PayPoint plc
Results for the half year ended 30 September 2020

FINANCIAL HIGHLIGHTS

- Profit before tax from continuing operations of £16.8 million (2019: £20.7 million) decreased by £3.9 million, reflecting the decrease in net revenue from continuing operations and the expected impact of the British Gas contract ended in December 2019. Underlying profit before tax[1] from continuing operations of £17.8 million (2019: £18.6 million) has been resilient with a 4% decrease.
- Profit before tax from the discontinued operation of £3.8 million (2019: £3.3 million) increased by £0.5 million (12.8%), mainly due to improved margins.
- Net revenue from continuing operations of £46.4 million (2019: £50.3 million) decreased by £3.9 million (7.8%); the prior period included £2.1 million net revenue from the British Gas contract now ended. Net of the expected British Gas impact, net revenue decreased by £1.8m.
- Total costs[2] from continuing operations of £29.6 million (2019: £29.7 million) decreased by £0.1 million (0.3%). Total costs include £1.0 million of non-recurring costs, associated with one-offs for acquisitions and disposals. Other savings were mainly due to cost efficiencies from bringing terminal maintenance and repairs in-house and lower costs from decreased transaction volumes.
- Net corporate debt of £6.1 million (2019: £12.3 million) reflects cash balances of £14.9 million less borrowings of £21.0 million from the revolving credit facility.
- Ordinary interim dividend of 15.6 pence per share declared. The dividend will be paid in equal instalments of 7.8 pence per share on 29 December 2020 and 8 March 2021. The additional dividend programme ended in the prior year.

	Six months to 30 September 2020	Restated[3] Six months to 30 September 2019	Change
Revenue from continuing operations[4]	**£60.7m**	£69.1m	(12.1)%
Net revenue from continuing operations[5]	**£46.4m**	£50.3m	(7.8)%
Operating margin from continuing operations[6]	**37.7%**	41.4%	(3.7)ppts
Profit before tax	**£20.6m**	£24.0m	(14.2)%
Profit before tax from continuing operations	**£16.8m**	£20.7m	(18.6)%
Profit before tax from discontinued operation	**£3.8m**	£3.3m	12.8%
Diluted earnings per share	**23.8p**	28.5p	(16.5)%
Diluted earnings per share from continuing operations	**19.1p**	24.4p	(21.7)%
Ordinary dividend per share	**15.6p**	23.6p	(33.9)%
Additional dividend per share	**-**	18.4p	-
Cash generation[7]	**£29.5m**	£27.1m	8.9%
Cash generation from continuing operations	**£25.1m**	£22.4m	12.1%
Net corporate debt[8]	**£(6.1)m**	£(12.3)m	(50.3)%
Cash and cash equivalents	**£42.0m**	£40.5m	3.7%

On 21 October 2020, PayPoint announced that it had signed an agreement to sell its Romanian business. The sale is subject to competition and regulatory approvals, as well as other conditions precedent, and therefore completion is anticipated to take place on 31 March 2021. The Romanian business has been classified as a discontinued operation and the comparative Consolidated Statement of Profit or Loss and relevant notes have been restated to show the discontinued operation separately from continuing operations. The Romanian business has also been classified as held for sale in the Consolidated Statement of Financial Position.

[1] Underlying profit before tax excludes the current year £1.0 million of non-recurring costs, associated with one-offs for acquisitions and disposals and the prior year net revenue impact from British Gas of £2.1 million.
[2] Total costs is an alternative performance measure as explained in note 1 to the interim report, a reconciliation to costs is included in the Finance Review on page 15.
[3] Comparative information has been restated due to a discontinued operation. Refer to note 9.
[4] Revenue from continuing operations excluding the prior period impact from British Gas decreased by £4.9 million (7.4%).
[5] Net revenue from continuing operations excluding the prior period impact from British Gas decreased by £1.8 million (3.8%). Net revenue is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to revenue.
[6] Operating margin % is an alternative performance measure and is calculated by dividing operating profit by net revenue.
[7] Cash generation is an alternative performance measure. Refer to the financial review – cash flow and liquidity for a reconciliation from profit before tax.
[8] Net corporate (debt)/cash (excluding IFRS 16 liabilities) is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to cash and cash equivalents.

