PayPoint plc
Results for the six months to 30 September 2019

FINANCIAL HIGHLIGHTS

	Six months to 30 September 2019	Six months to 30 September 2018	Change
Revenue	**£103.7m**	£106.1m	(2.3)%
Net revenue[1]	**£57.3m**	£55.6m	3.0%
Operating margin[2]	**42.1%**	45.8%	(3.7)ppts
Profit before tax	**£24.0m**	£25.3m	(5.2)%
Diluted earnings per share	**28.5p**	30.0p	(5.0)%
Cash generation[3]	**£27.1m**	£27.6m	(1.8)%
Ordinary dividend per share	**23.6p**	15.6p	51.6%
Additional dividend per share	**18.4p**	12.2p	51.1%
Net corporate (debt)/cash[4]	**£(12.3)m**	£0.6m	n/m
Cash and cash equivalents	**£40.5m**	£39.4m	3.0%

Good progress against PayPoint's strategic priorities

- **Embed PayPoint at the heart of convenience retail**
  - PayPoint One installed in 15,088 sites as at 30 September 2019, an increase of 2,207 since 31 March 2019 and represents 86% of PayPoint's independent retailer estate.
  - PayPoint will significantly exceed its original target of 15,800 PayPoint One sites by 31 March 2020 with the legacy terminal largely retired from the independent retailer estate by that date. Our new target is 16,500 by 31 March 2020.
  - PayPoint One average weekly service fee per site has grown to £15.5 from £15.0 last year and total service fee revenue has grown by 31.8% to £6.3 million versus £4.8 million last year.
  - Card payment estate returned to growth, operating in 9,879 sites as at 30 September 2019 compared to 9,796 sites as at 31 March 2019.
- **Become the definitive parcel point solution**
  - Good volumes from new parcel partners delivered a 15.1% growth in parcel volume.
  - eBay, Amazon, FedEx and DHL now[5] integrated into network, 7,000 training sessions held with retailers on new parcel partners requirements.
  - Collect+ Trust Pilot rating of 4.7 out of 5 maintained, reconfirming the leading service quality of Collect+.
- **Sustain leadership in 'pay-as-you go' and grow digital bill payments**
  - 10 new clients were secured; 11 contracts renewed representing 17.0%[6] of UK bill payments and top-ups annual net revenue. Renewed clients include Utilita and Paysafe.
  - Continued strong growth in MultiPay with transaction growth of 33.5%; net revenue growth of 32.0%.
  - New direct debit functionality now delivered with a strong pipeline of clients.
  - Romania performed well, maintaining its market leadership position with good growth in net revenue from margin improvement.
- **Innovate for future growth and profits**
  - Parcel mobile app now fully functional with parcel inventory management, character recognition and predictive text features.
- **Organisation and service delivery**
  - Introduced call quality monitoring, improved first contact resolution by 10ppts.
  - Bringing terminal repairs in-house reduced run rate costs by c£0.8 million p.a. and terminal swap rates by 57%, significantly improving the quality of service to our retailers.

[1] Net revenue is an alternative performance measure. Refer to note 4 to the financial information for a reconciliation to revenue.
[2] Operating margin % is an alternative performance measure and is calculated by dividing operating profit by net revenue.
[3] Cash generation is an alternative performance measure. Refer to the financial review – cash flow and liquidity for a reconciliation from profit before tax.
[4] Net corporate (debt)/cash represents cash and cash equivalents excluding cash recognised as clients' funds and retailers' deposits, less amounts borrowed under financing facilities (excluding IFRS 16 liabilities).
[5] As at 25 November 2019.
[6] Net revenue of renewed clients divided by bill payments and top-ups net revenue for the last 12 months.

Financial highlights

- Net revenue of £57.3 million was up by 3.0% on a reported basis and up 4.0% on an underlying basis, which excludes the £0.5 million final year impact from the Yodel renegotiation.
- Underlying net revenue growth was driven by strong performance in UK service fee revenue (up by 31.8%) Romania (up by 6.2%) and a resilient performance in UK bill payments and top-up businesses which were up by £0.2 million (0.7%).
- Costs of £33.2 million[1] represent a £3.0 million increase from the prior period (£30.2 million). Excluding a one-off benefit in the prior period of £1.7 million from improved VAT recovery, costs increased by £1.3 million, reflecting investment into additional resources to integrate new parcel partners into the network and in the contact centre to further improve customer service.
- Profit before tax of £24.0 million was £1.3 million below prior year. Excluding the one-off VAT recovery benefit of £1.7 million and £0.5m Yodel impact in the prior year, underlying[2] profit before tax was up £0.9 million (4.0%).
- Continued strong cash conversion with £27.1 million cash generated[3] from profit before tax of £24.0 million.
- Net corporate debt of £12.3 million reflects cash balances of £5.7 million less £18.0 million financing facility usage.
- Ordinary interim dividend of 23.6 pence per share and an additional interim dividend of 18.4 pence per share declared. The total dividend of 42.0 pence per share will be paid in equal instalments of 21.0 pence per share on 30 December 2019 and 9 March 2020.

Nick Wiles, Executive Chairman of PayPoint plc, said:
"I'm pleased with the progress PayPoint has made over the past six months as continued execution against our stated strategic priorities has seen the business deliver net revenue growth of 3.0% and underlying profit before tax growth[4] of 4.0%.

The roll out of PayPoint One has continued at pace, expanding to 15,922[5] sites. The strong momentum we have seen means PayPoint is set to exceed its original target of 15,800 PayPoint One sites by 31 March 2020. Our new target for that date is now[5] 16,500 and will mean we have largely retired our legacy terminal from the UK independent retailer estate by 31 March 2020. Service fee revenue grew by 31.8% in the period and is now the largest net revenue contributor in our UK retail services business. We will invest further into our platform in the second half to drive further expansion of EPoS features, ensuring ongoing delivery of benefits to our retailers and more widely into the convenience sector.

In parcels, our new partnerships with eBay, Amazon, FedEx and DHL are now delivering good volumes driving overall parcel volume growth of 15.1% in the first half. There has also been a strong focus on operational excellence whilst onboarding our new partners. We also saw a resilient performance in our bill payments and top-up business, with energy transactions higher than the same period last year, delivering increased net revenue.

Ben Wishart was appointed as an independent non-executive director of the Company with effect from 14 November 2019. Ben will serve as a member of the nomination and remuneration committees together with the audit committee and its sub-committee, the Cyber & IT Committee.

Whilst the financial performance of the business will be influenced by parcel volumes and continued resilience in UK bill payments over the second half, the progress of the business during the first half, reported today, underpins the Board's confidence that as PayPoint's growth drivers continue to develop, there will be progression in profit before exceptional items and tax for the full financial year to 31 March 2020."

Enquiries

PayPoint plc
Nick Wiles, Executive Chairman (Tel: 01707 600 317)
Rachel Kentleton, Finance Director (Tel: 07843 074 906)

Finsbury *(Tel: 0207 2513 801)*
Rollo Head
Andy Parnis

A *presentation for analysts is being held at 9.30am today (28 November 2019) at Canaccord Genuity Limited, 88 Wood Street, London, EC2V 7QR. This announcement is available on the PayPoint plc website: corporate.paypoint.com*

[1] Costs consist of £24.9m administration expenses, other cost of revenue £8.2m (Note 5) and net finance costs of £0.1m.
[2] Underlying profit excludes the impact of the one-off VAT benefit of £1.7 million and the £0.5 million Yodel renegotiation fee from the 30 September 2018 reported result.
[3] Cash generation reflects operating cash flows including movements in working capital, but excluding movement in client and retailer deposits as detailed in note 15 to the interim financial statements.
[4] Underlying profit before tax represents profit before tax of £24.0 million compared to prior periods profit before tax of £25.3 million after adjusting for the £1.7m one-off VAT benefit and £0.5 million Yodel renegotiation fee.
[5] As at 25 November 2019.

EXECUTIVE CHAIRMAN'S REVIEW

In the first six months of the year, PayPoint delivered a financial performance in line with the Board's expectations and continued to make good progress executing its strategic priorities. PayPoint One is now[1] in over 86% of PayPoint's independent retail estate which ensures we are in a strong position to drive future growth opportunities. Our new parcel partners have begun to deliver volumes through their increased presence in our network and Romania delivered a good result with further margin improvements.

We continued to work towards achieving a good balance between taking actions to deliver results for the current financial year against appropriate positioning of the business for the longer term.

Net revenue of £57.3 million increased by £1.7 million (3.0%) on a reported basis and included the £0.5 million impact from the final year impact of the revised Yodel commercial terms. Net revenue growth was achieved across all of our businesses with UK retail services up by £1.0 million (5.7%), UK bill payments and top-ups up by £0.2 million (0.7%) and Romania up by £0.5 million (6.2%).

