of control. The policy on termination is that the Company does not make payments beyond its contractual obligations and Executive Directors will be expected to mitigate their loss. In addition, the Remuneration Committee ensures that there are no unjustified payments for failure. Under normal circumstances, Executive Directors may receive termination payments in lieu of notice equal to pay and benefits for the length of their contractual notice period.

Non-Executive Directors

The Non-Executive Directors do not have service contracts, rather they have letters of appointment which are subject to a three-year term. Details of the terms of appointment of the Non-Executive Directors are set out in the table below:

Name	Start of current three-year term	Unexpired term as at 31 March 2021	Date of appointment	Notice period
Gill Barr	26 July 2018	4 months	1 June 2015	one month
Giles Kerr	26 July 2018	4 months	20 November 2015	one month
Rakesh Sharma	12 May 2020	34½ months	12 May 2017	one month
Ben Wishart	14 November 2019	19½ months	14 November 2019	one month
Rosie Shapland	2 October 2020	30½ months	2 October 2020	one month

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

Shareholding guidelines

PayPoint's shareholding guidelines encourage a long-term focus and align the interests of Executive Directors with shareholders. Executive Directors are required to build up a shareholding in the Company equal in value to 200% of their base salary. Post-employment they are required to retain shares equal to 100% of the shareholding guideline up until the first anniversary of cessation. Between the first and second anniversary of cessation they will need to retain shares equal to 50% of the guideline. Executive Directors leaving the employment of PayPoint would be required to self-certify annually in writing post cessation that they still hold the required shares as part of their termination agreement.

Implementation of Remuneration Policy for year ending 31 March 2022

Base salary

Current base salary levels, and those from 1 July 2021 (the normal salary review date), are as follows:

	From 1 July 2020[1]	From 1 July 2021	% increase
Nick Wiles	£470,000	£470,000	0%
Alan Dale	£300,000	£300,000	0%

1. From appointment to the Board for Alan Dale.

Alan was appointed to the Board effective 20 November 2020 and his base salary from appointment was £300,000.

Benefits

Nick Wiles will receive a £25,000 annual benefits allowance in respect of car allowance, petrol, life assurance, medical insurance and permanent health insurance. Alan Dale's benefits will continue to comprise a car allowance, petrol, medical insurance, life assurance and permanent health insurance.

Pension

Pension provision is offered in the form of pension and/or a salary supplement and will be 5% of salary, in line with the current workforce pension provision, for Nick Wiles and Alan Dale.

Annual bonus

Annual bonus potential will be set at 106% of salary for both the Chief Executive and Finance Director. Full details of the annual bonus targets for the 2021/22 financial year and performance against the targets will be disclosed in next year's Annual Report on Remuneration.

RSA (policy limit: 75% of salary)
RSAs to be granted in 2021 will, subject to shareholder approval:

- be set at 75% of salary for the Chief Executive and 62.5% of salary for the Finance Director
- vest 50% after three years from the grant date, 25% after four years from grant and 25% after five years from grant, subject to continued employment, satisfactory individual performance and a positive assessment of performance against the underpin (see below)

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

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

Chairman and Non-Executive Director fees
Chairman and Non-Executive Director fees are as follows:

	From 1 April 2020	From 1 April 2021[1]
Base fees		
Chairman	£165,000	£165,000
Non-Executive Director	£48,500	£48,500
Additional fees		
Chairman, Audit Committee	£9,200	£9,200
Chairman, Remuneration Committee	£9,200	£9,200
Senior Independent Director	£6,100	£6,100

1. No increase in fees is proposed for the Non-Executive Directors.

This Report covers the remuneration of all Directors who served during the period and was approved by the Board on 26 May 2021.

Rakesh Sharma
Chairman, Remuneration Committee

Directors' Report

PayPoint Plc (the 'Company') is a public limited company incorporated in England and Wales, registration number 3581541. The Company is a holding company and its subsidiaries (a complete list of which can be found in note 16 on pages 117 and 118) are engaged in providing innovative services and technology connecting millions of consumers with over 60,000 retailer partner and SME locations across multiple sectors. The Strategic Report on pages 1 to 51 provides a review of the business, the Group's trading for the period ended 31 March 2021, key performance indicators and an indication of future developments.

Directors' report content

As required by the Companies Act 2006 and the Disclosure Guidance and Transparency Rule ('DTR') 4.1.8.R, the Directors' Report for PayPoint Plc comprises these pages 84 to 85 together with information in the following sections of the annual report and accounts, all of which are incorporated into this Directors' Report by reference:

Information	Location in annual report
Review of the business, principal risks and uncertainties, emerging risks and KPIs	Chief Executive's Review; Business Model; Year in Review; Our Strategy; Key Performance Indicators, Financial Review and Principal Risks and Uncertainties (includes emerging risks)
Strategy and business model	Our Strategy; Business model
Future business developments	Our Strategy
GHG emissions and Non-financial reporting: Environmental matters Anti-corruption and Anti-bribery	Responsible Business and Audit Committee Report
Employment for disabled persons and employee engagement throughout the workforce	Responsible Business, Corporate Governance Report S.172(1) Statement
Gender diversity	Responsible Business and The Board
Business relationships, stakeholders and their effect on decisions	Engagement with Stakeholders and S.172(1) Statement
Use of financial instruments and credit	Financial Review and note 26

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

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

Substantial shareholdings

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

As at 31 March 2021:

Name of holder	Number of ordinary shares	Percentage of issued capital
Asteriscos Patrimonial & its group	10,353,289	15.08%
Liontrust Investment Partners LLP	8,170,266	11.90%
Ameriprise Financial, Inc and its group	3,862,906	5.62%
Schroders plc[1]	3,473,473	5.06%
Capital Research & Management	3,314,402	4.82%

1. Holding includes CFD 3,919 shares.

The following notification(s) have been received since 1 April 2021 up to the date of this report.

Name of holder	Number of ordinary shares	Percentage of issued capital
Liontrust Investment Partners LLP	8,286,598	12.07%
Schroders plc[1]	4,061,392	5.915%

1. Holding includes CFD 1,918 shares.

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

Share capital

As at 31 March 2021 68,656,907 ordinary shares of 1/3 pence each have been issued and fully paid up and are quoted on the London Stock Exchange. During the year ended 31 March 2020, 109,275 ordinary shares were issued under the Company's share schemes and 170,882 shares were issued as share consideration on the acquisition of i-movo. The rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Company's Directors are set out in the Company's Articles of Association, copies of which can be obtained from Companies House or by writing to the Company Secretary.

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

At as 31 March 2021, the PayPoint Network Limited Employee Incentive Trust (the 'Trust') held 769 ordinary shares in the Company for allocation under the Company's share schemes. Any voting or other similar decisions in relation to the shares held by the Trust would be taken by the trustees, who may take account of any recommendations of the Company. The Trustees have waived their right to receive dividends of the shares held in the Company.

At the annual general meeting on 22 July 2020, the Directors were given authority to purchase up to 10% of the Company's issued share capital, allot relevant securities up to an aggregate nominal amount of £151,959 and to disapply pre-emption rights in respect of allotments of relevant securities up to an aggregate nominal amount of £11,397 with a further £11,397 for limited purposes. Resolutions to renew these authorities will be proposed at the 2021 annual general meeting, details of which are set out in the Notice of Annual General Meeting on pages 128 to 134.

Directors

The names of the Directors at the date of this report and their biographical details are on pages 54 and 55. Their interests in the ordinary shares of the Company are on page 80. During the financial year, Rachel Kentleton resigned as Finance Director on 30 June 2020, Rosie Shapland was appointed a Non-Executive Director on 2 October 2020 becoming Chair of the Audit Committee in December 2020 and Alan Dale was appointed Finance Director on 20 November 2020. Directors are appointed and replaced in accordance with the Company's Articles of Association, the Companies Act 2006 and the Code. The powers of the Directors are set out in the Articles of Association and the Companies Act 2006.

Results for the year

The consolidated statements of profit or loss, comprehensive income, financial position, changes in equity and of cash flows for the year ended 31 March 2021 are set out on pages 92 to 95. An analysis of risk is set out on pages 37 to 40, and of risk management on page 36. The consolidated statements of: profit or loss; comprehensive income; financial position; changes in equity; and cash flows of the Company for the year ended 31 March 2021 are set out on pages 93 to 96.

Events since year end
The Company disposed of its Romanian business on 8 April 2020 and acquired RSM 2000 Limited on 12 April 2021.

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

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

The Company has a revolving term credit facility for £70 million, £5 million ancillary facilities; and a £32.5 million term loan, which expire on 11 February 2024. The terms of the facility (which includes the ancillary facilities and loan) allow for termination on a change of control, subject to certain conditions.

There are no other significant contracts in place that would take effect, alter or terminate on the change of control of the Company, including compensation for loss of office as a result of a takeover bid.

Suppliers' payment policy
Terms of payment are agreed with individual suppliers prior to supply. The Group aims to pay its creditors promptly, in accordance with terms agreed for payment, provided the supplier has provided the goods or services in accordance with the agreed terms and conditions. Further information can be obtained from the Government's payment practice reporting portal.

Charitable and political donations
The Group made no political donations during the year (2020: nil). Details of the charitable donations policy can be found within the Responsible Business section of the annual report on page 46.

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

Dividends
From 1 April 2019 a programme of four equal dividends payable in July, September, December and March was implemented.

We have declared a 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 25 June 2021 and 27 August 2021 respectively. The final dividend is subject to the approval of the shareholders at the annual general meeting on 21 July 2021.

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 £59.7 million (2020: £58.5 million) of distributable reserves.

An interim ordinary dividend of 15.6 pence (2020: 23.6 pence) was paid in equal instalments of 7.8 pence on 29 December 2020 and 8 March 2021.

The dividend policy including all the dividends declared during the year is set out in the Financial Review on page 35.

Going concern
As at 31 March 2021 the Group had £68.2 million of net debt although as disclosed in note 1, the Group received £48.3 million on 8 April 2021 being the proceeds from the sale of the Romanian business. The Group has the following financing facilities in place: a three-year £70 million revolving credit facility; £5 million ancillary facilities; and a £32.5 million term loan, all expiring on 11 February 2024. The financing also includes a £30 million accordion (uncommitted) facility and two one-year extensions. The Company's cash and borrowing capacity is adequate to meet the foreseeable needs of the Group, taking into account any risks (see pages 37 to 40). The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Therefore, the financial statements have been prepared on a going concern basis.

The Group's liquidity review and commentary on the current economic climate are shown on page 34 of the Strategic Report and commentary on financial risk management is shown in note 26.

Independent auditor
KPMG LLP has expressed its willingness to continue as the Company's auditor and a resolution for its reappointment will be proposed at the forthcoming annual general meeting. The Notice of Annual General Meeting can be found on pages 128 to 134.

Corporate governance statement
The information that fulfils the requirements of the corporate governance statement for the purposes of the FCA's Disclosure Guidance and Transparency Rules can be found in this Directors' Report and in the Corporate Governance section on pages 58 to 63 (which is incorporated into this Directors' Report by reference).

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

1. So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware
2. The Director has taken all the steps that he/she ought reasonably to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

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

Annual general meeting
The annual general meeting will be held at PayPoint's head office, 1 The Boulevard, Shire Park, Welwyn Garden City AL7 1EL on 21 July 2021 at 12 noon.

The Notice of Annual General Meeting and explanatory information on the resolutions to be passed at the annual general meeting can be found on pages 129 to 135.

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

Sarah Carne
Company Secretary
26 May 2021

Statement of Directors' responsibilities

in respect of the annual report and the financial statements

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company financial statements on the same basis. In addition, the Group financial statements are required, under the UK Disclosure Guidance and Transparency Rules, to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable, relevant and reliable
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so

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

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

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

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

We confirm that to the best of our knowledge:

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

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

Alan Dale
Finance Director
26 May 2021

Independent Auditor's Report

1. Our opinion is unmodified

We have audited the financial statements of PayPoint Plc ('the Company') for the year ended 31 March 2021 which comprise the Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity, Company Statement of Cash Flows, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2021 and of the Group's profit for the year then ended
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, and as applied in accordance with the provisions of, the Companies Act 2006
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable

Basis for opinion

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

We were first appointed as auditor by the Directors on 15 August 2017. The period of total uninterrupted engagement is for the four financial years ended 31 March 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: group financial statements as a whole	£2.0m (2020: £2.5m) 4.3% (2020: 4.4%) of normalised Group profit before tax from continuing operations (2020: Group profit before tax)	
Coverage	94% (2020: 100%) of normalised Group profit before tax	
Key audit matters	**vs 2020**	
Recurring risk	Revenue recognition	◀▶
Event driven	**New:** Valuation of Handepay and Merchant Rentals intangible assets	▲
Recurring risk	Recoverability of parent Company's investment in subsidiaries (parent)	◀▶

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

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

	The risk	Our response
Revenue recognition *Refer to page 67 (Audit Committee Report), page 102 (accounting policy) and page 107 (financial disclosures).*	**Data capture and processing error:** The risk is that revenue is misstated due to inherent complexities involved in capturing and processing the high volume of low value transactions generated across the Company's off-site terminal network. IT systems may not be configured appropriately such that data does not correctly flow through the IT systems, or can be unintentionally amended.	Our procedures included: • **Control design and operation:** Testing controls, and mitigating controls over the general IT environment, with the support of our IT specialists to assess whether the transaction recording, billing and general ledger systems are appropriately controlled. These procedures included testing access to programs and data, program change and development to address the risk of unauthorised changes being made to the operation of IT application controls • **Control operation:** Testing key automated controls (with the support of our IT specialists) and manual controls, including controls that are designed to ensure reconciliations are performed between system reports used to generate invoices and off-site terminal network systems • **Tests of details:** Using data analytical tools to test that revenue invoiced agrees through to cash received; and • **Tests of details:** On a statistical sample basis, agreed revenue recorded back to supporting documentation including: – Examination of cash receipts from clients or third-party confirmations. – Examination of unmatched cash received. **Our results** • The results of our procedures were satisfactory and we considered the amount of revenue recognised to be acceptable (2020: acceptable).