There was also a continued focus on delivering sustainable cost efficiencies. In the first half we extended in-house terminal repairs to PPoS and PayPoint One terminals. We have now secured £0.8 million of annual savings from bringing terminal repairs in-house, which has significantly improved the quality of repairs, reduced swap levels by 57% and enhanced customer service. Microsoft NAV was also installed as the new Enterprise Resource Planning ('ERP') system resulting in automation of reports and processes. There will be an ongoing integration programme extending these benefits further into the organisation.

Profit before tax of £24.0 million was a reduction of £1.3 million from £25.3 million for the same period last year, although the prior period included a one off £1.7 million benefit from improved VAT recovery. Underlying profit before tax, which excludes this one-off benefit and the Yodel renegotiation, improved by 4.0%. Diluted earnings per share was 28.5 pence for the six-month period to 30 September 2019 (September 2018: 30.0 pence).

An interim ordinary dividend of 23.6 pence per share and an additional interim dividend of 18.4 pence per share have been declared. The total dividend of 42.0 pence per share will be paid in equal instalments of 21.0 pence per share on 30 December 2019 and 9 March 2020.

As announced on 26 September 2019, Chief Executive, Patrick Headon, has taken a temporary leave of absence from the Company to receive treatment for a medical condition for approximately three months. The Company's Chairman, Nick Wiles is acting as Executive Chairman to support the Executive team during this period.

MARKET OVERVIEW

Changing market dynamics are creating significant opportunities for PayPoint. Consumer demand for convenience and immediacy are shaping the markets in which PayPoint operates in, and disruption by challenges in energy and banking sectors is creating exciting opportunities for PayPoint's offering.

Key trends and changes since the end of the 18/19 financial year in the UK markets in which PayPoint operates include:

- Convenience
    - Total convenience sector sales growth expected to be 3% and reach over £41.7bn in 2019[2].
    - Total UK convenience stores were stable at 46,000[3], with multiples and symbols gaining marginal market share.
    - 50% of independent retailers have an EPoS system which, on average, costs c£20 per week.

- Card payments
    - Total UK card payment transactions increased by 7.8%[4].
    - Contactless payments increased by 19.4%[4].
    - Average transaction values declined by 6.6%[4].

- ATMs
    - LINK's ATM transactions declined by 7.3% to c1.3 billion transactions[5] and the number of ATMs in the UK reduced by 1,200 sites since December 2018 to 61,961 in June 2019[5].

[1] As at 25 November 2019
[2] https://www.himshopper.com/latest-thoughts/article/convenience-market-trends-and-opportunitie/
[3] ACS - The Local Shop Report 2019
[4] https://www.ukfinance.org.uk/wp-content/uploads/2017/12/Card-Expenditure-Statistics-October-2017.pdf - in the seven months to July 2019
[5] https://www.link.co.uk/about/statistics-and-trends/ - in the six months to September 2019

- On 1 April 2019, LINK introduced additional premiums for ATM operators where eligible ATMs provide access to cash in deprived areas under the Financial Inclusion Programme[1].

- Parcels
  - UK parcel volume declined by 5.6%[2], expectation remains that there will be long term growth.
  - The click and collect market is set to rise 45.8% over the next four years to reach £9.8bn by 2023[3].
  - Returns market is c185 million parcels per year. 37% of consumers returned delivered items in the six months to February 2019, an increase of 7 ppts year-on-year since 2018[4].

- Bill and digital payments
  - Challenger energy providers (i.e. non-big six) combined market share continued to grow and is now at c28%[5] of the overall market.
  - Rollout of smart meters has slowed by c20% to 1m per quarter[6]. New proposed roll out deadline set to 31 December 2024 for a minimum smart meter coverage level of 85% for each energy provider[7].
  - Mobile pre-pay subscribers reduced by 6% in 2018 to 25.9 million[8].

PROGRESS AGAINST OUR STRATEGIC PRIORITIES

PayPoint's strategy is to maximise its opportunity in the dynamic markets in which it operates by leveraging its leading retailer network, scalable technology and payments platform. The strategy is executed through the following four key priorities:

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

Progress against these priorities is set out below.

1. PRIORITY 1: EMBED PAYPOINT AT THE HEART OF CONVENIENCE RETAIL

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

Achievements in the first half of the year

- Continued roll out of PayPoint One which was in 15,088 sites at 30 September 2019, an, increase of 2,207 since 31 March 2019. As at 25 November 2019, PayPoint One was in 15,922 sites. Our original target of 15,800 sites by 31 March 2020 will be exceeded with a new revised target of 16,500:
  - 86%[9] of PayPoint's independent retailers are now[10] using PayPoint One. Retirement of the legacy terminal from the UK independent retailer estate will be completed by the end of financial year 19/20.
  - Average weekly revenue per site increased to £15.5 (2018: £15.0) largely as a result of the annual price indexation. EPoS Pro was in 824 sites.

[1] https://www.link.co.uk/media/1418/atm-financial-inclusion-dashboard.pdf
[2] IMRG MetaPack UK Delivery Index Report September 2019 and IMRG Capgemini Sales index report September 2019 - over the eight months to August.
[3] https://www.conveniencestore.co.uk/news/click-and-collect-market-to-rise-45-over-next-five-years/576401.article
[4] https://www.mintel.com/press-centre/retail-press-centre/delivering-the-goods-british-courier-and-express-delivery-market-hit-12-6-billion-in-2018
[5] https://www.ofgem.gov.uk/data-portal/retail-market-indicators
[6] Ofgem indicators – from peak rollout in Q4 2017
[7] Department of Business, Energy & Industrial Strategy consultation on a 'Smart Meter Policy post 2020'
[8] https://www.statista.com/statistics/273608/number-of-prepaid-mobile-subscriber-in-the-united-kingdom-uk/
[9] Excludes retailers using the PPoS terminal and Multiple retailers using the legacy terminal.
[10] As at 25 November 2019.

- Card payment sites returned to growth; increased by 83 since 31 March 2019 to 9,879 at 30 September 2019.
    - Card payment transactions increased by 16.9% to 66.6 million (September 2018: 57.0 million).
    - Net revenue of £4.2 million was 8.3% higher than the same period last year. The increase in the number of transactions was offset by lower average transaction values arising from the growth in contactless payments. The average transaction value was £11.83, a reduction from £12.81 achieved in 2018.
    - Operational improvements and new pricing structures have reduced the card service churn rate by 1.4ppts to 15.9%[27] in the period ended September 2019 compared to 17.3%[1] last period.

- ATM sites were 3,972 at 30 September 2019, an increase of 145 since 31 March 2019.
    - Secured a new significant ATM client and rolled out 132 ATMs to its leisure centres.
    - PayPoint continued to focus on relocating machines from low performing sites to better locations. The average monthly transactions per site per month increased by 0.9% to 885 transactions.
    - ATM transactions declined to 20.7 million (September 2018: 21.4 million). This represents a decline of 3.2%, less than the general market decline of 7.3%.
    - Net revenue decreased by £0.5 million (7.2%) to £6.0m, primarily due to the reduction in LINK interchange fees (5% in July 2018 and 5% in January 2019).
    - PayPoint was the first to support LINK's new nationwide scheme which reinstitutes access to free-to-use cash machines in communities by installing an ATM in Ardington in Oxfordshire in September.

Priorities for the second half of the year

- Largely retire the legacy terminal from the independent retailer estate by the end of this financial year through roll out of PayPoint One to 16,500 sites by 31 March 2020.
- Ongoing focus on service delivery improvement. As part of this drive we will hire a new customer services director and will commence development of a self-service retailer portal.
- Extend card payment net settlement pilot into the retailer estate.
- Continued investment into our EPoS platform to allow further expansion of features and ensure ongoing delivery of benefits to our retailers.

2. PRIORITY 2: PAYPOINT BECOMES THE DEFINITIVE PARCEL POINT SOLUTION

Online retail shopping will continue to grow as retailers enhance their offering with ongoing improvements in convenience and service delivery methods. However, deliveries in the "last mile" remain difficult for carriers who are operating in a competitive low-margin market. PayPoint's extensive network, which comprises over 7,000 sites, provides a solution for carriers and retailers, improving service levels for their customers.

Progress in the first half of the year

- Rolled out new partners access to the PayPoint network; held over 7,000 training sessions with new and existing retailers on behalf of parcel partners.
- Volumes increased to 11.5 million, up 15.1%, from 10.0 million, reflecting improvement in Yodel volumes and new partner volumes commencing.
- Parcel mobile app fully functional with parcel inventory management, character recognition and predictive text features.
- Delivered excellent customer service across all new and existing partners; Collect+ Trust Pilot rating of 4.7 out of 5, reconfirming Collect+ as the consumers favourite solution.

Priorities for the second half of the year

- Continued focus on customer and retailer experience with further training and site visits.
- Continue to scale partners' access into the network and generate additional volumes from new partnerships.
- Development of a send proposition, in preparation for a pilot in financial year 20/21.

[1] Annual churn rate

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

UK

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

Progress in the first half of the year

- 10 new clients and 11 existing clients renewed on similar terms, representing 17.0%[1] of our bill payments and top-ups annual net revenue.
- UK bill payment (including MultiPay) net revenue of £22.0 million was 3.9% ahead of the same period in the prior year. Transaction volume increased by 0.7%, driven by a resilient performance in the energy sector. Client revenue mix continued to improve, with average net revenue per transaction increasing to 15.5 pence, up 3.2%.
- MultiPay’s continued strong growth delivered a net revenue increase of 32.0% driven by processing 13.9 million transactions, an increase of 33.5% in the period.
- Strong growth in eMoney which increased transactions by 0.7 million (17.0%) to 4.4 million transactions and net revenue by 18.7%.

Priorities for the second half of the year

- Capture further opportunities within other verticals including housing associations and local authorities.
- Development of a PayByLink feature for MultiPay ready for the 20/21 financial year.
- Maximise cross selling opportunities.
- Execute well on the established detailed transition plans and process of the British Gas account. The impact to the financial year ending 31 March 2020 of this contract ending is £1.4m. The impact to financial year ending 31 March 2021, is £3.5m.

Romania

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

Progress in the first half of the year

- Maintained leadership in the bill payment market with a 34% share of clients’ cash bill payments, driven by 74% consumer awareness.
- 12 new clients secured in the period.
- Transaction growth of 1.7% to 56.7 million despite challenging market conditions.
- Net revenue increased by 6.2% to £7.3 million; net revenue per transaction increased 4.4% to 12.8 pence per transaction driven by ongoing focus on margin improvement.
- Trialled a new self-service proposition with development of an automatic vending machine (AVM).
- Extended network into large multiple retailers; PayPoint was in 19,088 sites at 30 September 2019, an increase of 622 since 31 March 2019.
- Developed a new T4 terminal with integrated card payment functionality in preparation for replacing the legacy terminals in Romania.

Priorities for the second half of the year

- Deliver further margin improvement.
- Rollout the card payment proposition to a further 300 sites.
- Commence roll out of the new T4 terminal into the retailer network.

PRIORITY 4: INNOVATE FOR FUTURE GROWTH AND PROFITS

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

[1] Net revenue of renewed clients divided by UK bill payments and top-ups net revenue for the last 12 months.

ORGANISATION AND SERVICE DELIVERY

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

Progress in the first half of the year

- Extended our in-house terminal maintenance and repairs to include PayPoint One and PPoS terminals.
- Terminal swap rates reduced by 57% driven by stability of PayPoint One and improved quality of repairs from in-house maintenance which ultimately improved customer service and experience.
- Improved first time contact resolution by 10ppts.
- Implemented a new ERP system, Microsoft NAV, enabling streamlined processes and efficiency.

Priorities for the second half of the year

- Ongoing improvement in service delivery by redefining our end to end service proposal for retailer experience, including appointment of a new customer services director.
- Continued development of the Salesforce CRM lead to sales feature in preparation for release in the fourth quarter of the financial year.

OUTLOOK

Whilst the financial performance of the business will be influenced by parcel volumes and continued resilience in UK bill payments over the second half, the progress of the business during the first half, reported today, underpins the Board's confidence that as PayPoint's growth drivers continue to develop, there will be progression in profit before exceptional items and tax for the full financial year to 31 March 2020.

FINANCIAL REVIEW

OVERVIEW

£m	**Six months to 30 September 2019**	Six months to 30 September 2018	Change %	Year ended 31 March 2019
Net revenue				
UK retail services	**19.9**	18.9	5.7%	37.8
UK bill payments and top-ups	**30.1**	29.9	0.7%	64.9
Romania	**7.3**	6.8	6.2%	13.9
Total net revenue	**57.3**	55.6	3.0%	116.6
Costs	**33.2**	30.2	9.9%	62.8
Profit before exceptional items and tax	**24.0**	25.3	(5.2%)	53.8
Profit before tax	**24.0**	25.3	(5.2%)	54.7
Cash generation	**27.1**	27.6	(1.8%)	62.8
Net corporate (debt)/cash	**(12.3)**	0.6	n/m	3.5

Profit before tax of £24.0 million (2018: £25.3 million) was, as expected, lower than the same period last year by £1.3 million with the prior period including a one-off £1.7 million benefit from improved VAT recovery. Excluding this and the final £0.5 million fee from renegotiation of the Yodel commercial arrangement, underlying pre-tax profits grew by £0.9m (4.0%).

Net revenue increased by £1.7 million to £57.3 million. Underlying net revenue, which excludes the Yodel renegotiation mentioned above, increased by £2.2 million (4.0%) driven by £1.5 million underlying growth in UK retail services, a resilient performance in UK bill payments and top-ups and strong margin growth in Romania.

UK retail services net revenue, excluding the impact from the Yodel renegotiation, increased by £1.5 million (8.2%) driven by the roll out of PayPoint One to 15,088 sites which increased service fee revenue by £1.5 million (31.8%). The card payment estate returned to growth and card payment rebate revenue increased by £0.3 million due to increased transaction volumes.

UK bill payments and top-ups businesses delivered net revenue of £30.1 million (2018: £29.9 million), an increase of £0.2 million from prior period. There was a resilient performance in bill payments with transactions increasing by 1.0 million (0.7%) mainly from the energy sector. MultiPay continued to grow strongly, transactions increased by 3.5 million (33.5%) resulting in a £0.4 million (32.0%) increase in net revenue. As expected, the UK top-ups transaction volumes declined by 2.7 million (11.8%) to 20.4 million. UK top-up net revenue reduced by £0.7 million to £8.1 million. Included within top-ups is eMoney net revenue which grew by £0.5 million (18.7%).

Romania's net revenue increased by 6.2% to £7.3 million primarily driven by improved margins in bill payments and top-ups. Romania's bill payments and top-up transactions were broadly flat at 49.6 million and 6.1 million respectively. The new card payments proposition was rolled out to 1,400 sites by 30 September 2019.

Included in the prior period comparatives was the Irish business which ceased operations in the second half of the 2018/19 financial year. In the six months to September 2018, it generated £1.2 million gross revenue and net revenue of £0.1 million.

Costs increased by £3.0 million to £33.2 million. Underlying costs which excludes the prior period VAT benefit of £1.7 million increased by £1.3 million (4.1%). The increase in underlying cost was primarily due to investment in customer service through additional resources for the contact centre, the parcels team, to roll out the parcel proposition to new partners, and the client service team. This was partially offset by efficiencies including extending in-house repairs and maintenance to PayPoint One and PPoS terminals. In-house terminal maintenance has significantly improved repair quality thereby reducing terminal swaps and ultimately improved retailers' experience.

Cash generation remained strong with £27.1 million delivered from profit before tax of £24.0 million. Similar to the last period, there was a working capital outflow of £1.2 million which will reverse in the second half of the year.

Net corporate (debt)/cash declined by £12.9 million to a net debt position of £12.3 million primarily driven by tax payments of £10.2 million and capital expenditure of £4.1 million. Tax payments are higher compared to the same period in the prior year due to HMRC bringing payments on account forward by six months. At 30 September 2019, £18 million (2018: £6 million) was utilised of the £75 million facility.