Independent Auditor's Report continued

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

	The risk	Our response
Valuation of Handepay and Merchant Rentals intangible assets (£20.1 million; 2020: nil) *Refer to page 68 (Audit Committee Report), page 104 (accounting policy) and page 113 (financial disclosures).*	**Forecast-based valuation:** On 4 February 2021 PayPoint Plc acquired the entire share capital of Handepay and Merchant Rentals for consideration of £66.2 million. We identified the valuation of Handepay and Merchant Rentals intangibles as a risk because of the inherent complexity, estimation uncertainty, and judgements involvement in determining and applying assumptions to assess the fair value of the identified intangibles, and because of the size of the acquisition. Auditor judgement is required to assess whether the Group's overall estimate, taking into account key inputs such as revenue growth rates and customer attrition rates assumptions, fall within an acceptable range. As part of our risk assessment, we determined that the valuation of intangible assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 1) disclose the range estimated by the Group.	Our procedures included: • **Our valuation expertise:** We engaged our own valuation specialists to assist us in assessment of the appropriateness of the valuation methodology applied; • **Benchmarking assumptions:** Comparing the Group's assumptions to externally derived data in relation to key inputs such as revenue growth rates • **Historical comparison:** We challenged the reasonableness of the assumptions: revenue growth rates and customer attrition rates by assessing the historical accuracy of the acquired entity's ability to forecast accurately and comparing to previous performance • **Assessing transparency:** Assess whether the Group's disclosures about the sensitivity relating to key assumptions on the valuation of acquired intangibles are adequate We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** • We found the resulting valuation of Handepay and Merchant Rentals intangible assets to be acceptable. We found the Group's disclosures to be acceptable in their description of the forecast uncertainty regarding valuation of Handepay and Merchant Rentals intangible assets

	The risk	Our response
Recoverability of parent Company's investment in subsidiaries (£138.5 million; 2020: £60.2 million) *Refer to page 105 (accounting policy) and page 117 (financial disclosures).*	**Low risk, high value:** The carrying amount of the parent Company's investments in subsidiaries represents 75% (2020: 41%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	Our procedures included: • **Tests of detail:** Comparing the carrying amount of material investments (99.5% of total investments) with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit making • **Assessing subsidiary audits:** For all material investments, other than PayPoint Romania, we assessed the results of the Group audit team's work on those subsidiaries' profits and net assets • **Comparing carrying value to fair value less cost of disposal:** For the investment in PayPoint Romania we assessed the valuation comparing the carrying value with the fair value less cost of disposal using the known sale price from the disposal occurred on 8 April 2021 • **Comparing valuation:** For the rest of investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based upon a discounted cash flow model We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** We found the Company's conclusion that there is no impairment of its investments in subsidiaries to be acceptable (2020: acceptable).

We continue to perform procedures over going concern. However, following an increased level of certainty and borrowings refinancing, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

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

Materiality for the Group financial statements as a whole was set at £2.0 million (2020: £2.5 million), determined with reference to a benchmark of Group profit before tax from continuing operations normalised to exclude this year's exceptional items as disclosed in note 6 and by averaging over three years to address the volatility due to Covid-19, of £46.1 million (2020: profit before tax £56.8 million) of which it represents 4.4% (2020: 4.4%). Last year materiality was determined with a reference to a benchmark of Group profit before tax.

Materiality for the parent Company financial statements as a whole was set at £0.8 million (2020: £0.8 million), determined with reference to a benchmark of Company total assets, of which it represents 0.75% (2020: 0.5%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2020: 75%) of materiality for the Group and parent Company financial statements as a whole, which equates to £1.5 million (2020: £1.875 million) for the Group and £0.6 million (2020: £0.6 million) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £100k (2020: £125k) and exceeding £200k (2020: £250k) only in respect of misstatements which relate solely to reclassifications within the statement of financial position, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 13 (2020: nine) reporting components, we subjected five (2020: five) to full scope audits for Group purposes. The components within the scope of our work accounted for the percentages illustrated opposite.

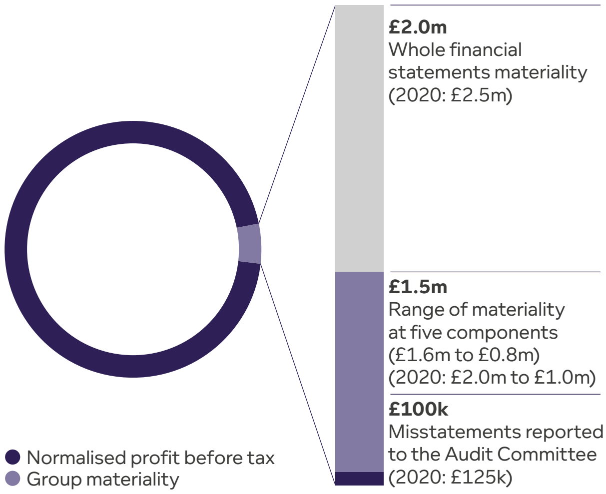
The remaining 3% of total Group revenue, 5% of total profits and losses that made up Group profit before tax and 6% of total Group assets is represented by eight of reporting components, none of which individually represented more than 4% of any of total Group revenue, Group profit before tax or total Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed the component auditor as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £1.6 million to £0.8 million (2020: £2.0 million to £1.0 million), having regard to the mix of size and risk profile of the Group across the components. The work on one (2020: one) of the components was performed by the component auditor and the rest, including the audit of the parent Company, was performed by the Group team. The Group team performed procedures on the items excluded from normalised Group profit before tax.

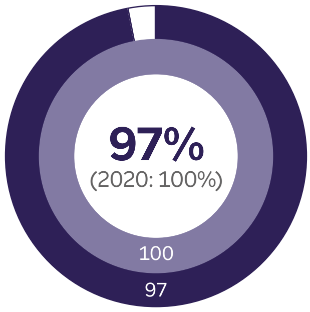
Video and telephone conference meetings were held with the component auditors in Romania. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

Normalised profit before tax
£46.1m (2020: PBT £56.8m)

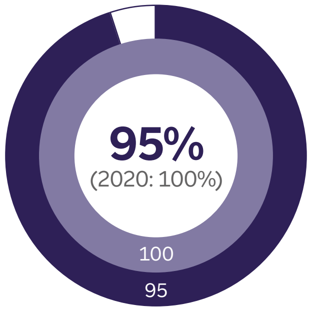
Group materiality
£2.0m (2020: £2.5m)



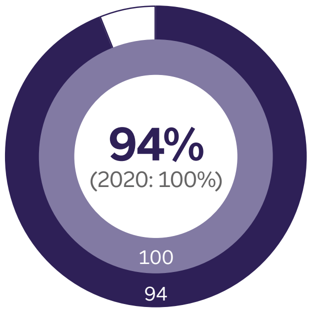
Group revenue



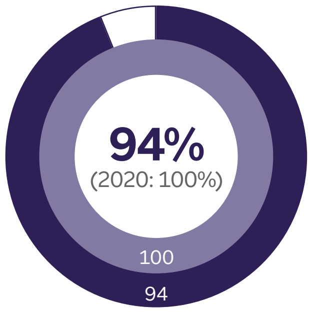
Group profit before tax



Group total assets



Group normalised profit before tax



● Full scope for Group audit purposes 2021
● Full scope for Group audit purposes 2020
○ Residual components

Independent Auditor's Report continued

4. Going concern

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

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and/or metrics relevant to debt covenants over this period were lower than expected trading volumes, loss of key contracts, and under-performance of certain service lines.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the Directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

- Critically assessing assumptions in management's base case forecast and downside scenarios, in particular in relation to the potential impact of contract losses, and overlaying knowledge of the entity's plans based on approved budgets and our knowledge of the entity and the sector in which it operates
- Assessing whether downside scenarios applied mutually consistent and severe assumptions in aggregate, and using our assessment of the possible range of each key assumption
- We also compared past budgets to actual results to assess the Directors' track record of budgeting accurately
- We assessed the completeness of the going concern disclosure

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate
- we have not identified, and concur with the Directors' assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period and we found the going concern disclosure in note 1 to be acceptable
- the related statement under the Listing Rules set out on page 85 is materially consistent with the financial statements and our audit knowledge

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud.

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee, internal audit and other key management personnel, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes and by attending Audit Committee meetings
- Reading and considering the content of remuneration incentive schemes and performance targets for management, Directors, and sales staff, including the EPS target for management remuneration
- Using analytical procedures to identify any unusual or unexpected relationships

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to the full scope component audit teams of relevant fraud risks identified at the Group level and request to the full scope component audit team to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

As required by auditing standards and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the little complexity and judgement involved in revenue recognition.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards). We also discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to the full scope component audit team of relevant laws and regulations identified at the Group level, and a request for the full scope component auditor to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group.

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

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

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: payment service regulations, health and safety, anti-bribery, employment law, and certain aspects of company legislation, recognising the nature of the Group's activities to provide payment services. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management, and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

For the regulatory matter discussed in note 21 we assessed disclosures against our understanding from regulatory correspondence and used our compliance specialists to help us assess the treatment and disclosure.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the annual report

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

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

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report
- in our opinion the information given in those reports for the financial year is consistent with the financial statements
- in our opinion those reports have been prepared in accordance with the Companies Act 2006

Directors' Remuneration Report

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

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement on page 41 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity
- the Principal Risks and Uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions

We are also required to review the viability statement, set out on page 41, under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

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

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge. Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

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

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

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

We have nothing to report in these respects.

Independent Auditor's Report continued

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 86, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and the further matters we are required to state to them in accordance with the terms agreed with the Company and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Harper (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
E14 5GL
26 May 2021

Consolidated statement of profit or loss

	Note	Year ended 31 March 2021 £'000	Restated[1] Year ended 31 March 2020 £'000
Continuing operations			
Revenue	2,3	**127,747**	144,289
Cost of revenue	5	**(47,280)**	(53,142)
Gross profit		**80,467**	91,147
Administrative expenses – excluding exceptional items		**(43,578)**	(40,687)
Exceptional items – administrative expenses	6	**(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	22	**(57)**	–
Exceptional items – finance costs	6	**(459)**	–
Profit before tax from continuing operations		**19,443**	49,983
Tax on continuing operations	9	**(4,335)**	(9,961)
Profit from continuing operations		**15,108**	40,022
Discontinued operation			
Total profit from discontinued operation, net of tax	11	**6,423**	5,646
Profit for the year attributable to equity holders of the parent		**21,531**	45,668

Earnings per share			
Basic	10	**31.5p**	66.9p
Diluted	10	**31.3p**	66.3p

Earnings per share – continuing operations			
Basic	10	**22.1p**	58.6p
Diluted	10	**21.9p**	58.1p

1. Comparative information has been restated for the discontinued operation (note 11).

Consolidated statement of comprehensive income

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Items that may subsequently be reclassified to the consolidated statement of profit or loss:		
Exchange differences on translation of foreign operation	**(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