SECTOR ANALYSIS

UK retail services

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

	Six months to 30 September 2019	Six months to 30 September 2018	Change %	Year ended 31 March 2019
Number of retailers	**17,472**	17,626	(0.9%)	17,608
PayPoint terminal sites (No.)				
PayPoint One[1]	**15,088**	10,242	47.3%	12,881
Legacy terminal	**4,732**	10,080	(53.1%)	7,000
PPoS[2]	**8,546**	8,564	(0.2%)	8,554
Total sites	**28,366**	28,886	(1.8%)	28,435
Services in sites (No.)				
PayPoint One Base	**7,579**	4,589	65.2%	6,337
EPoS Core	**6,685**	5,235	27.7%	5,899
EPoS Pro	**824**	418	97.1%	645
Card payments	**9,879**	9,951	(0.7%)	9,796
ATMs	**3,972**	3,983	(0.3%)	3,827
Parcels	**7,113**	7,084	0.4%	7,134
Transactions (Millions)				
Card payments	**66.6**	57.0	16.9%	113.5
ATMs	**20.7**	21.4	(3.2%)	42.1
Parcels	**11.5**	10.0	15.1%	21.8
PayPoint One average weekly service fee per site (£)	**15.5**	15.0	3.3%	15.1
Net revenue (£m)				
Service fees	**6.3**	4.8	31.8%	10.3
Card payments	**4.2**	3.9	8.3%	7.9
ATM	**6.0**	6.5	(7.2%)	12.3
Parcels and other	**3.4**	3.7	(8.0%)	7.3
Total net revenue (£m)	**19.9**	18.9	5.7%	37.8

As at 30 September 2019, PayPoint had a terminal in 28,366 UK sites, a small reduction of 69 from 31 March 2019. The PayPoint One roll out continued at pace resulting in PayPoint One sites increasing by 2,207 sites since 31 March 2019 to 15,088 sites at 30 September 2019 and, consequently, the number of UK sites with the legacy terminal reduced by 2,268 sites to 4,732. The sun-setting of the legacy terminal is ahead of original plans and is expected to be largely complete for the independent retailer estate by the end of the 19/20 financial year.

UK retail services: underlying net revenue increased by £1.5 million (8.2%) to £19.9 million excluding the prior period impact of £0.5 million from the revised commercial terms with Yodel. The net revenue of each of our key products is separately addressed below.

Service fees: This is a core growth area and consists of service fees from PayPoint One and our legacy terminal. PayPoint One is now the largest net revenue contributor to UK retail services. Service fee revenue increased by £1.5 million (31.8%) to £6.3 million driven by the additional 4,846 PayPoint One sites compared to 30 September 2018. The PayPoint One average weekly fee per site increased by 3.3% to £15.5 benefitting from the annual price indexation. Retailers taking the Core version of the product represent 44.3% (2018: 51.1%) of all PayPoint One sites and the Pro version representing 5.5% (2018: 4.1%).

[1] PayPoint One will replace the legacy terminal and is the platform from which we can grow our retail services by offering additional products and services.
[2] PPoS is a plug-in device and virtual PayPoint terminal used on larger retailers' own EPoS systems who still want to use PayPoint services.

ATMs: As expected ATM net revenue declined by £0.5 million (7.2%) due to the reduction of LINKs interchange fee and a 3.2% reduction in transactions to 20.7 million. In the lead up to the half year end 132 ATMs were rolled out to leisure centres for a significant new client, with the revenue benefit expected to be realised from the second half of the financial year onwards. PayPoint continued to optimise its network by moving ATM's from low transacting sites to better performing locations. The average monthly transactions per site per month increased by 0.9% to 885 transactions.

Card payments: Card payments transaction volumes grew by 16.9% to 66.6 million benefitting from the market trend of growing card payments, in particular contactless payments. Across our network, 9,879 retailers were using the card payment solution, an increase of 83 sites since 31 March 2019. Net revenue increased by 8.3% to £4.2 million, which is lower than the transaction volume increase as there were lower average transaction values as a result of the growth in contactless payments. PayPoint's revenue rebate is broadly based on a percentage of the transaction value processed.

Parcels & other: Parcel volumes increased by 15.1% to 11.5 million, benefitting from stabilisation of Yodel volumes and growth from our new partnerships in this market. Parcel sites increased by 29 from the prior period to 7,113 sites.
Parcel and other net revenue decreased by 8.0%, however underlying net revenue excluding the prior year £0.5m Yodel impact increased by 6.4%. During the period focus was on rolling out new partners into the network with eBay, DHL, FedEx and Amazon each having over 20% access to the network. Other services provided include SIM sales and other ad hoc items. SIM sales continue to be affected by the overall decline in the mobile top-up market.

UK bill payments[1]

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

	Six months to 30 September 2019	Six months to 30 September 2018	Change %	Year ended 31 March 2019
Total transactions (millions)	**141.7**	140.7	0.7%	317.2
Of which: MultiPay transactions (millions)	**13.9**	10.4	33.5%	27.3
Transaction value (£m)	**2,896.6**	2,920.1	(0.8%)	6,390.2
Net revenue (£m)	**22.0**	21.1	3.9%	47.8
Net revenue per transaction (pence)	**15.5**	15.0	3.2%	15.1

UK bill payments net revenue increased by 3.9% (£0.9 million) to £22.0 million. There was a 1.0 million increase (0.7%) in transaction volumes, mainly from the energy sector. Net revenue per transaction continued to increase and was up by 3.2% due to the ongoing improvement in mix to smaller, but higher yielding clients. MultiPay continued to grow strongly where transactions increased by 3.5 million (33.5%) to 13.9 million and net revenue by 32.0% to £1.8 million.

As announced on 28 June 2019, PayPoint was unable to agree appropriate renewal terms with British Gas and will cease working with British Gas on 31 December 2019. The impact on net revenue and contribution in the financial year to 31 March 2020 is expected to be around £1.4 million.

UK top-ups & eMoney

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

	Six months to 30 September 2019	Six months to 30 September 2018	Change %	Year ended 31 March 2019
Transactions (millions)	**20.4**	23.1	(11.8%)	44.5
Of which: eMoney transactions (millions)	**4.4**	3.7	17.0%	7.8
Transaction value (£m)	**308.1**	308.2	(0.0%)	607.0
Net revenue (£m)	**8.1**	8.8	(8.6%)	17.1
Net revenue per transaction (pence)	**39.6**	38.2	3.6%	38.7

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

UK top-ups continued to be affected by market trends whereby direct debit pay monthly options displace UK prepay mobile. As expected, UK top-up transactions declined by 2.7 million (11.8%) to 20.4 million which led to a decline of £0.7m (8.6%) in net revenue. Offsetting the impact of lower transactions on net revenue was the strong growth in the higher yielding eMoney sector which increased transactions by 0.7 million (17.0%) to 4.4 million and net revenue by 18.7%.

Romania

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

	Six months to 30 September 2019	Six months to 30 September 2018	Change %	Year ended 31 March 2019
PayPoint terminal sites (No.)	**19,088**	18,984	0.5%	18,466
Transaction value (£m)	**1,146**	1,082	5.8%	2,312
Transactions (millions)				
Bill payments	**49.6**	49.1	1.1%	99.1
Top-ups	**6.1**	6.1	0.4%	11.9
Other	**1.0**	0.6	64.2%	1.2
Total transactions	**56.7**	55.8	1.7%	112.2
Net revenue (£m)	**7.3**	6.8	6.2%	13.9
Net revenue per transaction (pence)	**12.8**	12.3	4.4%	12.3

Following the completion of the Payzone integration programme, the number of sites with a PayPoint terminal returned to growth and increased to 19,088 sites. Bill payment transactions increased by 1.1% to 49.6 million and top-up transactions were flat, a good performance given that growth in the bill payments market has slowed and the top-up market is in decline. The growth in other transactions was driven by card payment transactions which was rolled out to 1,400 sites. Net revenue increased by 6.2% which reflects improved margins from contractual increases and benefits from the Payzone integration programme.

COSTS

£m	**Six months to 30 September 2019**	Six months to 30 September 2018	Change %	Year ended 31 March 2019
Other costs of revenue	**4.1**	4.5	(10.0%)	9.0
Depreciation and amortisation	**4.3**	4.7	(7.4%)	9.8
Administrative costs	**24.7**	20.9	18.5%	43.8
Finance costs	**0.1**	0.1	(47.1%)	0.2
Total costs	**33.2**	30.2	9.9%	62.8
Add back VAT recovery benefit related to prior years	-	1.7	(100.0%)	2.4
Underlying costs	**33.2**	31.9	4.1%	65.2

Costs increased by £3.0 million to £33.2 million. Underlying costs which excludes the prior period VAT benefit of £1.7 million increased by £1.3 million (4.1%). The increase in underlying cost was primarily due to investment in customer service through additional resources for the contact centre, the parcels team, to roll out the parcel proposition to new partners, and the client service team. There was also the annual inflationary increases and one-off costs related to the CEO change. This was partially offset by efficiencies including extending in-house repairs and maintenance to PayPoint One and PPoS terminals, bringing internal audit in-house and terminating redundant telephone lines. In-house terminal maintenance has significantly improved repair quality thereby reducing terminal swaps by 57% and ultimately improved retailers' experience.

OPERATING MARGIN[1]

Operating margin of 42.1% (2018: 45.8%) declined by 3.7ppts due to the prior period £1.7 million VAT benefit described above. Excluding the VAT benefit from 2018, the operating margin would have been 42.8% which is broadly similar to the current period.

[1] Operating margin % is an alternative performance measure and is calculated by dividing operating profit by net revenue.

PROFIT BEFORE TAX AND TAXATION

The tax charge of £4.5 million (2018: £4.8 million) on profit before tax of £24.0 million (2018: £25.3 million) represents an effective tax rate[1] of 18.8% (2018: 19.0%). The effective tax rate was slightly below the UK statutory rate due to Romania having a lower statutory rate of 16% which was partially offset by non-deductible expenses.

STATEMENT OF FINANCIAL POSITION

Net assets of £41.4 million (2018: £45.7 million) declined by £4.3 million. Current assets declined by £3.3 million to £175.8 million mainly due to a decrease in trade and other receivables. There is a corresponding decrease in trade and other payables. Non-current assets increased by £2.0 million to £56.5 million, with a right-of-use-asset of £1.1m introduced for IFRS 16, capital expenditure of £4.1 million offset by depreciation and amortisation of £4.3 million.

CASH FLOW AND LIQUIDITY

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

£m	**Six months to 30 September 2019**	Six months to 30 September 2018	Change %	Year ended 31 March 2019
Profit before tax	**24.0**	25.3	(5.2%)	54.7
Exceptional items	**-**	-	-	(0.9)
Depreciation and amortisation	**4.3**	4.7	(7.4%)	9.8
VAT and other non-cash items	**-**	(1.7)	(100.5%)	(2.3)
Share based payments and other items	**-**	0.2	(101.1%)	1.1
Working capital changes (corporate)	**(1.2)**	(0.9)	42.6%	0.4
Cash generation	**27.1**	27.6	(1.4%)	62.8
Taxation payments	**(10.2)**	(4.4)	131.9%	(10.0)
Capital expenditure	**(4.1)**	(3.7)	10.5%	(11.0)
Movement in financing facility	**18.0**	6.0	200.0%	-
Dividends paid	**(28.7)**	(37.6)	(23.6%)	(56.6)
Net increase/(decrease) in corporate cash and cash equivalents	**2.1**	(12.1)	(117.5%)	(14.8)
Net change in clients' funds and retailers' deposits	**0.8**	5.4	(84.5%)	7.3
Net increase/(decrease) in cash and cash equivalents	**2.9**	(6.7)	(143.3%)	(7.5)
Cash and cash equivalents at the beginning of year	**37.5**	46.0	(18.5%)	46.0
Effect of foreign exchange rate changes	**0.1**	0.1	-	(1.0)
Cash and cash equivalents at period end	**40.5**	39.4	2.8%	37.5
Comprising:				
Net corporate cash	**5.7**	6.6	(14.3%)	3.5
Clients' funds and retailers' deposits	**34.8**	32.7	6.4%	34.0

Cash generation remained strong with £27.1 million delivered from profit before tax of £24.0 million. As with the prior period there was a working capital outflow of £1.2 million which will reverse in the second half of the year.

Taxation payments of £10.2 million (2018: £4.4 million) are higher compared to the same period in the prior year due to HMRC bringing payment on accounts forward by six months, although these payments will revert to normal levels in the second half of the year.

Capital expenditure of £4.1 million (2018: £3.7 million) consists of PayPoint One terminals and EPoS and CRM development. Capital expenditure for the financial year 2019/20 remains in line with expectations.

As anticipated PayPoint transitioned to a net debt situation of £12.3 million as part of the additional dividend programme. At 30 September 2019 £18.0 million of the £75 million facility was utilised (2018: £6 million).

[1] Effective tax rate is the tax cost as a percentage of profit before tax.

DIVIDENDS

	Six months to 30 September 2019	Six months to 30 September 2018	Change %
Paid dividends per share (pence)			
Final ordinary dividend for the prior year	**23.6**	30.6	(22.9%)
Final additional dividend for the prior year	**18.4**	24.5	(24.9%)
	42.0	55.1	(23.8%)
Proposed dividend per share (pence)			
Interim ordinary dividend (Proposed)	**23.6**	15.6	51.6%
Interim additional dividend (Proposed)	**18.4**	12.2	51.1%
	42.0	27.7	51.4%
Total dividends paid in period (£m)	**28.7**	37.6	(23.6%)

On 1 April 2019 a new programme of four equal dividends payable in July, September, December and March was implemented. In the six months to 30 September 2019, total dividend payments under the new programme of £28.7 million (42.0p per share) were made. This represents the final ordinary dividend for the year ended 31 March 2019 totalling £16.1 million (23.6p per share) and the final additional dividend of £12.6 million (18.4p per share). This is lower than the same period last year when dividends were paid under the previous payment profile and were two thirds of total annual dividend payments.

An interim dividend of 23.6p per share (September 2018: 15.6p) and an additional dividend of 18.4p (September 2018: 12.2p) per share have been declared. As part of the new quarterly dividend payment profile the total dividend of 42.0p per share will be paid in equal instalments of 21.0p per share on 30 December 2019 and 9 March 2020. This will result in shareholders receiving a similar level of dividends in the 19/20 financial year as they would have under the previous payment profile.

Rachel Kentleton
Finance Director
27 November 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**Unaudited 6 months ended 30 September 2019 £000**	Unaudited 6 months ended 30 September 2018 £000	Audited year ended 31 March 2019 £000
CONTINUING OPERATIONS				
Revenue	2,3	**103,735**	106,134	211,576
Cost of revenue	5	**(54,697)**	(59,605)	(113,303)
Gross profit		**49,038**	46,529	98,273
Administrative expenses		**(24,931)**	(21,048)	(44,319)
Operating profit		**24,107**	25,481	53,954
Finance income		**228**	176	427
Finance costs		**(300)**	(312)	(586)
Profit before tax before exceptional items		**24,035**	25,345	53,795
Exceptional items		**-**	-	922
Profit before tax		**24,035**	25,345	54,717
Tax	6	**(4,508)**	(4,815)	(10,285)
Profit for the period		**19,527**	20,530	44,432
Earnings per share				
Basic	7	**28.6p**	30.1p	65.2p
Diluted	7	**28.5p**	30.0p	64.8p

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited 6 months ended 30 September 2019 £000	Unaudited 6 months ended 30 September 2018 £000	Audited year ended 31 March 2019 £000
Exchange differences on translation of foreign operations	**415**	229	(740)
Other comprehensive income for the period	**415**	229	(740)
Profit for the period	**19,527**	20,530	44,432
Total comprehensive income for the period	**19,942**	20,759	43,692

Notes 1 to 15 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 September 2019 £000**	Unaudited 30 September 2018 £000	Audited 31 March 2019 £000
Non-current assets				
Goodwill		**12,037**	12,372	11,618
Other intangible assets		**16,997**	14,464	15,875
Property, plant and equipment		**26,505**	27,273	26,665
Deferred tax assets		**945**	400	781
		56,484	54,509	54,939
Current assets				
Inventories		**180**	193	124
Trade and other receivables	9	**133,840**	139,561	139,010
Current tax asset		**1,262**	-	-
Cash and cash equivalents	10	**40,521**	39,359	37,485
		175,803	179,113	176,619
Total assets		**232,287**	233,622	231,558
Current liabilities				
Trade and other payables	11	**171,686**	176,959	176,720
Current tax liabilities		**-**	4,629	4,455
Lease liabilities		**211**	-	-
Loans and borrowings		**18,000**	6,000	-
		189,897	187,588	181,175
Non-current liabilities				
Other liabilities	11	**169**	322	233
Deferred tax liability		**-**	54	-
Lease liabilities		**828**	-	-
		997	376	233
Total liabilities		**190,894**	187,964	181,408
Net assets		**41,393**	45,658	50,150
Equity				
Share capital	12	**227**	227	227
Share premium		**4,485**	3,351	3,352
Share-based payment reserve		**2,349**	2,221	2,684
Translation reserve		**(574)**	(20)	(989)
Retained earnings		**34,906**	39,879	44,876
Total equity attributable to equity holders of the parent		**41,393**	45,658	50,150