Consolidated statement of financial position

	Note	31 March 2021 £'000	31 March 2020 £'000
Non-current assets			
Goodwill	13	**51,551**	11,853
Other intangible assets	14	**41,698**	17,274
Property, plant and equipment	15	**21,379**	24,840
Net investment in finance lease receivables	28	**6,511**	–
Deferred tax asset	17	**–**	565
Total non-current assets		**121,139**	54,532
Current assets			
Inventories		**1,059**	214
Trade and other receivables	18	**69,576**	108,368
Current tax asset		**3,021**	1,099
Cash and cash equivalents	19	**38,940**	93,774
		112,596	203,455
Assets held for sale	11	**57,353**	–
Total current assets		**169,949**	203,455
Total assets		**291,088**	257,987
Current liabilities			
Trade and other payables	20	**102,504**	148,621
Provision	21	**12,500**	–
Deferred, contingent consideration liability	22	**1,462**	–
Lease liabilities	27	**194**	197
Loans and borrowings	27	**63,627**	70,000
		180,287	218,818
Liabilities directly associated with the assets held for sale	11	**40,866**	–
Total current liabilities		**221,153**	218,818
Non-current liabilities			
Trade and other payables	20	**–**	95
Deferred, contingent consideration liability	22	**4,285**	–
Lease liabilities	27	**253**	744
Loans and borrowings	27	**22,956**	–
Deferred tax liability	17	**2,971**	–
Total non-current liabilities		**30,465**	839
Total liabilities		**251,618**	219,657
Net assets		**39,470**	38,330
Equity			
Share capital	23	**229**	228
Share premium		**4,975**	4,485
Merger reserve	23	**999**	–
Share-based payment reserve	24	**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

These 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 at 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 operation		–	–	–	–	256	–	256
Comprehensive income for the year		**–**	**–**	**–**	**–**	**256**	**45,668**	**45,924**
Adoption of IFRS 16		–	–	–	–	–	(73)	(73)
Issue of shares	23	1	–	–	–	–	–	1
Equity-settled share-based payment expense	24	–	–	–	631	–	–	631
Vesting of share scheme	24	–	1,133	–	(1,416)	–	(746)	(1,029)
Deferred tax on share-based payments	17	–	–	–	(24)	–	169	145
Dividends	25	–	–	–	–	–	(57,419)	(57,419)
Closing equity at 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 operation		–	–	–	–	(912)	–	(912)
Comprehensive income for the year		**–**	**–**	**–**	**–**	**(912)**	**21,531**	**20,619**
Issue of shares	23	1	–	999	–	–	–	1,000
Equity-settled share-based payment expense	24	–	–	–	1,066	–	–	1,066
Vesting of share scheme	24	–	490	–	(926)	–	286	(150)
Deferred tax on share-based payments	17	–	–	–	(10)	–	–	(10)
Dividends	25	–	–	–	–	–	(21,385)	(21,385)
Closing equity at 31 March 2021		**229**	**4,975**	**999**	**2,005**	**(1,645)**	**32,907**	**39,470**

Consolidated statement of cash flows

	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Net cash inflow from operating activities	30	**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	12	**(60,800)**	–
Proceeds from restructuring discontinued operation	16	**21**	–
Net cash used in investing activities		**(72,479)**	(7,877)
Financing activities			
Dividends paid	25	**(21,385)**	(57,419)
Proceeds from issue of share capital		**1**	1
Repayments of loans and borrowings	27	**(70,000)**	–
Proceeds from loans and borrowings	27	**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

	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Continuing operations			
Corporate cash		**10,535**	49,349
Clients' funds and retailer partners' deposits		**28,405**	20,097
		38,940	69,446
Discontinued operation			
Corporate cash		**7,814**	8,686
Clients' funds and retailer partners' deposits		**18,052**	15,642
		25,866	24,328
Cash and cash equivalents on the statement of financial position	19	**64,806**	93,774

Company statement of financial position

	Note	31 March 2021 £'000	31 March 2020 £'000
Non-current assets			
Intangible assets	14	**5,539**	–
Trade and other receivables	18	**27,517**	–
Investments	16	**138,539**	60,170
Total non-current assets		**171,595**	60,170
Current assets			
Trade and other receivables	18	**9,269**	43,832
Current tax asset		**2,378**	–
Cash and cash equivalents		**524**	43,567
Total current assets		**12,171**	87,399
Total assets		**183,766**	147,569
Current liabilities			
Trade and other payables	20	**15,625**	12,403
Provision	21	**12,500**	–
Current tax liabilities		**–**	58
Deferred, contingent consideration liability	22	**1,462**	–
Loans and borrowings	27	**60,333**	70,000
Total current liabilities		**89,920**	82,461
Non-current liabilities			
Deferred, contingent consideration liability	22	**4,285**	–
Loans and borrowings	27	**21,667**	–
Total liabilities		**115,872**	82,461
Net assets		**67,894**	65,108
Equity			
Share capital	23	**229**	228
Share premium		**4,975**	4,485
Merger reserve	23	**999**	–
Share-based payment reserve	24	**2,005**	1,865
Retained earnings		**59,686**	58,530
Total equity attributable to equity holders of the parent		**67,894**	65,108

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 and consequently the statement of profit or loss of the parent Company is not presented as part of these financial statements. The profit of the parent Company for the financial year amounted to £22.3 million (2020: £36.7 million).

These 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

Company statement of changes in equity

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
Opening equity at 1 April 2019		**227**	**3,352**	**–**	**2,650**	**79,828**	**86,057**
Profit for the year		–	–	–	–	36,698	36,698
Issue of shares	23	1	–	–	–	–	1
Equity-settled share-based payment expense	24	–	–	–	631	–	631
Vesting of share scheme	24	–	1,133	–	(1,416)	(746)	(1,029)
Deferred tax on share-based payments		–	–	–	–	169	169
Dividends	25	–	–	–	–	(57,419)	(57,419)
Closing equity at 31 March 2020		**228**	**4,485**	**–**	**1,865**	**58,530**	**65,108**
Profit for the year		–	–	–	–	22,255	22,255
Issue of shares	23	1	–	999	–	–	1,000
Equity-settled share-based payment expense	24	–	–	–	1,066	–	1,066
Vesting of share scheme	24	–	490	–	(926)	286	(150)
Deferred tax on share-based payments		–	–	–	–	–	–
Dividends	25	–	–	–	–	(21,385)	(21,385)
Closing equity at 31 March 2021		**229**	**4,975**	**999**	**2,005**	**59,686**	**67,894**

Company statement of cash flows

	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Net cash inflow/(outflow) from operating activities	30	**5,501**	(7,520)
Investing activities			
Dividend income		**38,548**	38,300
Investment income		**13**	18
Purchases of intangible assets		**(6,042)**	–
Proceeds from restructuring discontinued operation	16	**21**	–
Increased capitalisation of existing investments	16	**(1,001)**	–
Acquisition transaction costs	16	**(2,796)**	–
Acquisitions of subsidiaries net of cash acquired	12	**(67,903)**	–
Net cash (used in)/from investing activities		**(39,160)**	38,318
Financing activities			
Dividends paid	25	**(21,385)**	(57,419)
Proceeds from issue of share capital		**1**	1
Repayments of loans and borrowings	27	**(70,000)**	–
Proceeds from loans and borrowings	27	**82,000**	70,000
Net cash (used in)/from financing activities		**(9,384)**	12,582
Net (decrease)/increase in cash and cash equivalents		**(43,043)**	43,380
Cash and cash equivalents at beginning of year		**43,567**	187
Cash and cash equivalents at end of year		**524**	43,567

Notes to the consolidated financial statements

1. Accounting policies

Statement of compliance with IFRS and basis of preparation

PayPoint Plc ('PayPoint' or the 'Company') is a public limited company and is incorporated and registered in England in the UK under the Companies Act 2006. The Company's ordinary shares are traded on the London Stock Exchange. The Group and Company's financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and, as regards to the Group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

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 £32.5 million 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 had net current liabilities of £51.2 million (2020: £15.4 million). 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 approval of these financial statements, 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, which 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 ended 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 approval of these financial statements 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.

Notes to the consolidated financial statements continued

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.

New and revised IFRS in issue but not yet effective
At the date of authorisation of these financial statements, new and revised standards issued but not yet effective are set out below. It is anticipated the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group. These have not been adopted in the Group's accounting policies:
- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (effective date 1 January 2021).
- IFRS 17 Insurance Contracts (effective date to be confirmed).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective date to be confirmed).
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (effective date to be confirmed).
- Amendments to References to the Conceptual Framework in IFRS 3 (effective date to be confirmed).
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (effective date to be confirmed).
- Annual Improvements to IFRS Standards 2018-2020 (effective date to be confirmed).

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) the existence of a binding agreement clearly identifying the beneficiary of the funds
(b) the identification, ability to allocate and separability of funds
(c) the 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 are 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	**2.0%**	**2.0%**
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 earnout 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.

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. A reconciliation from profit before tax from continuing operations to underlying profit before tax from continuing operations is included in note 6.

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. A reconciliation from revenue to net revenue is included in note 4.

Effective tax rate (non-IFRS measure)
Effective tax rate is the tax cost as a percentage of the net profit before tax.

Reported dividends (non-IFRS measure)
Reported dividends are based on a financial year's results from which the dividend is declared and consist of an interim and final dividend (note 25). 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 retailer partners' deposits) as detailed in note 30 to the financial statements. This measures the cash generated which can be used for tax payments, new investments and financing activities.

Total costs (non-IFRS measure)
Total costs comprise other cost of revenue (note 5), 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 retailer partners' deposits, less amounts borrowed under financing facilities (excluding IFRS 16 liabilities).

Notes to the consolidated financial statements continued

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

	31 March 2021 £'000	31 March 2020 £'000
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 retailer partners' deposits from continuing operations	**(28,405)**	(20,097)
Clients' funds and retailer partners' deposits from discontinued operation	**(18,052)**	(15,642)
Loans and borrowings	**(86,583)**	(70,000)
Net corporate debt	**(68,234)**	(11,965)

Significant accounting policies
The accounting policies adopted by the Group are consistent with prior years.

Basis of consolidation
PayPoint Plc (the 'Company') acts as a holding company. The Group accounts consolidate the accounts of the Company and entities controlled by the Company (its subsidiaries).

Control is achieved when the Company has the power over an entity, is exposed, or has rights, to variable return from its involvement with it, and has the ability to use its powers to affect its returns. The Company reassesses its control in an entity if facts and circumstances indicate that there is a change to any of the three elements of control listed above.

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control changed. All intergroup transactions, balances, income and expenses are eliminated on consolidation.

All the subsidiaries of the Group, a list of which are provided in note 16 of the financial statements, apply accounting policies which are consistent with those of the Group.

Revenue
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 payments, 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

Cost of revenue
Cost of revenue primarily consists of expenses related to delivering our services and products. These include retailer commissions, cost of mobile top-ups and SIM cards (where PayPoint is principal), transaction costs, terminal and ATM maintenance costs, telecommunications costs, field service costs, depreciation and amortisation of assets used to deliver services.

Foreign currency
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currency are translated at the rates prevailing at the date when fair value was determined. Gains and losses arising on translation are included in net profit or loss for the year.

The Group has one overseas operation in Romania which was classified as discontinued at 31 March 2021. The assets and liabilities of that overseas discontinued operation were translated at exchange rates prevailing on the statement of financial position date. Cash flows and income statement items were translated at the average exchange rates for the year. Exchange differences arising on consolidation were recorded in a separate component of equity titled the translation reserve.

Goodwill and fair value adjustments arising on the acquisition of the foreign operation were historically treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising were recognised in other comprehensive income.

Exchange rates used for translation	31 March 2021 £'000	31 March 2020 £'000
Romania Leu – average	**5.44**	5.44
Romania Leu – year end	**5.77**	5.43
Euro – average	**1.12**	1.14
Euro – year end	**1.17**	1.12

Financial instruments
The financial asset or liability is initially recognised when the Group becomes party to the contractual instrument. The Group classifies derivative financial instruments, which consist of foreign exchange contracts, as held for trading and measures the financial instruments at fair value through profit or loss. The Group's derivative financial instruments are valued using forward exchange rates at the balance sheet date.

The Group discloses the fair value measurements of financial assets and liabilities using three levels as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Pension costs
The Group makes payments to a number of defined contribution pension schemes. Pension costs are recognised as an expense when employees have rendered services entitling them to the contributions. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Share-based payments
Share-based payment arrangements are equity settled. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period and adjusted for non-market-based conditions where they will not vest (i.e. leavers). For equity-settled share-based payment arrangements with market-based vesting conditions, fair value is measured by use of a Monte Carlo simulation. The fair value of other equity-settled share-based payment arrangements where no market-based vesting conditions exist is based on the share price at the date of the grant.

Finance income
Finance income comprises bank deposit interest received on cash and cash equivalents held at financial institutions. Interest is recognised as earned which reflects the effective interest rate method.

Finance costs
Finance costs comprises interest costs on loans and borrowings and bank overdrafts. Finance costs are recognised as an expense in the period in which they are incurred.

Retailer partner commission costs
Retailer partner commission costs represent the fees due to PayPoint's retailer partners for providing PayPoint's services in their store. These costs are recognised as an expense within cost of revenue when the transaction or parcel is processed. PayPoint owns the relationship with the retailer and accordingly recognises the cost as a principal, rather than as a pass-through cost for clients.