Notes 1 to 15 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Share premium £000	Share-based payment reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Audited equity 31 March 2018		**227**	**2,907**	**2,771**	**(249)**	**55,637**	**61,293**
Profit for the period		-	-	-	-	20,530	20,530
Exchange differences on translation of foreign operations		-	-	-	229	-	229
Comprehensive income for the period		-	-	-	229	20,530	20,759
Adoption of IFRS 15		-	-	-	-	975	975
Equity-settled share-based payment expense		-	-	886	-	-	886
Vesting of share scheme		-	444	(1,439)	-	302	(693)
Deferred tax on share-based payments		-	-	3	-	-	3
Dividends		-	-	-	-	(37,565)	(37,565)
Unaudited equity 30 September 2018		**227**	**3,351**	**2,221**	**(20)**	**39,879**	**45,658**
Profit for the period		-	-	-	-	23,902	23,902
Exchange differences on translation of foreign operations		-	-	-	(969)	-	(969)
Comprehensive income for the period		-	-	-	(969)	23,902	22,933
Equity-settled share-based payment expense		-	-	580	-	-	580
Vesting of share scheme		-	1	(124)	-	91	(32)
Deferred tax on share-based payments		-	-	7	-	-	7
Dividends		-	-	-	-	(18,996)	(18,996)
Audited equity 31 March 2019		**227**	**3,352**	**2,684**	**(989)**	**44,876**	**50,150**
Profit for the period		-	-	-	-	19,527	19,527
Exchange differences on translation of foreign operations		-	-	-	415	-	415
Comprehensive income for the period		-	-	-	415	19,527	19,942
Adoption of IFRS 16		-	-	-	-	(73)	(73)
Equity-settled share-based payment expense		-	-	1,026	-	-	1,026
Vesting of share scheme	13	-	1,133	(1,374)	-	(788)	(1,029)
Tax on share-based payments		-	-	13	-	72	85
Dividends	8	-	-	-	-	(28,708)	(28,708)
Unaudited equity 30 September 2019		**227**	**4,485**	**2,349**	**(574)**	**34,906**	**41,393**

Notes 1 to 15 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**Unaudited 6 months ended 30 September 2019 £000**	Unaudited 6 months ended 30 September 2018 £000	Audited year ended 31 March 2019 £000
Net cash flow from operating activities	15	**17,531**	28,299	59,563
Investing activities				
Finance income		**228**	176	427
Purchase of property, plant and equipment		**(1,562)**	(1,583)	(5,087)
Intangible asset development		**(2,521)**	(2,112)	(5,894)
Net proceeds from disposal of property, plant and equipment		**1**	7	12
Net cash used in investing activities		**(3,854)**	(3,512)	(10,542)
Financing activities				
Dividends paid		**(28,708)**	(37,565)	(56,561)
Movement in financing facility		**18,000**	6,000	-
Net cash used in financing activities		**(10,708)**	(31,565)	(56,561)
Increase/(decrease) in cash and cash equivalents		**2,969**	(6,778)	(7,540)
Cash and cash equivalents at beginning of year		**37,485**	46,040	46,040
Effect of foreign exchange rate changes		**67**	97	(1,015)
Cash and cash equivalents at period end		**40,521**	39,359	37,485
Reconciliation of cash and cash equivalents				
Corporate cash		**5,673**	6,617	3,471
Clients' funds and retailers' deposits		**34,848**	32,742	34,014
Cash and cash equivalents at period end		**40,521**	39,359	37,485

Notes 1 to 15 form part of these financial statements.

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Accounting policies

Reporting entity

PayPoint plc ('the company') is a company domiciled in the United Kingdom. These consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 September 2019 comprise the company and its subsidiaries (together referred to as the 'group'). The group is primarily involved in providing innovative and time-saving technology to retailers and is a service provider for consumer transactions (see note 2).

Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the group's last annual consolidated financial statements as at and for the year ended 31 March 2019 ('last annual financial statements'). They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the group's financial position and performance since the last annual financial statements. The interim financial statements contained in this report are unaudited, but have been formally reviewed by the auditor and their report to the company is set out on page 30.

The information shown for the year ended 31 March 2019, which is prepared under International Financial Reporting Standards (IFRS), does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The report of the auditor on the statutory accounts for the year ended 31 March 2019, prepared under IFRS, was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006 and has been filed with the Registrar of Companies.

By order of the Board, these interim statements were authorised for issue on 27 November 2019.

The directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report.

The accounting policies are consistent with those included in the annual report 2019, except for the adoption of IFRS 16 Leases.

Adoption of IFRS 16 Leases

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

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

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

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

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

Information about the leases for the six-month period is presented below.

Right-of-use asset	Property £000	Vehicles £000	Total £000
Balance at 30 September 2019	947	27	974
Depreciation charge for the period	(109)	(5)	(114)
Lease liability			
Current balance at 30 September 2019	200	10	210
Non-current balance at 30 September 2019	813	15	828
Interest for the period	(22)	(1)	(23)

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

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.

The critical accounting judgement at the balance sheet date that has a significant risk of causing a material adjustment to the carrying amount of assets and liabilities through estimation uncertainty is the evaluation of capitalised development expenditure shown in intangible assets.

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

Significant estimate: Useful economic lives of intangible assets
The useful life used to amortise intangible assets relates to the expected future performance of the assets and management's judgement of the period over which economic benefit will be derived from the asset. For development costs, the group has determined the useful life based on historical experience with similar products and platforms controlled by the group as well as anticipation of future events which may impact their life such as changes in technology. Historically, changes in useful lives have not resulted in material changes to the group's amortisation charge.

Significant judgement: agent vs principal
A significant 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 was clear that PayPoint acts in the capacity of the 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.

Significant judgement: recognition of cash and cash equivalents
A key judgement area is whether clients' funds and retailers' deposits are recognised on the balance sheet. This includes evaluating:
a) existence of a binding agreement clearly identifying the beneficiary of the funds
b) the identification, ability to allocate and separability of funds
c) identification of the holder of those funds at any point in time

The judgement is where there is a binding agreement specifying that PayPoint holds funds on behalf of the client (i.e. acting in the capacity of a trustee) and those funds have been separately identified as belonging to that beneficiary, the cash and the related liability is held off balance sheet. In all other situations the cash and corresponding liability are recognised on the balance sheet.

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 which have remained consistent with prior periods. These measures are included in these interim 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. The measures are described below.

Net revenue (non-IFRS measure)
Net revenue is revenue less commission paid to retailers and the cost of mobile top-ups and SIM cards where PayPoint is principal. This reflects the benefit attributable to PayPoint's performance eliminating pass-through costs which creates comparability where PayPoint is agent or principal and is an important measure of the overall success of our strategy. A reconciliation from revenue to net revenue is included in note 4.

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

Cash generation (non-IFRS measure)
Cash generation reflects earnings before tax, depreciation, amortisation and exceptional items adjusted for working capital (excluding movement in clients' funds and retailers' deposits) as detailed in note 15 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), admin expenses, financing income and financing costs.

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

Net (debt)/cash (non-IFRS measure)
Net (debt)/cash represents cash and cash equivalents excluding cash recognised as clients' funds and retailers' deposits, less amounts borrowed under financing facilities (excluding IFRS 16 liabilities).

2. Segmental reporting
The group provides a number of different services and products, however these do not meet the definition of different segments under IFRS 8 and the group has only one operating segment.

	6 months ended 30 September 2019 £000	6 months ended 30 September 2018 £000	Year ended 31 March 2019 £000
Revenue by country			
UK	**68,693**	68,306	143,294
Ireland	**-**	1,238	1,381
Romania	**35,042**	36,590	66,901
Total	**103,735**	106,134	211,576

	30 September 2019 £000	30 September 2018 £000	31 March 2019 £000
Non-current assets			
UK (and Ireland)	**42,211**	36,172	41,759
Romania	**14,273**	17,937	13,180
Total	**56,484**	54,109	54,939

3. Revenue

Disaggregation of revenue	**6 months ended 30 September 2019 £000**	6 months ended 30 September 2018 £000	Year ended 31 March 2019 £000
Bill payments	**36,516**	35,312	78,095
Top-ups and eMoney	**39,638**	43,610	79,076
Retail services	**27,581**	27,212	54,405
Total	**103,735**	106,134	211,576

Contract balances	**6 months ended 30 September 2019 £000**	6 months ended 30 September 2018 £000	Year ended 31 March 2019 £000
Trade receivables	**13,701**	19,699	15,271
Accrued income	**4,147**	2,496	2,047
Contract assets - deferred setup and development costs	**3,397**	3,205	3,636
Contract liabilities	**(2,378)**	(2,156)	(2,696)
Deferred income	**(612)**	(632)	(599)
Total	**18,255**	22,612	17,659

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.

4. Net revenue

The reconciliation of revenue	**6 months ended 30 September 2019 £000**	6 months ended 30 September 2018 £000	Year ended 31 March 2019 £000
Service revenue	**75,124**	74,371	147,988
Sale of goods	**28,037**	31,262	62,557
Royalties	**574**	501	1,031
Revenue	**103,735**	106,134	211,576
less:			
Retail agent commissions	**(20,940)**	(22,043)	(46,434)
Cost of mobile top-ups and SIM cards as principal	**(25,532)**	(28,509)	(48,507)
Net revenue	**57,263**	55,582	116,635
Yodel renegotiation	**-**	(501)	(706)
Underlying net revenue	**57,263**	55,081	115,929

5. Cost of revenue

	6 months ended 30 September 2019 £000	6 months ended 30 September 2018 £000	Year ended 31 March 2019 £000
Cost of revenue			
Commission payable to retail agents	**20,940**	22,043	46,434
Cost of mobile top-ups and SIM cards	**25,532**	28,509	48,507
Cost of revenue deducted for net revenue	**46,472**	50,552	94,941
Depreciation and amortisation	**4,134**	4,509	9,365
Other	**4,091**	4,544	8,997
Other cost of revenue	**8,225**	9,053	18,362
Total cost of revenue	**54,697**	59,605	113,303

6. Tax on profit

	6 months ended 30 September 2019 £000	6 months ended 30 September 2018 £000	Year ended 31 March 2019 £000
Current tax	**4,657**	4,811	10,708
Deferred tax	**(149)**	4	(423)
Total	**4,508**	4,815	10,285

Effective tax rate[1]	**6 months ended 30 September 2019 £000**	6 months ended 30 September 2018 £000	Year ended 31 March 2019 £000
Effective tax rate	**18.8%**	19.0%	18.8%
Effective tax rate excluding exceptional items	**18.8%**	19.0%	19.1%

[1] Effective tax rate is the tax cost as a percentage of profit before tax.

The tax charge was £4.5 million (September 2018: £4.8 million) resulting in an effective tax rate of 18.8% (September 2018: 19.0%), which is slightly below the UK statutory rate. The tax rate is increased by disallowable expenses in the UK, but reduced by profits in Romania being taxed at a lower rate than the UK.

7. Earnings per share

The basic and diluted earnings per share are calculated on the following profit and number of shares.
The earnings for calculating the earnings per share is the net profit attributable to equity holders of the parent.

	6 months ended 30 September 2019 £000	6 months ended 30 September 2018 £000	Year ended 31 March 2019 £000
Profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**19,527**	20,530	44,432

	Number of Shares Thousands	Number of Shares Thousands	Number of Shares Thousands
Weighted average number of ordinary shares in issue (for basic earnings per share)	**68,251**	68,159	68,160
Potential dilutive ordinary shares:			
Long-term incentive plan	**266**	171	361
Deferred annual bonus scheme	**43**	26	39
SIP and other	**51**	12	37
Diluted basis	**68,611**	68,368	68,597

Earnings per share			
Basic	**28.6p**	30.1p	65.2p
Diluted	**28.5p**	30.0p	64.8p

8. Dividends

On 28 November 2019 an interim dividend of 23.6p per share (September 2018: 15.6p) and an additional dividend of 18.4p (September 2018: 12.2p) per share were declared. The total dividend of 42.0 pence per share will be paid in equal instalments of 21.0 pence per share on 30 December 2019 (to shareholders on the register on 6 December 2019) and 9 March 2020 (to shareholders on the register on 7 February 2020). Total dividends of £28.7 million (42.0p per share) were paid during the period and comprised of the final ordinary dividend for the year ended 31 March 2019 totalling £16.1 million (23.6p per share) and the final additional dividend of £12.6 million (18.4p per share).

9. Trade and other receivables

	30 September 2019 £000	30 September 2018 £000	31 March 2019 £000
Trade receivables	**13,701**	19,699	15,271
Items in the course of collection[1]	**112,623**	112,915	117,263
Revenue allowance	**(2,926)**	(3,203)	(2,957)
	123,398	129,411	129,577
Other receivables	**217**	495	1,032
Contract assets	**3,397**	3,205	3,636
Accrued income	**4,147**	2,496	2,047
Prepayments	**2,681**	3,954	2,718
	133,840	139,561	139,010

[1] Items in the course of collection represent amounts collected for clients by retailers. An equivalent balance is included within trade and other payables.

10. Cash and cash equivalents

The group operates cash pooling amongst its various bank accounts in the UK and therefore individual accounts can be overdrawn without penalties being incurred so long as the overall position is in credit.

Included within group cash and cash equivalents of £40.5 million (2018: £39.4 million) are balances of £34.8 million (2018: £32.7 million) relating to funds collected on behalf of clients where PayPoint has title to the funds (clients' funds) and where retailers have provided security deposits (retailers' deposits). An equivalent balance is included within trade payables (note 11). Clients' funds held in trust which are not included in cash and cash equivalents amounted to £38.4 million at 30 September 2019 (2018: £35.6 million).

11. Trade and other payables

	30 September 2019 £000	30 September 2018 £000	31 March 2019 £000
Amounts owed in respect of client funds' and retailers' deposits[1]	**34,848**	32,741	34,014
Settlement payables[2]	**112,623**	112,915	117,263
Client payables	**147,471**	145,656	151,277
Trade payables	**6,938**	9,421	7,536
Other taxes and social security	**3,083**	5,087	1,985
Other payables	**3,489**	2,937	5,939
Accruals	**7,884**	11,392	6,921
Deferred income	**612**	632	599
Contract liabilities	**2,378**	2,156	2,696
	171,855	177,281	176,953
Disclosed as:			
Current	**171,686**	176,959	176,720
Non-current	**169**	322	233
Total	**171,855**	177,281	176,953

[1] Relates to monies collected on behalf of clients where the group has title to the funds (clients' funds and retailers' deposits). An equivalent balance is included within cash and cash equivalents.
[2] Payable in respect of amounts collected for clients by retailers. An equivalent balance is included within trade and other receivables.

12. Share capital

Share capital as at 30 September 2019 was £227,831. During the period the PayPoint plc issued 111,602 (September 2018: 48,777) shares for the 2016 LTIP, DSB and SIP schemes.

13. Share-based payments

The total charge of £1.4 million (September 2018: £1.4 million) recognised directly to equity for schemes which have lapsed or vested was transferred from the share-based payments reserve to retained earnings during the period.

On 10 June 2019, 192,675 shares under the LTIP scheme were granted with 50% of the vesting based on total shareholder return (TSR) and 50% on earnings per share (EPS) growth. The performance condition for the TSR element is the same as the vesting period. The performance period for the EPS element is for the three financial years up to 31 March 2022. A further 19,953 shares were issued under the DABS scheme with vesting over three years to 12 June 2022.

14. Fair value of financial assets and liabilities

The directors consider there to be no material difference between the book value and the fair value of the group's financial instruments at 30 September 2019, 30 September 2018 and 31 March 2019.

15. Notes to the statement of cash flows

	6 months ended 30 September 2019 £000	6 months ended 30 September 2018 £000	Year ended 31 March 2019 £000
Profit before tax	**24,035**	25,345	54,717
Adjustments for:			
Depreciation on property, plant and equipment	**2,867**	3,057	6,318
Amortisation of intangible assets	**1,474**	1,633	3,466
VAT credits	**-**	(1,730)	(2,427)
Exceptional item	**-**	-	(922)
Loss on disposal of fixed assets	**8**	-	110
Net interest income charge	**72**	137	159
Share-based payment charge	**1,026**	886	1,730
Cash element of share-based remuneration	**(1,028)**	(703)	(725)
Operating cashflows before movements in corporate working capital	**28,454**	28,625	62,426
Movement in inventories	**(53)**	86	155
Movement in trade and other receivables	**993**	(1,403)	3,712
Movement in contract assets	**(192)**	182	(614)
Movement in contract liabilities	**(197)**	(109)	649
Movement in trade and other payables	**(1,882)**	181	(3,482)
Movement in lease liabilities	**(10)**	-	-
Cash generated by operations	**27,113**	27,562	62,846
Corporation tax paid	**(10,116)**	(4,405)	(9,952)
Finance charges paid	**(300)**	(223)	(586)
Cash generated from operating activities (corporate)	**16,697**	22,934	52,308
Movement in clients' cash and retailers' deposits[1]	**834**	5,365	7,255
Net cash from operating activities	**17,531**	28,299	59,563

16. Post balance sheet events

There were no significant events occurring after the balance sheet date.

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

PRINCIPAL RISKS AND UNCERTAINTIES

Since the publication of the Annual Report, a further review of the key risks that could prevent PayPoint meeting its strategic objectives, its risk appetite and the risk management framework was undertaken. Key risks are highlighted below with changes in risk level denoted as follows ➲ - risk level has not changed, ⬆ - risk level has increased and ⬇ risk level has reduced.