Exceptional items
The Group presents on the face of the consolidated statement of profit or loss those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, to facilitate comparison with prior years and to better assess trends in financial performance.

Notes to the consolidated financial statements continued

Exceptional items 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 material and not a reflection of underlying operational performance
- profit or loss items arising from changes to the Group's capital structure, including significant refinancing, which are non-operational 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

Taxation
Until disposal of the discontinued foreign operation the Group operated in two different tax jurisdictions which leads to some complexity in tax matters. This requires a degree of estimation of liabilities and delays resolution of issues. The final resolution of tax issues may give rise to variances in profit or loss and cash. The Group's policy is to pay tax when due but to minimise tax payments where practically possible, without engaging in aggressive tax schemes.

The tax expense represents the amount payable in respect of the year under review based on the taxable profit for the year and the provision for deferred tax. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are not taxable or deductible.

The Group's liability for current tax is calculated using tax rates that are applicable to the current year.

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

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

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

Business combinations
The acquisition of subsidiaries is accounted for using the acquisition method. Acquisition-related costs are recognised in profit or loss as incurred. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquired identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date.

When the initial accounting for a business combination is determined, it is done so on a provisional basis. Measurement period adjustments to these provisional values may be made within 12 months of the acquisition date and are effective as at the acquisition date, 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.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is not amortised and is measured at the amount initially recognised less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units. The cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication of impairment. This is done by determining the recoverable amount. If the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised by first allocating the impairment to goodwill and then to the other assets on a pro-rata basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised immediately in profit or loss and is not reversed in subsequent years.

On disposal of a cash-generating unit, the related goodwill is included in the determination of the profit or loss on disposal.

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

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

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

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

Intangible assets

Recognition on acquisition

The Group has recognised acquired brands, customer relationships and developed technology intangible assets at fair value in accordance with IAS 38 Intangible Assets, which are amortised over their estimated useful economic lives as follows:
Brands – eleven to fifteen years
Customer relationships – four to thirteen years
Developed technology – one to five years

Acquired brands are valued using the relief-from-royalty method using an estimation of future revenues and a market-based royalty rate that an acquirer would pay in an arm's length licensing arrangement to secure access to the same rights. The theoretical royalty payments are discounted to obtain the cash flows to determine the present asset value. A tax amortisation benefit is applied to reflect the present value of the expected benefits of amortising the value of the intangible asset over its useful tax life.

Acquired customer relationships 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.

Acquired developed technology is valued using a depreciated replacement cost method, which requires an estimate of all the costs a typical market participant would incur to generate an exact replica of the intangible asset in the context of the acquired business. The depreciated replacement cost method takes into account factors including economic and technological obsolescence.

The useful life of acquired intangible assets is based on factors including the expected usage of the asset, typical product lifecycles for the asset (reflecting the ability to generate the expected future economic benefits with reasonably low levels of required maintenance expenditure), technical, technological, commercial or other types of obsolescence, expected actions by competitors and the period of the contractual or other legal rights over which the entity expects to use the asset including renewal, which determines future amortisation charges.

Development expenditure

The Group develops computer software and other intangible assets for internal use. Development expenditure on large projects is recognised as an intangible asset if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The costs that are capitalised are the directly attributable costs necessary to create and prepare the asset for operations. Development costs recognised as an intangible asset are amortised on a straight-line basis over its useful life, which is between five and ten years. Other software costs are recognised in administrative expenses when incurred.

Property, plant and equipment

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

- freehold building – fifty years
- leasehold improvements – over the life of the lease
- PayPoint One terminals – seven years
- other terminals – five years
- ATMs – five years
- other classes of assets – three to five years

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

Investments

Investments in subsidiaries and joint arrangements in the Company accounts are stated at cost less accumulated impairments.

Inventories

Inventories comprises stocks of eVouchers, scratch cards, SIM cards and card terminal PIN pads. These are stated at the lower of cost or net realisable value.

Where PayPoint trades as principal for the processing and sale of mobile phone top-ups, the cost of these eVouchers is included in inventories. Where PayPoint acts as an agent, the cost of the eVouchers is not included in inventories.

Trade and other receivables

Trade receivables are initially recorded at fair value and represent the amount of commission due from clients or fees from retailers for which payment has not been received, less an allowance for doubtful accounts that is estimated based on factors such as the credit rating of the customer, historical trends, the current economic environment and other information.

PayPoint has used the expected credit loss ('ECL') model and has adopted an allowance matrix for trade receivables, whereby these are segmented according to number of days outstanding and an appropriate probability of impairment is applied to each category based on historical loss experience and adjusted for information about current and reasonable supportable future conditions.

Items in the course of collection represent gross transaction values received by retailer partners for clients which have not yet been collected by PayPoint. PayPoint bears the credit risk for these amounts.

Notes to the consolidated financial statements continued

Accrued income
Unbilled revenue is classified as a contract asset and is included within accrued income within the balance sheet.

Trade and other payables
Trade payables are initially recorded at fair value and represent the value of invoices received from suppliers for purchases of goods and services for which payment has not been made.

Settlement payables represent gross transaction values received by retail agents that have not yet been settled to clients.

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Leases
The Group assesses whether a contract is a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Group recognises the lease payment as an operating expense on a straight-line basis over the term of the lease.

The lease is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. The lease liability is subsequently increased by the interest cost on the lease and decreased by payments made. In the event of a change in future lease payments, the lease liability will be remeasured and the difference recognised in the right-of-use asset. The lease liability is presented as a separate line in the consolidated statement of financial position.

The Group remeasures the lease liability and makes a corresponding adjustment to the right-of-use asset whenever there has been a lease payment change, the lease contract is modified or any other significant event.

The right-of-use asset is initially measured at cost and subsequently at cost less accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the shorter of the period of the lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use asset is presented within property, plant and equipment (note 15). The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified loss as described in the 'Property, plant and equipment' policy.

Where the Group leases assets to a third party as a lessor, it recognises as a receivable an amount equal to the net investment in the finance lease i.e. the minimum lease payments receivable under the lease discounted at the interest rate implicit in the lease. This receivable is reduced as the lessee makes capital payments over the term of the lease. The terminal lease income is recognised over the lease term.

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

Cash and cash equivalents
For the purpose of the statement of cash flows and statement of financial position, cash and cash equivalents comprise cash at bank and in hand and short-term deposits with original maturity of less than three months and are subject to insignificant risk of changes in value. Cash consists of both corporate cash and clients' funds and retailer partners' deposits.

Corporate cash consists of cash available to PayPoint for its daily operations. Clients' funds consists of cash collected on behalf of clients from retailer partners, but not yet transferred to clients and is held in PayPoint's bank accounts. Retailer partners' deposits consists of retailer partners' funds held as security against default, except if held in trust which is disclosed off of the balance sheet.

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

In the Company accounts, dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Merger reserve
Merger reserve represents consideration in excess of the nominal value of shares issued on certain acquisitions.

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 allocation purposes, therefore the Group has only one operating segment. A sector analysis has been provided in the Financial Review on pages 32 to 33.

Geographic information

Revenue	Year ended 31 March 2021 £'000	Restated[1] Year ended 31 March 2020 £'000
Continuing operations		
UK	**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 11).

Non-current assets	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
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 2021 £'000	Restated[1] Year ended 31 March 2020 £'000
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 11).

Service fee revenue of £14.6 million (2020: £13.1 million) and management fees, set-up fees and up-front lump sum payments of £1.2 million (2020: £1.5 million) 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 on 14-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

	Notes	31 March 2021 £'000	31 March 2020 £'000
Trade receivables	18	**10,772**	12,346
Net investment in finance lease receivables (acquisition of Merchant Rentals)	18	**10,575**	–
Accrued income	18	**3,320**	2,518
Contract assets – capitalisation of fulfilment costs	18	**1,889**	2,862
Contract liabilities – deferral of set-up and development fees	20	**(1,472)**	(1,965)
Deferred income	20	**(565)**	(328)
Total		**24,519**	15,433

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

Notes to the consolidated financial statements continued

4. Net revenue (alternative performance measure)

	Year ended 31 March 2021 £'000	Restated[1] Year ended 31 March 2020 £'000
Continuing operations		
Service revenue	**123,886**	141,280
Sale of goods	**1,343**	1,793
Royalties	**2,518**	1,216
Total revenue from continuing operations	**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 from discontinued operation	**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 11).

5. Cost of revenue

	Year ended 31 March 2021 £'000	Restated[1] Year ended 31 March 2020 £'000
Continuing operations		
Retailer partners' 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		
Retailer partners' 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 11).

6. Exceptional items

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
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 2021 £'000	Restated[1] Year ended 31 March 2020 £'000
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 11). 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 excludes 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.

7. Employee information

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Average number of employees		
Sales, distribution and marketing	**206**	182
Operations and administration	**503**	512
Total	**709**	694
Staff costs during the year (including Directors)		
Wages and salaries	**28,500**	26,187
Social security costs	**2,411**	2,301
Pension costs	**2,005**	1,940
Redundancy and termination costs	**1,296**	202
Total	**34,212**	30,630

Directors' emoluments, pension contributions and share options are disclosed in the Remuneration Committee Report on pages 72 to 83. Included within wages and salaries is a share-based payment charge (note 24) of £1.1 million (2020: £0.6 million). Refer to note 24 for disclosure of share awards made in the year.

Pension arrangements

The Group administers a number of non-contributory defined contribution schemes for Executive Directors and employees. The amount charged in the consolidated statement of profit or loss for the year for pension costs of the Group under the scheme was £2.0 million (2020: £1.9 million). There was no accrual for pension contributions at the statement of financial position date (2020: £nil).

8. Profit for the year

	Year ended 31 March 2021 £'000	Restated[1] Year ended 31 March 2020 £'000
Profit from continuing operations is after (charging)/crediting:		
Inventory expensed – cost of mobile top-ups and SIM cards as principal	**(336)**	(286)
Inventory expensed – Merchant Rentals card terminals	**25**	–
Depreciation on property, plant and equipment – cost of revenue	**(4,116)**	(4,482)
Amortisation on intangible assets – cost of revenue	**(5,539)**	(3,814)
Depreciation on property, plant and equipment – administrative expenses	**(478)**	(424)
Amortisation on intangible assets – administrative expenses	**(379)**	–
Loss on disposal of property, plant and equipment – administrative expenses	**(57)**	(379)
Government grant income (HMRC furlough scheme for Handepay and Merchant Rentals) – administrative expenses	**189**	–
Research and development costs – administrative expenses	**(1,093)**	(430)

1. Comparative information has been restated for the discontinued operation (note 11).

Notes to the consolidated financial statements continued

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**103**	59
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**367**	234
Total audit fees	**470**	293
Other audit-related services	**–**	–
Fees payable to the Group's auditor for the review of the interim results	**38**	38
Audit-related assurance services	**38**	38
Total auditor's remuneration	**508**	331

A description of the work of the Audit Committee is set out on pages 66 to 67 and includes an explanation of how auditor independence is safeguarded by limitation of non-audit services.

9. Tax

	Year ended 31 March 2021 £'000	Restated[1] Year ended 31 March 2020 £'000
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 11).

The income tax charge on continuing operations is based on the UK statutory rate of corporation tax for the year of 19% (2020: 19%). Temporary differences have been measured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This was not substantively enacted at the balance sheet date and will have a consequential effect on the Group's future tax charge.

The tax charge on continuing operations of £4.3 million (2020: £10.0 million) on profit before tax of £19.4 million (2020: £50.0 million) represents an effective tax rate[1] of 22.3% (2020: 19.9%). This is higher than the UK statutory rate of 19% due to some expenses not being deductible for tax, adjustments in respect of prior year and future deductible temporary differences expected to be recovered at a higher tax rate compared to the prior year. 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, on the following page.

1. Effective tax rate is the tax cost as a percentage of profit before tax on continuing operations.

	Year ended 31 March 2021 £'000	Restated[1] Year ended 31 March 2020 £'000
Profit before tax from continuing operations	**19,443**	49,983
Tax at the UK corporation tax rate of 19% (2020: 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 11).

10. Earnings per share

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
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**	5,646

	31 March 2021 Number of shares Thousands	31 March 2020 Number of shares Thousands
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)	Year ended 31 March 2021	Year ended 31 March 2020
Basic	**31.5**	66.9
Diluted	**31.3**	66.3

Earnings per share – continuing operations (pence)	Year ended 31 March 2021	Year ended 31 March 2020
Basic	**22.1**	58.6
Diluted	**21.9**	58.1

Earnings per share – discontinued operation (pence)	Year ended 31 March 2021	Year ended 31 March 2020
Basic	**9.4**	8.3
Diluted	**9.3**	8.2

Notes to the consolidated financial statements continued

11. 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, and completed on 8 April 2021, following the end of the financial year ended 31 March 2021 (note 31). 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:

	31 March 2021 £'000	31 March 2020 £'000
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 Group consolidated profit for the year, were as follows:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
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 £0.4 million 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 2021 £'000	Year ended 31 March 2020 £'000
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 the 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
Cash and cash equivalents at end of year	**25,866**	24,328

12. 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 £6.0 million (£4.0 million cash and £2.0 million 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 and disclosed in note 22.

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.

Notes to the consolidated financial statements continued

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 partner 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 (Group)	**923**	**(1,377)**	**(45,733)**	**(14,613)**	**(60,800)**
Acquisitions of subsidiaries net of cash acquired (Company)	**–**	**(1,679)**	**(50,690)**	**(15,534)**	**(67,903)**

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 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.

13. Goodwill

	Total £'000
Cost	
At 31 March 2019	11,618
Exchange rate adjustment	235
At 31 March 2020	**11,853**
Exchange rate adjustment	(704)
Acquisition of i-movo	6,867
Acquisition of Handepay	35,632
Acquisition of Merchant Rentals	9,052
Balance reclassified as held for sale	(11,149)
At 31 March 2021	**51,551**

The £11.1 million (2020: £11.9 million) goodwill which arose on the acquisition of PayPoint Romania and Payzone Romania is classified as a current asset held for sale as at 31 March 2021 (note 11).

The Group tests goodwill for impairment annually and more frequently if there are indicators of impairment as set out in note 1. The Group's cash-generating units ('CGUs') have been assessed based on independently managed cash flows. Given the proximity of the timing of the sale of the Romania business to 31 March 2021, fair value less costs of disposal was used to measure recoverable amount and indicated that no impairment was required. Three new CGUs have been identified for goodwill impairment testing for the year ended 31 March 2021: i-movo with a carrying value of £9.0 million, Handepay with a carrying value of £48.1 million and Merchant Rentals with a carrying value of £17.7 million.

When testing for impairment, recoverable amounts for the Group's CGUs are measured at their value-in-use by discounting the future expected cash flows from the assets in the CGUs. The Group prepares three-year cash flow forecasts derived from the most recent financial budgets approved by the Board for the medium term and extends the forecast cash flows to perpetuity. Terminal values are based on nominal growth rates that do not exceed 2%, which is conservative relative to the long-term rates of inflation expected in the economies in which PayPoint operates. The estimates of future cash flows are consistent with experience adjusted for the Group's estimate of future performance. The discount rates of 12.0% for i-movo and 15.1% for Handepay and Merchant Rentals were used to discount the forecast cash flows calculated by reference to the weighted average cost of capital ('WACC') of each CGU, adjusted to reflect the market and other systemic risks specific to each CGU and the territories in which they operate. Given the proximity of the timing of the acquisitions to 31 March 2021, fair value less costs of disposal was also considered as an alternative measure of recoverable amount and indicated that no impairment was required.

All CGUs assessed generate value-in-use substantially in excess of their carrying values. Management therefore believes that no reasonably possible change in any of the above assumptions would cause the carrying values of the CGUs to materially exceed their recoverable amounts.

14. Other intangible assets

	Development costs £'000	Customer relationships £'000	Brands and trademarks £'000	Developed technology £'000	Total £'000
Cost					
At 31 March 2020	31,938	–	259	–	32,197
Acquisitions of businesses	626	18,404	2,909	306	22,245
Additions	2,599	–	6,042	–	8,641
Disposals	(169)	–	–	–	(169)
Exchange rate adjustment	(40)	–	(15)	–	(55)
Balance reclassified as held for sale	(247)	–	(244)	–	(491)
At 31 March 2021	**34,707**	**18,404**	**8,951**	**306**	**62,368**
Accumulated amortisation					
At 31 March 2020	14,793	–	130	–	14,923
Charge for the year	5,046	293	590	51	5,980
Disposals	(169)	–	–	–	(169)
Exchange rate adjustment	(17)	–	(11)	–	(28)
Balance reclassified as held for sale	135	–	(171)	–	(36)
At 31 March 2021	**19,788**	**293**	**538**	**51**	**20,670**
Carrying amount					
At 31 March 2021	**14,919**	**18,111**	**8,413**	**255**	**41,698**
At 31 March 2020	17,145	–	129	–	17,274

	Development costs £'000	Customer relationships £'000	Brands and trademarks £'000	Developed technology £'000	Total £'000
Cost					
At 31 March 2019	26,647	–	254	–	26,901
Additions	5,445	–	–	–	5,445
Disposals	(164)	–	–	–	(164)
Exchange rate adjustment	10	–	5	–	15
At 31 March 2020	31,938	–	259	–	32,197
Accumulated amortisation					
At 31 March 2019	10,950	–	76	–	11,026
Charge for the year	3,834	–	52	–	3,886
Disposals	–	–	–	–	–
Exchange rate adjustment	9	–	2	–	11
At 31 March 2020	14,793	–	130	–	14,923
Carrying amount					
At 31 March 2020	17,145	–	129	–	17,274
At 31 March 2019	15,697	–	178	–	15,875

Notes to the consolidated financial statements continued

Company	Brand £'000
Cost	
At 31 March 2020	–
Additions	6,042
Disposals	–
At 31 March 2021	**6,042**
Accumulated amortisation	
At 31 March 2020	–
Charge for the year	503
Disposals	–
At 31 March 2021	**503**
Carrying amount	
At 31 March 2021	**5,539**
At 31 March 2020	–

The £6.0 million addition in the year relates to the Company's purchase of the remaining 50% of the asset that Yodel owned, resulting in Collect+ becoming a fully owned brand within the PayPoint Group.

15. Property, plant and equipment

	Terminals and ATMs £'000	Fixtures, fittings and equipment £'000	Land and buildings £'000	Right-of-use assets £'000	Total £'000
Cost					
At 31 March 2020	40,618	4,666	10,974	1,549	57,807
Acquisitions of businesses	5	75	50	298	428
Additions	3,141	175	57	86	3,459
Disposals	(2,279)	(23)	–	–	(2,302)
Exchange rate adjustment	(276)	(90)	–	(89)	(455)
Balance reclassified as held for sale	(3,736)	(1,324)	–	(1,416)	(6,476)
At 31 March 2021	**37,473**	**3,479**	**11,081**	**428**	**52,461**
Accumulated depreciation					
At 31 March 2020	28,469	2,261	1,573	664	32,967
Charge for the year	4,218	308	254	133	4,913
Disposals	(2,209)	(23)	–	–	(2,232)
Exchange rate adjustment	(232)	(54)	–	(46)	(332)
Balance reclassified as held for sale	(2,751)	(755)	–	(728)	(4,234)
At 31 March 2021	**27,495**	**1,737**	**1,827**	**23**	**31,082**
Carrying amount					
At 31 March 2021	**9,978**	**1,742**	**9,254**	**405**	**21,379**
At 31 March 2020	12,149	2,405	9,401	885	24,840

At 31 March 2021, the Group had entered into contractual commitments for the acquisition of terminals amounting to £0.5 million (2020: £1.1 million).

	Terminals and ATMs £'000	Fixtures, fittings and equipment £'000	Land and buildings £'000	Right-of-use assets £'000	Total £'000
Cost					
At 31 March 2019	70,961	4,477	10,893	1,502	87,833
Additions	2,645	193	77	47	2,962
Disposals	(33,107)	(33)	–	–	(33,140)
Exchange rate adjustment	119	29	4	–	152
At 31 March 2020	40,618	4,666	10,974	1,549	57,807
Accumulated depreciation					
At 31 March 2019	56,427	1,903	1,336	449	60,115
Charge for the year	4,804	376	237	215	5,632
Disposals	(32,878)	(33)	–	–	(32,911)
Exchange rate adjustment	116	15	–	–	131
At 31 March 2020	28,469	2,261	1,573	664	32,967
Carrying amount					
At 31 March 2020	12,149	2,405	9,401	885	24,840
At 31 March 2019	14,534	2,574	9,557	1,053	27,718

16. Investments

The Company, a holding company, has investments (directly or indirectly) in the following undertakings which are wholly owned unless otherwise stated:

Company name	Principal activity (registered address)	Country of registration
PayPoint Network Limited	Management of an electronic payment service (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
PayPoint Collections Limited	Provision of a payment collection service (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
PayPoint Retail Solutions Limited	Provision of retail services (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
PayPoint Payment Services Limited	Provision of regulated payments services (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
i-movo Holdings Limited	Holding company (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
i-movo Limited	Provision of digital voucher service (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
Handepay Limited	Sales business in merchant acquiring industry (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
Merchant Rentals Limited	Provision of asset finance and leasing solutions to merchant acquiring industry (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
Collect+ Holdings Limited	Holding company (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
Collect+ Brand Limited	Holder of Collect+ brand (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
PayPoint Ireland Limited	Holding company (29 Earlsfort Terrace, Dublin 2)	Ireland
PayPoint Network Ireland Limited	Ceased trading (29 Earlsfort Terrace, Dublin 2)	Ireland
PayPoint Collections Ireland Limited	Ceased trading (29 Earlsfort Terrace, Dublin 2)	Ireland
PayPoint Trust Managers Limited	Provision of employee benefit trust services (dormant) (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
PayPoint Services SRL	Management of an electronic payment and collection service (Charles de Gaulle Square, 15th Floor 8, Sector 1, Bucharest, Romania)	Romania

Notes to the consolidated financial statements continued

The Group acquired 100% interest in i-movo Holdings Limited and i-movo Limited on 24 November 2020 and 100% interest in Handepay Limited and Merchant Rentals Limited on 3 February 2021.

The Group acquired the remaining 50% interest in Collect+ Holdings Limited and Collect+ Brand Limited on 6 April 2020, upon which they became fully owned and controlled subsidiaries within the PayPoint Group and resulted in Collect+ becoming a fully owned brand.

SC P.P. Network Progresimo SRL was liquidated on 23 February 2021. Payzone SA was legally merged into PayPoint Services SRL on 27 March 2021. The Group's interest in the Romanian business, PayPoint Services SRL, was sold after the end of the financial year on 8 April 2021.

PayPoint Ireland Limited, PayPoint Network Ireland Limited and PayPoint Collections Ireland Limited were liquidated after the end of the financial year.

Movement in investments

	31 March 2021 £'000	31 March 2020 £'000
Cost and net book value		
Balance at the beginning of the year	**60,170**	60,170
Acquisitions of businesses	**74,593**	–
Acquisition transaction costs capitalised	**2,796**	–
Increased capitalisation of existing investment	**1,001**	–
Liquidation of existing investment	**(21)**	–
Balance at the end of the year	**138,539**	60,170

An impairment test was performed on the Company's investments in subsidiaries which indicated that no impairment was required. Recoverable amounts for the Company's investments are measured at their value-in-use by discounting the future expected cash flows, derived from the most recent financial budgets approved by the Board which are extended to perpetuity. The estimates of future cash flows are consistent with experience adjusted for the Group's estimate of future performance.

17. Deferred tax asset and liability

	31 March 2020 £'000	Acquisitions of businesses £'000	Credit/ (debit) to statement of profit or loss £'000	Charge to equity £'000	31 March 2021 £'000
Property, plant and equipment	943	467	224	–	**1,634**
Intangible assets	(609)	(4,237)	56	–	**(4,790)**
Share-based payments	160	–	(8)	(10)	**142**
Short-term temporary differences	71	19	(51)	–	**39**
	565	**(3,751)**	**221**	**(10)**	**(2,975)**
Balance reclassified as held for sale					**4**
Total					**(2,971)**

	31 March 2019 £'000	Acquisitions of businesses £'000	Credit/ (debit) to statement of profit or loss £'000	Charge to equity £'000	31 March 2020 £'000
Property, plant and equipment	920	–	23	–	943
Intangible assets	(699)	–	90	–	(609)
Share-based payments	442	–	(258)	(24)	160
Short-term temporary differences	118	–	(47)	–	71
Total	781	–	(192)	(24)	565

At the statement of financial position date and in the prior year, the Group had no unused tax losses.

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

18. Trade and other receivables

Group	31 March 2021 £'000	31 March 2020 £'000
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 retailer partners. An equivalent balance is included within trade and other payables.

The Group's exposure to the credit risk inherent in its trade and other receivables is discussed in note 26.

The Group reviews trade receivables past due but not impaired on a regular basis and in determining the recoverability of the trade receivables. The Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date.