Risk area	Potential impact	Mitigation strategies	Change
Business			
Innovation and market changes	The group could fail to adapt to changes in consumer behaviour or to commercialise and develop innovation that is scalable and meets the requirements of clients and retailers. The inability to implement new products and services effectively may impact PayPoint's ability to drive growth and profitability.	The group monitors technological and consumer trends through its monthly Strategy Committee and twice-yearly Board strategy reviews. The group is committed to continued research and investment in technology and products to support its continued growth. Our product portfolio and the progress of new initiatives are reviewed at the monthly Product Committee that contains representatives from commercial, product, technology, finance and legal. PayPoint also has an active sales function and client teams which are incentivised to promote and sell PayPoint products and services in the regions in which PayPoint operates to expand its client and retailer base.	➲
Culture	The strategic objectives and values of the group are focused on retailer and consumer-centric products and services. If employees are not aligned with these objectives or empowered to realise opportunities, deliver performance or mitigate risks this could lead to poor service quality, a loss in revenue, increased cost or failure by employees to escalate concerns or issues to senior management and the Executive Board.	The PayPoint strategic objectives and values are defined and advocated by the Executive Board. These values are linked to strategic, team and individual employee objectives and performance appraisals. The group's ethical principles are published on its website and intranet. A whistleblowing policy and procedures are published and a third-party service is available for employees to report wrongdoing. The Retailer Pledge is published and all employees made aware of its requirements. Retailer and employee engagement surveys are used to measure satisfaction and identify areas of concern.	➲
Dependence on key clients and retailers	The consolidation or loss of major clients or multiple retailers could adversely affect revenue. Insolvency, liquidation, administration or receivership of retailers could lead to PayPoint being unable to recover some or all the client monies processed by the retailer. PayPoint would be liable to account to those clients where PayPoint bears the risk of collection.	The group monitors client and retailer concentration risk to ensure that no one client or retailer accounts for a disproportionate share of group net revenue. In addition, the group continues to acquire new clients and retailers to reduce reliance on existing sources of revenue. All major clients are covered by specific contracts or agreements. Contract end dates and start of notice periods are scheduled and regularly reviewed by client management teams. Retail teams maintain and develop the relationship with retailers.	⬆
Competitor activity	Competitor activity in the market continues to evolve, with potential for PayPoint clients and retailers to switch to competitors.	Where there is concern that the competitor activity may be unlawful then PayPoint will challenge this through the Competition and Markets Authority. Appropriate terms are included in client and retailer contracts. Retailer engagement surveys are used to measure satisfaction and identify areas of concern.	⬆
Partners & suppliers	Reliance on third parties for the provision of key parts of the PayPoint services (e.g. payment service providers) could lead to extended outages if the supplier fails to meet required SLAs or goes into administration.	The group selects and negotiates agreements with strategic suppliers and partners based on criteria such as delivery assurance and reliability. Single points of failure are avoided, where practicable and economically feasible. Controls are regularly reviewed and improved to minimise risk of retailer churn caused by financial loss to retailers through fraudulent third-party activity. Suppliers are selected on merit following tendering, procurement and due diligence processes.	➲

Interruptions in processes and systems	The group's ability to provide reliable services largely depends on the efficient and uninterrupted operation of our computer network systems, financial settlement systems, data and call centres, as well as maintaining sufficient staffing levels. System or network interruptions, recovery from fraud or security incidents or the unavailability of key staff or management resulting from a pandemic outbreak could delay and disrupt our ability to develop, deliver or maintain our products and services, causing harm to our business and reputation and resulting in loss of customers or revenue.	Resilience is built into systems and contingency plans are in place should systems fail. These plans are exercised regularly. Programmes are in place to remove technical debt and to automate manual processes. Payment files are automatically imported into settlement systems. All payments are checked/authorised by nominated signatories. Segregation is maintained between settlement and corporate accounts. Invoices are recorded and approved by authorised managers. Daily reconciliation of client settlement accounts and weekly reconciliation of PayPoint corporate accounts are carried out. Audited controls for supplier and client account set-up are in place. A programme is in place to upgrade PayPoint's financial and back office systems.	↑
Operational			
Legislation or regulatory reforms and risk of non-compliance	PayPoint is required to comply with relevant legal and regulatory requirements. Any breach of these obligations could lead to costly and damaging legal or corrective actions to return to compliance, e.g. Health & Safety at Work Act, Data Protection Act/GDPR, Financial Conduct Authority listing rules and requirements, anti-money laundering legislation, employment law. It could also lead to the prosecution of individual company officers or employees.	The group's legal department works closely with senior managers to adopt strategies to educate legislature, regulators, consumer and privacy advocates and other stakeholders to support the public policy debate, where appropriate, to ensure regulation does not have unintended consequences on the group's services. A central compliance department co-ordinates all compliance monitoring and reporting. Subsidiary managing and finance directors are required to sign annual compliance statements.	→
Cyber security, data protection, resilience and business continuity	System or network interruptions, recovery from fraud or cyber security incidents or poorly implemented change could delay and disrupt our ability to develop, deliver or maintain our products and services, causing harm to our business and reputation and resulting in loss of customers or revenue. PayPoint's ability to provide reliable and secure services largely depends on the availability and uninterrupted operation of its network of retailer terminals, computer systems, financial settlement and key business processes. Due to the heightened activity in the external environment the level of risk has been increased.	PayPoint has established a Cyber Security and IT Sub-Committee to oversee cybersecurity and information technology matters pertaining to PayPoint. Service delivery is constantly monitored with technical support teams in place to address service outages or errors. Contact Centre, Service Management and Technical Services Helpdesk are in place to assist with and resolve issues. Client Management and Retail Management teams are in place to interface with clients and retailers. Resilient systems are in place across the group. Disaster recovery and business continuity plans are maintained and exercised regularly to ensure contingencies are in place in the case of failure.	→
Attracting and retaining key talent	Future success is substantially dependent on the continued services and performance of Executive Directors, senior management, competent and qualified personnel. The failure to attract the right candidates, loss of key personnel or failure to adequately train employees could damage the group's business or lead to non-compliance with legal and regulatory requirements.	Effective recruitment programmes are ongoing across all business areas, as well as personal and career development initiatives. The executive management reviews talent potential twice a year and retention plans are put in place for individuals identified at risk of leaving. Compensation and benefits programmes are competitive and reviewed regularly.	↓
Brexit	The effect on inter-company relationships may be adversely affected by the outcomes of the negotiations between the UK government and the other member countries during the UK's exit from the European Union.	PayPoint has carried out an assessment of the impact of a no-deal Brexit scenario and identified key risks to its operating model. Whilst no business can mitigate against the impact of Brexit, actions to reduce disruption in the short term are in place including building a buffer stock of PayPoint One terminals, maximising intercompany dividends and engaging with clients and suppliers determining their own readiness and impact assessments.	→

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the set of interim financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
(b) the half yearly financial report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first half and description of principal risks and uncertainties for the remaining half of the year); and
(c) the half yearly financial report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

Nick Wiles
Executive Chairman

Rachel Kentleton
Finance Director

INDEPENDENT REVIEW REPORT TO PAYPOINT PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 which comprises the condensed consolidated statement of profit and loss, condensed consolidated statement of other comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Michael Harper
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

27 November 2019

ABOUT PAYPOINT

In thousands of retail locations, at home and on the move, we make life more convenient for everyone.

For retailers, we offer innovative and time-saving technology that empowers convenience retailers in the UK and Romania to achieve higher footfall and increased spend so they can grow their businesses profitably. Our innovative retail services platform, PayPoint One, is now live in over 15,000 stores in the UK and offers everything a modern convenience store needs, from parcels and contactless card payments to EPoS and bill payment services. Our technology helps retailers to serve customers quickly, improve business efficiency and stay connected to their stores from anywhere.

We help millions of people to control their household finances, make essential payments and access in-store services, like parcel collections and drop-offs. Our UK network of over 28,000 stores is bigger than all banks, supermarkets and Post Offices together, putting us at the heart of communities nationwide.

For clients of all sizes we provide cutting-edge payments technologies without the need for capital investment. Our seamlessly integrated multichannel payments solution, MultiPay, is a one-stop shop for customer payments. PayPoint helps over 500 consumer service providers to save time and money while making it easier for their customers to pay – via any channel and on any device.

DIRECTORS & KEY CONTACTS

Directors	Nick Wiles** (Executive Chairman) Patrick Headon (Chief Executive) Rachel Kentleton (Finance Director) Gillian Barr* Giles Kerr* Rakesh Sharma* Ben Wishart* * non-executive directors ** non-executive Chairman to 30 September 2019
Registered office	1 The Boulevard Shire Park Welwyn Garden City Hertfordshire AL7 1EL United Kingdom Registered in England and Wales number 3581541
Registrars	Link Asset Services 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom
Press and investor relations enquiries	Finsbury The Adelphi 1-11 John Adam Street WC2N 6HT United Kingdom
Auditors	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL United Kingdom