Included in trade receivables are past due debtors with a carrying amount of £2.8 million (2020: £2.1 million), and there has been an increase compared to prior year due to the timing of billing at the year end. The ageing of the trade receivables past due is as follows:

	Less than 1 month £'000	1-2 months £'000	2-3 months £'000	More than 3 months £'000	Total £'000
Carrying value at 31 March 2021	**1,238**	**421**	**107**	**659**	**2,425**
Carrying value at 31 March 2020	1,544	233	130	237	2,144

Movement in the revenue allowance

	31 March 2021 £'000	31 March 2020 £'000
Balance at the beginning of the year	**1,379**	2,957
Amounts utilised in the year	**(802)**	(2,698)
Increase in allowance	**767**	1,112
Foreign exchange	**(23)**	8
Balance reclassified as held for sale	**(372)**	–
Balance at end of the year	**949**	1,379

Age of revenue allowance

	Less than 1 month £'000	1-2 months £'000	2-3 months £'000	More than 3 months £'000	Total £'000
Carrying value at 31 March 2021	**126**	**98**	**50**	**675**	**949**
Carrying value at 31 March 2020	205	162	27	985	1,379

The expected credit losses associated with items in the course of collection are immaterial.

Company	31 March 2021 £'000	31 March 2020 £'000
Amounts owed by Group companies (current)	**8,143**	42,394
Amounts owed by Group companies (non-current)	**27,517**	–
Other receivables	**8**	20
Accrued income	**12**	612
Prepayments	**1,106**	806
Total	**36,786**	43,832

Amounts owned by subsidiaries are unsecured, have no fixed date of repayment and are repayable on demand. Expected credit losses are considered to be immaterial.

Notes to the consolidated financial statements continued

19. 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 20). 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.

20. Trade and other payables

Group	31 March 2021 £'000	31 March 2020 £'000
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 set-up and development fees	**1,472**	1,965
Total	**102,504**	148,716
Disclosed as:		
Current	**–**	148,621
Non-current	**–**	95
Total	**–**	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.

Company	31 March 2021 £'000	31 March 2020 £'000
Amounts owned by Group companies	**13,039**	11,006
Other payables	**774**	320
Accruals	**1,812**	1,077
Total	**15,625**	12,403

21. Provision

	31 March 2021 £'000	31 March 2020 £'000
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 its 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.

22. Deferred, contingent consideration liability

The Group and Company have a liability in respect of the deferred, contingent consideration under the i-movo acquisition contract (note 12).

	£'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.

23. Share capital and merger reserve

	31 March 2021 £'000	31 March 2020 £'000
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.

24. Share-based payments

The Group's share schemes are described in the Directors' Remuneration Report on pages 72 to 83 and consist of the LTIP, DABS and RSA equity-settled share schemes.

No share awards were issued 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 TSR and 50% on 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 issued 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 issued 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.

Share awards movement during the year

	Number of shares 31 March 2021	Number of shares 31 March 2020
Outstanding at the beginning of the year	**535,371**	785,870
Granted	**202,545**	212,268
Lapsed	**–**	(514)
Forfeited	**(71,735)**	(260,989)
Exercised	**(233,456)**	(201,264)
Outstanding at end of the year	**432,725**	535,371

All awards granted and in issue are for free shares and therefore the weighted average exercise price for all outstanding schemes is £nil.

Remaining vesting period of outstanding share awards	Number of shares 31 March 2021	Number of shares 31 March 2020
Within one year	**165,317**	235,784
One to two years	**108,254**	167,757
Two to three years	**129,432**	131,832
Three years or more	**29,722**	–
Outstanding at end of the year	**432,725**	535,373

Awards	Grant date	Number of shares	Fair value (£)	Vesting date
RSA – 2 years	27 July 2020	20,117	5.93	26 July 2022
RSA – 3 years	27 July 2020	140,894	5.93	26 July 2023
RSA – 3 years	3 February 2021	9,280	6.47	3 February 2024
RSA – 4 years	27 July 2020	14,861	5.93	26 July 2024
RSA – 5 years	27 July 2020	14,861	5.93	26 July 2025
DABS	9 June 2020	2,532	7.61	9 June 2023

The fair values above represent the share price on the date of the grant.

Notes to the consolidated financial statements continued

The inputs into the Monte Carlo model for LTIP awards made in the prior financial year ended 31 March 2020 are as follows:

	2019 LTIP CEO TSR	2019 LTIP CEO EPS	2019 LTIP Non-CEO TSR	2019 LTIP Non-CEO EPS
Weighted average share price	10.54	10.54	10.54	10.54
Expected volatility[1]	27%	27%	27%	27%
Expected life	3 years	3 years	3 years	3 years
Risk-free rate	0.49%	0.49%	0.49%	0.49%
Fair value of award	669.3p	1,054.0p	698.6p	1,054.0p

1. The expected volatility for PayPoint has been calculated using historical daily data over a term equal to the expected life of each conditional award.

In relation to the employee Share Incentive Plan, the amount charged to the statement of profit or loss in the year was £0.2 million (2020: £0.2 million). For shares that have vested, £0.1 million (2020: £0.1 million) which had been previously charged to the statement of profit or loss has been reclassified to retained earnings. For each share purchased by the employee the Company issues a free matching share which will vest subject to the employee remaining employed with the Group for three years from the date each share was purchased by the employee.

25. Dividends

	Year ended 31 March 2021		Year ended 31 March 2020	
	£'000	pence per share	£'000	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 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.

26. Financial instruments and risk

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables, net investment in finance lease receivables, trade and other payables, loans and borrowings and accruals, which arise directly from the Group's operations. The Group's policy is not to undertake speculative trading in financial instruments.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign exchange. The Directors review and agree policies for managing each of these risks which are summarised below. These policies have remained unchanged during the year. The Group uses hedges to manage the foreign exchange risk of purchasing PayPoint One terminals and PIN pads.

(a) Credit risk

The Group's financial assets are cash and cash equivalents, trade and other receivables and net investment in finance lease receivables. The Group's credit risk is primarily attributable to its trade and other receivables and net investment in finance lease receivables. The Group has treasury policies in place which manage the concentration of risk with individual bank counterparties. Each counterparty has an individual limit determined by their credit ratings. In accordance with the Group's treasury policies and exposure management practices, counterparty credit exposure limits are monitored and no individual exposure is considered significant in the ordinary course of treasury management activity. The Company does not expect any significant losses from non-performance by these counterparties.

To mitigate against credit risk, PayPoint credit checks clients, SME and retailer partners, holds retailer security deposits, operates terminal limits, monitors clients and retailer partners for changes in payment profiles and in certain circumstances, has the right to set-off monies due against funds collected. The Group's maximum exposure, at 31 March 2021, was £50.6 million (2020: £59.7 million).

The Company, PayPoint Plc, has issued parental guarantees in favour of clients of its subsidiaries under which it has guaranteed amounts due to clients, by the subsidiaries, for settlement of funds collected by retailer partners.

(b) Liquidity risk
The Group's policy throughout the year ended 31 March 2021 regarding liquidity has been to maximise the return on funds placed on deposit whilst minimising the associated risk.

A group-wide refinancing took place during the year, consisting of replacing the old revolving credit facility (a five-year unsecured £75 million revolving loan facility with a £20 million accordion facility expiring in March 2023) and taking out a new three-year £32.5 million amortising term loan and an unsecured £75 million revolving credit facility with a £30.0 million accordion facility (uncommitted) expiring in February 2024.

The modification of the financing facility (financial liability) was substantial; therefore, the old facility was derecognised and the new facility was recognised at fair value. The modification resulted in a £0.5 million write-off of unamortised arrangement fees on derecognition of the old facility. The modification was substantial because the discounted present value of the cash flows under the new facility inclusive of fees paid to the lender was more than 10% different from the carrying value of the old facility.

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. Interest is payable at LIBOR plus 2.25% (2020: LIBOR plus 0.9%). PayPoint has the ability to roll over the drawdown for an additional period between one and six months. The Group also has £4.6 million of block loan balances from the Merchant Rentals acquisition under facilities of £15 million.

The Group is required to adhere to a net debt leverage of no more than three times EBITDA and an interest cover of no less than four times. The Group operated within these limits during the financial year ended 31 March 2021.

The following shows the exposure to liquidity risk for continuing operations. The amounts are gross and undiscounted, and include contractual interest payments:

		Contractual cash flows				
31 March 2021 £'000	**Carrying amount**	**Total**	**2 months or less**	**2-12 months**	**1-2 years**	**2-5 years**
Non-derivative financial liabilities						
Revolving credit facility	**49,500**	**(49,505)**	**(49,505)**	**–**	**–**	**–**
Amortising term loan	**32,500**	**(32,682)**	**(2,891)**	**(8,125)**	**(10,833)**	**(10,833)**
Block loans	**4,583**	**(4,791)**	**(664)**	**(2,794)**	**(1,091)**	**(243)**
Lease liabilities	**447**	**(409)**	**(30)**	**(154)**	**(169)**	**(56)**
Trade payables	**102,504**	**(102,504)**	**(102,504)**	**–**	**–**	**–**
Provision	**12,500**	**(12,500)**	**–**	**(12,500)**	**–**	**–**
Deferred, contingent consideration liability	**5,747**	**(4,000)**	**–**	**(1,000)**	**(2,000)**	**(1,000)**

		Contractual cash flows				
31 March 2020 £'000	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Revolving credit facility	70,000	(70,371)	–	(70,371)	–	–
Lease liabilities	941	(945)	(20)	(178)	(236)	(511)
Trade payables	148,621	(148,621)	(143,744)	(4,097)	(740)	(40)

(c) Foreign exchange risk
The Group's currency exposures comprise those transactional exposures that give rise to the net currency gains and losses recognised in the statement of profit or loss. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or functional) currency of the operating unit involved. At 31 March 2021, these exposures were £nil (2020: £nil).

The Group uses hedges to manage the foreign exchange risk related to PayPoint One terminal and PIN pad purchases.

(d) Interest rate risk
The Group had no interest-bearing financial assets at 31 March 2021 other than cash and cash equivalents which totalled £64.8 million (2020: £93.8 million). The Group is also exposed to interest rate risk through use of its financing facility which incurs interest charges based on LIBOR plus a margin.

All funds earn interest at the prevailing rate. The funds are deposited on short-term deposits (normally weekly or monthly) or held in current accounts. The Group seeks to maximise interest receipts within these parameters. The Group also minimises interest cost by effective central management of cash resources to minimise the need for utilisation of the financing facility.

(e) Borrowing facilities
A group-wide refinancing took place during the year, consisting of repayment of the old revolving credit facility and taking out a new three-year £32.5 million amortising term loan and an unsecured £75.0 million revolving credit facility with a £30.0 million accordion facility (uncommitted) expiring in February 2024. At 31 March 2021, £49.5 million (2020: £70 million) was drawn down from the revolving credit facility. The Group also has £4.6 million of block loan balances from the Merchant Rentals acquisition under facilities of £15 million.

(f) Fair value of financial assets and liabilities
All derivatives are held with an A rated bank and mature within one year. All financial assets/liabilities are measured at fair value through the profit or loss, comprising derivative financial instruments in the form of foreign exchange contracts (classified as Level 2) and the deferred, contingent consideration liability recognised in the current year (classified as Level 3). There have been no transfers between Level 1, 2 or 3 in the current year or prior year.

The Directors consider there to be no material difference between the book value and the fair value of the Group's financial instruments at 31 March 2021, or 31 March 2020.

Notes to the consolidated financial statements continued

(g) Market price risk

The Group's exposure to market price risk comprises interest rate exposure. Group funds are invested in money market cash deposits with the objective of maintaining a balance between accessibility of funds and competitive rates of return.

(h) Capital risk management

The Group's objectives when managing capital (the definition of which is consistent with prior year and is the Group's assets and liabilities including cash) are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders. The Group manages its capital by continued focus on free cash flow generation and managing the level of capital investment in the business. The additional dividend programme ended in the prior year to ensure the Group maintains a sound capital position. The final dividend for the year ensures a prudent level of earnings coverage for the dividend and that leverage is not substantially increased.

(i) Financial instrument sensitivities

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

27. Loans and borrowings and lease liabilities

Reconciliation of movements in loans and borrowings and lease liabilities:

31 March 2021 (£'000)	Loans and borrowings	Lease liabilities
Changes from financing cash flows		
Balance at beginning of year	**70,000**	**941**
Repayment of old revolving credit facility	**(70,000)**	**–**
Proceeds from new term loan and revolving credit facility	**82,000**	**–**
Funding from block loans acquired	**5,274**	**–**
Repayment of block loans	**(691)**	**–**
Lease liability acquired in year	**–**	**370**
Lease liability additions	**–**	**77**
Payment of lease liabilities	**–**	**(211)**
Interest on unwind of lease liabilities	**–**	**(37)**
Exchange rate adjustment	**–**	**14**
Balance reclassified as held for sale	**–**	**(707)**
Balance at end of year	**86,583**	**447**
Disclosed as:		
Current	**63,627**	**194**
Non-current	**22,956**	**253**
Other liability-related changes		
Interest paid	**(1,540)**	**–**

The loans and borrowings of the Company were £82.0 million (2020: £70.0 million), of which £60.3 million was current and £21.7 million was non-current.

31 March 2020 (£'000)	Borrowings	Lease liabilities
Changes from financing cash flows		
Balance at beginning of year	**–**	**–**
Proceeds from borrowings	70,000	–
Lease liabilities recognised on adoption of IFRS 16	–	1,089
Payment of lease liabilities	–	(271)
Interest on unwind of lease liabilities	–	42
Exchange rate adjustment	–	81
Balance at end of year	**70,000**	**941**
Disclosed as:		
Current	70,000	197
Non-current	–	744
Other liability-related changes		
Interest paid	(720)	–

28. Leases

31 March 2021 (£'000)	Terminals £'000	Property £'000	Vehicles £'000	Total £'000
Right-of-use asset				
Balance	**–**	**298**	**107**	**405**
Depreciation charge for the year	**–**	**–**	**(24)**	**(24)**
Lease liability				
Current balance	**–**	**156**	**38**	**194**
Non-current balance	**–**	**214**	**39**	**253**
Total lease liability	**–**	**370**	**77**	**447**
Interest charge for the year	**–**	**–**	**(2)**	**(2)**
Net investment in finance lease receivables				
Current balance	**4,064**	**–**	**–**	**4,064**
Non-current balance	**6,511**	**–**	**–**	**6,511**
Total net investment in finance lease receivables	**10,575**	**–**	**–**	**10,575**

31 March 2020 (£'000)	Terminals £'000	Property £'000	Vehicles £'000	Total £'000
Right-of-use asset				
Balance	–	840	45	885
Depreciation charge for the year	–	(215)	(11)	(226)
Lease liability				
Current balance	–	183	14	197
Non-current balance	–	729	15	744
Total lease liability	–	912	29	941
Interest charge for the year	–	(41)	(1)	(42)

Age of net investment in finance lease receivables

	Less than 1 month £'000	1-3 months £'000	3-6 months £'000	More than 6 months £'000	Total £'000
Carrying value at 31 March 2021	**604**	**945**	**1,340**	**7,686**	**10,575**
Carrying value at 31 March 2020	–	–	–	–	–

Age of allowance for net investment in finance lease receivables

	Less than 1 month £'000	1-3 months £'000	3-6 months £'000	More than 6 months £'000	Total £'000
Carrying value at 31 March 2021	**11**	**57**	**213**	**983**	**1,264**
Carrying value at 31 March 2020	–	–	–	–	–

Contractual undiscounted cash flows for net investment in finance lease receivables

	Unearned finance income £'000	Undiscounted lease receivables				Total £'000
		Less than 1 month £'000	1-3 months £'000	3-6 months £'000	More than 6 months £'000	
31 March 2021	**(1,995)**	**634**	**1,216**	**1,695**	**9,025**	**10,575**
31 March 2020	–	–	–	–	–	–

29. Related party transactions

Remuneration of the Executive Directors, who are the key management of the Group, was as follows during the year:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Short-term benefits and bonus[1]	**1,380**	937
Pension costs[2]	**37**	69
Long-term incentives	**–**	123
Other[3]	**2**	37
	1,419	1,166

1. Includes salary, taxable benefits and annual bonus award.
2. Pension contributions.
3. SIP matching and dividend shares awarded in the year.

Notes to the consolidated financial statements continued

The share-based payment charge to the statement of profit or loss for the year in relation to key management of the Group was £1.1 million (2020: £0.6 million).

Directors' remuneration is disclosed in the Directors' Remuneration Report on pages 72 to 83.

Company-related party transactions

The following transactions occurred between the Company and its wholly owned subsidiaries:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Amounts owed by subsidiaries	**35,660**	42,394
Amounts owed to subsidiaries	**(13,039)**	(11,006)
Interest paid to subsidiaries	**(343)**	(372)
Interest received from subsidiaries	**694**	690

30. Notes to the cash flow statement

Group	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
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 trade and other 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)
Financial costs paid	**(1,540)**	(720)
Net cash from operating activities (corporate)	**43,586**	50,068
Movement in clients' cash and retailer partners' 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.

Company	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Profit before tax	**19,879**	36,926
Adjustments for:		
Amortisation of intangible assets	**503**	–
Exceptional item – non-cash provision	**12,500**	–
Dividends from subsidiaries	**(38,548)**	(38,300)
Discount unwind of deferred, contingent consideration liability	**57**	–
Net finance cost	**895**	289
Cash-settled share-based remuneration	**16**	(1,028)
Operating cash movement before movements in working capital	**(4,698)**	(2,113)
Movement in receivables	**8,578**	(3,576)
Movement in payables	**2,880**	(1,205)
Cash movement in operations	**6,760**	(6,894)
Interest and bank charges paid	**(1,259)**	(626)
Net cash inflow/(outflow) from operating activities	**5,501**	(7,520)

31. 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 (subject to completion accounts) gain on disposal is £29.6 million and will be presented in the financial statements for the year ended 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.

Notice of Annual General Meeting

This notice of meeting is important and requires your immediate attention.

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

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

In line with the UK Government's proposed roadmap out of lockdown, PayPoint Plc's annual general meeting ('AGM') is set to be held at PayPoint's registered office address. In the event that the current restriction on public gatherings continues beyond 21 June 2021, changes to the format of the AGM will be communicated to shareholders on the investors section of our website: www.corporate.paypoint.com and, where appropriate, by a stock exchange announcement in advance of the AGM. We remain committed to engaging with our shareholders so please do send any questions you may have for the Board, relating to the business of the meeting, to our Company Secretary at sarahcarne@paypoint.com.

Meantime, we encourage you to submit your proxy votes to the Company's registrars, Equiniti, as early as possible. Further information on how you can submit your proxy votes can be found on page 131. The deadline for submitting proxy votes is 12.00 noon on Monday 19 July 2021.

Notice is hereby given that the 2021 Annual General Meeting of PayPoint Plc (the 'Company') will be held at the Company's head office, 1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL on Wednesday 21 July 2021 at 12.00 noon. You will be asked to consider and pass the following resolutions. Resolutions 1 to 13 (inclusive) will be proposed as ordinary resolutions, and Resolutions 14 to 18 (inclusive) will be proposed as special resolutions.

Routine business

1. **Directors' Report and Accounts**
   To receive the accounts for the financial year ended 31 March 2021 together with the Directors' report and the auditors' report on those accounts.

2. **Directors' Remuneration Report**
   To approve the Directors' Remuneration Report for the financial year ended 31 March 2021 as set out on pages 72 to 83 of the annual report 2021.

3. **Declaration of final dividend**
   To declare a final dividend of 16.6 pence per ordinary share of the Company for the year ended 31 March 2021.

4. **Election of Director – Alan Dale**
   To elect Alan Dale as a Director who, having been appointed since the last AGM of the Company, offers himself for election in accordance with the Company's Articles of Association.

5. **Election of Director – Rosie Shapland**
   To elect Rosie Shapland as a Director who, having been appointed since the last AGM of the Company, offers herself for election in accordance with the Company's Articles of Association.

6. **Re-election of Director – Gill Barr**
   To re-elect Gill Barr as a Director.

7. **Re-election of Director – Giles Kerr**
   To re-elect Giles Kerr as a Director.

8. **Re-election of Director – Rakesh Sharma**
   To re-elect Rakesh Sharma as a Director.

9. **Re-election of Director – Nick Wiles**
   To re-elect Nick Wiles as a Director.

10. **Re-election of Director – Ben Wishart**
    To re-elect Ben Wishart as a Director.

11. **Appointment of Auditor**
    To reappoint KPMG LLP as auditor of the Company until the conclusion of the next AGM of the Company at which the accounts are laid.

12. **Auditor's remuneration**
    To authorise the Directors to determine the auditor's remuneration.

Special business

13. Directors' authority to allot shares

That the Board be generally and unconditionally authorised under section 551 of the Companies Act 2006 to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

(A) up to a nominal amount of £76,285 (such amount to be reduced by any allotments or grants made under paragraph (B) below in excess of such sum); and

(B) comprising equity securities (as defined in section 560(1) of the Companies Act 2006) up to a nominal amount of £152,570 (such amount to be reduced by any allotments or grants made under paragraph (A) above) in connection with an offer by way of a rights issue:

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to apply until the end of the AGM in 2022 (or, if earlier, until the close of business on 21 October 2022) but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

14 Disapplication of pre-emption rights

That if resolution 13 is passed, the Board be given power to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be limited:

(A) to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (B) of resolution 13, by way of a rights issue only):

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities, as required by the rights of those securities or, as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;

(B) in the case of the authority granted under paragraph (A) of resolution 13 and/or in the case of any sale of treasury shares for cash, to the allotment (otherwise than under paragraphs (A) and (B) above) of equity securities or sale of treasury shares up to a nominal amount of £11,443, such power to apply until the end of the AGM in 2022 (or, if earlier, until the close of business on 21 October 2022) but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

15. Additional disapplication of pre-emption rights

That if resolution 13 is passed, the Board be given power in addition to any power granted under resolution 14 to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:

(A) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £11,443; and

(B) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice, such power to apply until the end of the AGM in 2022 (or, if earlier, until the close of business on 21 October 2022) but, in each case, during this period the Company may make offers, and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

Notice of Annual General Meeting continued

16. Company's authority to purchase its own shares
That the Company be authorised for the purposes of section 701 of the Companies Act 2006 to make one or more market purchases (as defined in section 693(4) of the Companies Act 2006) of its ordinary shares of 1/3 pence each, provided that:

(A) the maximum number of ordinary shares hereby authorised to be purchased is 6,865,691;

(B) the minimum price which may be paid for an ordinary share is 5 pence and the maximum price which may be paid for an ordinary share is the highest of:

(i) an amount equal to 5 per cent. above the average market value of an ordinary share for the five business days immediately preceding the day on which that ordinary share is contracted to be purchased; and

(ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venues where the purchase is carried out at the relevant time, in each case, exclusive of expenses;

such authority to apply until the end of the AGM in 2022 (or, if earlier, until the close of business on 21 October 2022) but in each case so that during this period the Company may enter into a contract to purchase ordinary shares which would, or might be, completed or executed wholly or partly after the authority ends and the Company may purchase ordinary shares pursuant to any such contract as if the authority had not ended.

17. Calling of general meetings on 14 days' notice.
That any general meeting of the Company that is not an AGM may be called on not less than 14 clear days' notice.

18. Adopt New Articles of Association ('New Articles')
That the Directors be authorised to adopt New Articles the articles of association. The substantive changes being proposed in the New Articles are summarised on page 134. The New Articles are available for inspection, as noted on page 132 of this document.

Recommendation
With respect to resolutions 4 to 10 (inclusive), the Chairman confirms that, based on the performance evaluation undertaken during the period, each of the retiring Directors' performance continues to be effective and to demonstrate commitment to the role. The Board has considered this and recommends that each Director who wishes to serve again be proposed for election/re-election. This opinion is based on an assessment of each Director's relevant knowledge and experience and the conclusion that, in each case, their informed opinions are of significant value and contribute greatly to Board discussions. Biographies of the Directors including their areas of expertise relevant to their role as a Director are given on pages 54 and 55 of the 2021 annual report.

Your Directors believe that the proposals described in this Notice of Meeting are in the best interests of the Company and its shareholders as a whole and recommend you to give them your support by voting in favour of all the resolutions, as they intend to in respect of their own beneficial shareholders.

By order of the Board

Sarah Carne
Company Secretary
22 June 2021

Registered office:
1 The Boulevard
Shire Park
Welwyn Garden City
Hertfordshire AL7 1EL
United Kingdom

Registered in England and Wales
Company No. 03581541

Notes to the Notice of Annual General Meeting

1. Shareholders should submit their proxy vote not less than 48 hours before the time of the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. To appoint a proxy or proxies shareholders must: (a) submit a proxy appointment electronically at www.sharevote.co.uk; or (b) complete a Form of Proxy, sign it and return it, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, to the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA; or (c) complete a CREST Proxy Instruction (as set out in paragraph 5 below), in each case so that it is received no later than 12.00 noon on 19 July 2021. To appoint more than one proxy, you will need to complete a separate Form of Proxy in relation to each appointment. A Form of Proxy for use in connection with the AGM is enclosed with this document. Full details of the procedure to submit a proxy electronically are given on the website www.sharevote.co.uk. To use this service, you will need your Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy. If you do not have a Form of Proxy and believe that you should, please contact the Company's registrars, Equiniti Limited, on 0371 384 2030 (or +44 121 415 7047 if calling from outside the United Kingdom) or at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Lines are open from 8.30am to 5.30pm, Monday to Friday (except public holidays in England and Wales).

2. A member entitled to attend, speak and vote at the AGM may appoint a proxy (who need not be a member of the Company) to exercise all or any of his or her rights to attend and to speak and vote on his or her behalf. A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her. To appoint more than one proxy please contact the Company's registrar using the details provided above. CREST members should utilise the CREST electronic proxy appointment service in accordance with the procedures set out below, and in each case must be received by the Company not less than 48 hours before the time of the meeting. You must inform the Company's registrar in writing of any termination of the authorities of a proxy.

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

4. The statement of the rights of shareholders to appoint a proxy in paragraphs one and two above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company. Nominated Persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investments in the Company.

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a CREST proxy instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

7. To be entitled to attend and vote at the AGM or any adjournment thereof (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the Company by 6:30pm on 19 July 2021 (or by close of business on the date being two days before any adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

8. Biographical details of the Directors of the Company are shown on pages 54 and 55 of the 2021 annual report.

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

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

10. Information relating to the meeting which the Company is required by section 311A of the Companies Act 2006 to publish on a website in advance of the meeting may be viewed at www.paypoint.com. A member may not use any electronic address provided by the Company in this document or with any proxy appointment form or in any website for communicating with the Company for any purpose in relation to the meeting other than as expressly stated in it.

Notes to the Notice of Annual General Meeting continued

11. It is possible that, pursuant to members' requests made in accordance with section 527 of the Companies Act 2006, the Company will be required to publish on a website a statement in accordance with section 528 of that Act setting out any matter that the members concerned propose to raise at the meeting relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company cannot require the members concerned to pay its expenses in complying with those sections. The Company must forward any such statement to its auditor by the time it makes the statement available on the website. The business which may be dealt with at the meeting includes any such statement.

12. The issued share capital of the Company as at 26 May 2021, the latest practicable date before publication of this notice, was 68,657,402 ordinary shares of 0.03 pence each, carrying one vote each. The Company holds no treasury shares. The total number of voting rights in the Company on 26 May 2021 is 68,657,402.

13. The Directors' service agreements, Directors' letters of appointment, Directors' deeds of indemnity and the proposed New Articles of Association are available for inspection at the registered office of the Company. Email: sarahcarne@paypoint.com during normal business hours on any weekday (excluding public holidays). Copies of these documents will also be available at the place of the AGM from 15 minutes before the meeting until it ends.

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

Resolution 1: To receive the Directors' report and accounts
The Board asks that shareholders receive the Strategic Report, Directors' Report and the financial statements for the year ended 31 March 2021, together with the report of the auditor.

Resolution 2: Directors' Remuneration Report
Shareholders are asked to approve the Directors' Remuneration Report that appears on pages 72 to 83 of the 2021 annual report. This vote is advisory, and the Directors' entitlement to remuneration is not conditional on it.

Resolution 3: Declaration of final dividend
Shareholders are being asked to approve a final dividend of 16.6 pence per ordinary share for the year ended 31 March 2021. Subject to approval, the dividend will be paid in equal instalments of 8.3 pence per share on 29 July 2021 and 30 September 2021 to the holders of ordinary shares whose names are recorded on the register of members at the close of business on 25 June 2021 and 27 August 2021 respectively.

Resolutions 4 – 10: Directors
The Directors believe that the Board continues to maintain an appropriate balance of knowledge and skills and that all the Non-Executive Directors are independent in character and judgement. This follows a process of formal evaluation, which confirms that each Director makes an effective and valuable contribution to the Board and demonstrates commitment to the role (including making sufficient time available for Board and Committee meetings and other duties as required). In accordance with the UK Corporate Governance Code and in line with previous years, all Directors will again stand for election or re-election, as relevant, at the AGM this year. Biographies are available on pages 54 and 55 of the annual report. It is the Board's view that the Directors' biographies illustrate why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success.

Resolutions 11 and 12: Appointment and remuneration of auditor
The Company is required to appoint or reappoint an auditor at each general meeting at which accounts are presented to shareholders. Following an evaluation of the effectiveness and independence of KPMG LLP, the Directors recommend KPMG LLP be reappointed as auditor. Resolution 12 grants authority to the Company to determine the auditor's remuneration.

Resolution 13: Directors' authority to allot shares
Paragraph (A) of this resolution would give the Directors the authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £76,285 (representing 22,885,636 ordinary shares of 0.03 pence each). This amount represents approximately one-third of the issued ordinary share capital of the Company as at 26 May 2021, the latest practicable date prior to publication of this notice. In line with guidance issued by the Investment Association, paragraph (B) of this resolution would give the Directors authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £152,570 (representing 45,771,271 ordinary shares of 0.03 pence each), as reduced by the nominal amount of any shares issued under paragraph (A) of this resolution. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the Company as at 26 May 2021, being the latest practicable date prior to publication of this notice. The authorities sought under paragraphs (A) and (B) of this resolution will expire at the end of the AGM in 2022 (or, if earlier, until the close of business on 22 October 2022). The Directors have no present intention to exercise either of the authorities sought under this resolution, other than to allot ordinary shares as following the exercise of options and awards under the Company's share schemes. However, if they do exercise the authorities, the Directors intend to follow Investment Association recommendations concerning their use. As at the date of this Notice, the Company does not hold any shares in treasury.

Resolutions 14 and 15: Authority to disapply pre-emption rights
Resolutions 14 and 15 are proposed as special resolutions. If the Directors wish to allot new shares and other equity securities, or sell treasury shares, for cash (other than in connection with an employee share scheme), company law requires that these shares are first offered to shareholders in proportion to their existing holdings.

At last year's AGM, a special resolution was passed, in line with institutional shareholder guidelines, empowering the Directors to allot equity securities for cash without first offering them to existing shareholders in proportion to their existing holdings. It is proposed, under resolution 14, that this authority be renewed. If approved, the resolution will authorise Directors to issue shares in connection with pre-emptive offers, or otherwise to issue shares for cash up to an aggregate nominal amount of £11,443 (representing 3,432,845 ordinary shares of 0.03 pence each) which includes the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash.

The Pre-Emption Group's Statement of Principles also support the annual disapplication of pre-emption rights in respect of allotments of shares and other equity securities and sales of treasury shares for cash where these represent no more than an additional 5% of issued ordinary share capital (exclusive of treasury shares) and are used only in connection with an acquisition or specified capital investment. The Pre-Emption Group's Statement of Principles defines 'specified capital investment' as meaning one or more specific capital investment related uses for the proceeds of an issue of equity securities, in respect of which sufficient information regarding the effect of the transaction on the Company, the assets the subject of the transaction and (where appropriate) the profits attributable to them is made available to shareholders to enable them to reach an assessment of the potential return.

Accordingly, the purpose of resolution 15 is to authorise the Directors to allot new shares and other equity securities pursuant to the allotment authority given by resolution 13, or sell treasury shares for cash, without first being required to offer such securities to existing shareholders, up to a further nominal amount of £11,443 (representing 3,432,845 ordinary shares of 0.03 pence each). The authority granted by this resolution, if passed, will only be used in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue. If the authority given in resolution 15 is used, the Company will publish details of its use in its next annual report. The authority granted by resolution 15 would be in addition to the general authority to disapply pre-emption rights under resolution 14. The maximum nominal value of equity securities which could be allotted if both authorities were used would be £22,886. The Directors intend to adhere to the provisions in the Pre-emption Group's Statement of Principles and not to allot shares or other equity securities or sell treasury shares for cash on a non pre-emptive basis pursuant to the authority in resolution 15 in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company, excluding treasury shares, within a rolling three-year period, other than: (i) With prior consultation with shareholders; or (ii) In connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. The Directors have no present intention of using the power under these authorities but they will have the flexibility to act in the best interests of the Company when opportunities arise.

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

Resolution 16: Authority to make market purchases of ordinary shares

Resolution 16 is another special resolution and renews the Directors' authority granted by the shareholders at previous AGMs to make market purchases of up to 10 per cent of the Company's issued ordinary shares (excluding any treasury shares). The Company may make purchases of its own shares if, having taken account of all major factors such as the effect on earnings and net asset value per share, gearing levels and alternative investment opportunities, such purchases are considered to be in the Company's and shareholders' best interests while maintaining an efficient capital structure. If the Company purchases any of its ordinary shares pursuant to resolution 16, the Company may cancel these shares or hold them in treasury. Such decision will be made by the Directors at the time of purchase. The minimum price, exclusive of expenses, which may be paid for an ordinary share is 5 pence. The maximum price, exclusive of expenses, which may be paid for an ordinary share is the highest of: (i) an amount equal to 5 per cent. above the average market value for an ordinary share for the five business days immediately preceding the date of the purchase; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out at the relevant time. At last year's AGM, the Company was given authority to make market purchases of up to 6,838,184 shares. No shares have been purchased by the Company in the market since then. Options to subscribe for a total of 429,738 shares, being 0.6 per cent. of the issued ordinary share capital, were outstanding at 26 May 2021 (being the latest practicable date prior to the publication of this notice). If the existing authority given at the 2020 AGM and the authority being sought under resolution 16 were to be fully used, these would represent 0.5 per cent. of the Company's issued ordinary share capital at that date. The Directors do not have any current plans to exercise the authority to be granted pursuant to resolution 16. The Directors will exercise this authority only when to do so would be in the best interests of the Company, and of its shareholders generally. The authority will expire at the earlier of 22 October 2022 and the conclusion of the AGM of the Company held in 2022.

Resolution 17: Authority to allow any general meeting of the Company that is not an annual general meeting to be called on not less than 14 clear days' notice

The minimum notice period for general meetings of listed companies is 21 days, but companies may reduce this period to 14 days (other than for annual general meetings) provided that:

(a) the Company offers a facility for shareholders to vote by electronic means. This condition is met if the Company has a facility enabling all shareholders to appoint a proxy by means of a website; and
(b) on an annual basis, a shareholders' resolution approving the reduction of the minimum notice period from 21 days to 14 days is passed.

The Board is therefore proposing this resolution as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than AGMs. The approval of this resolution will be effective until the end of the 2022 AGM of the Company, when it is intended that the approval will be renewed. The Board intends that the shorter notice period will only be used in limited exceptional circumstances which are time-sensitive, rather than as a matter of routine, and only where the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole. The Directors do not have any current intention to exercise this authority but consider it appropriate to ensure that the Company has the necessary flexibility to respond to all eventualities.

Resolution 18: Adopt New Articles of Association

The Company's existing Articles of Association were last amended on 23 July 2014 (the Existing Articles). It is proposed in Resolution 18 of the Notice of Annual General Meeting to adopt the New Articles. In adopting the New Articles, the opportunity has been taken to update the Existing Articles to provide additional flexibility and to clarify certain aspects of the operation of the Existing Articles. The substantive changes being proposed in the New Articles are summarised below.

A copy of the New Articles and a copy of the Existing Articles marked up to show all proposed changes are available for inspection, as set out in note 13 of the Notice of Annual General Meeting.

Save as for otherwise stated, all article references below relate to article references in the New Articles.

Untraced shareholders

The Existing Articles contain provisions relating to members who are considered untraced after a period of 12 years and certain steps the Company must undertake in relation to untraced shareholders. The Existing Articles also include provisions relating to the forfeiture and sale of shares held by untraced shareholders.

It is proposed that the New Articles will provide the Company with additional flexibility in relation to trying to locate any such untraced members or persons entitled to any share (article 22.1). The New Articles also clarify procedures in relation to the handling and treatment of the net proceeds of the sale of shares held by untraced shareholders (article 22.3).

General meetings

The Existing Articles permit the Company to hold general meetings at one place or at a principal place plus one or more satellite places. In light of the impact of Covid-19 on general meetings of traded companies generally, the Directors have reviewed the Existing Articles and consider it prudent to update the Existing Articles' provisions in relation to general meetings.

The New Articles permit the Company to hold general meetings in 'hybrid' form (meaning at one or more physical places plus with facilities allowing members to be present and to vote electronically). The New Articles also clarify certain procedural matters relating to general meetings. These include: (a) clarifying security arrangements for general meetings (including in relation to 'hybrid' meetings) (articles 26.7, 27.4, 27.5 and 27.6); and (b) making clarifications in relation to moving, postponing or adjourning meetings (article 26.8), including relating to the Chair's power to adjourn meetings (article 27.15).

The New Articles do not empower the Directors to convene a 'virtual meeting' (a meeting at which all those who are present join electronically, with no physical place of meeting). Given recent events and market debate, we will keep this position under review and may consider proposing such a power in future amendments.

Other

A range of minor and technical amendments have also been made to the Existing Articles to modernise the language, remove reference to outdated concepts and provide clarity.

Officers and professional advisors

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G Barr[1]
A Dale
G Kerr[1] (Chairman)
R Shapland[1]
R Sharma[1]
N Wiles
B Wishart[1]

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