Nick Wiles, Chief Executive of PayPoint plc, said:

"Our first half has been a particularly busy and challenging period for the business, against which we have delivered a solid performance, with a proactive network and product recovery post-lockdown supported by our resilient, sustainable business model.

In addition, we have made a number of important steps to underpin our growth strategy in the UK, with the acquisitions of Handepay Ltd/Merchant Rentals Limited (card payments) and i-movo Limited (digital vouchering), significantly expanding our capability to seize the significant opportunities in our core market. The sale of our Romanian business to Innova Capital enables us to realise value and focus on the UK business.

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.

Our declaration of a dividend of 15.6p per share, consistent with our dividend policy, also 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 current period."

OPERATIONAL HIGHLIGHTS

Step change in execution of growth strategy in UK

- Disposal of Romanian business at significant profit, underpinning UK-focused strategy
- Acquisition (subject to regulatory approval) of Handepay Ltd/Merchant Rentals Limited (card payments) and i-movo Limited (digital vouchering) to deliver enhanced growth and opportunities in UK, driving a broadening of payment capabilities and greater leverage of retailer network
- Within both client and retail services, incremental growth opportunities identified, leading to focused investment and resource allocation to accelerate delivery
- Re-organisation delivering a more streamlined and accountable structure across the business

Solid performance with resilient recovery post-lockdown and good progress against strategic priorities

1. Embed PayPoint at the heart of convenience retail

- PayPoint One was live in 16,900 sites at 30 September 2020, an increase of 802 since 31 March 2020, including 299 sites now live again following the first Covid-19 lockdown. This now represents 99.3% of PayPoint's independent retailer estate
- PayPoint One average weekly service fee per site increased to £15.7 from £15.5 last year and total service fee net revenue increased by 12.7% to £7.1 million
- Card payments transactions grew significantly by 68.7% to 112.3 million and net revenue increased by 63.4% to £6.9 million
- ATM net revenue was down 17.8% year-on-year by end of H1; good site recovery with suspensions reducing from 330 to 26 by 30 September 2020. Estate optimisation and tight cost management driving the right results. The Link Counter Service is now in trial
- A number of new initiatives underway to enhance retailer engagement, drive footfall and open new revenue streams from PayPoint One, including digital advertising screens and digital vouchers

2. PayPoint becomes the definitive parcel point solution

- 10,486 live parcel sites at 30 September 2020, an increase of 1,840 since 31 March 2020. Parcel volumes declined by 2.5%, impacted by Covid-19 with consumers staying at home and able to accept deliveries
- Secured full ownership of Collect+ in April 2020, maintaining Yodel as key carrier partner
- New Collect+ website launched, enabling a platform for future send services and further integrations with carrier partners
- New carrier partnerships signed, with DPD adding 2,500 sites to its DPD PickUp service and a send proposition trial launched with Parcel2Go
- Rollout of new Zebra thermal label printers, enhancing send proposition
- Existing carriers scaling store presence pre-peak 2020 across network

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

Major relationships renewed and expanding to digital services:

- Proactive management of client relationships yielding positive results on digital opportunities beyond energy 'pay-as-you-go'
- Major client contract renewal programme largely complete - 17 client renewals[1], including EDF, delivering a broader range of services from our MultiPay digital payments portfolio. BBC TV Licensing App is now live, enabling customers to pay for their license digitally
- 26 new clients signed, with over 75% coming from non-energy sectors
- 7 multiple retailer contract renewals, including EG Group, Motor Fuel Group and several regional Co-ops

Digital payments growth:

- Strong focus on growing digital payments capability, with a number of MultiPay product enhancements (Direct Debit, Pay By Link and Event Streamer)
- MultiPay net revenue increased by 17.7% YOY
- 13 new Cash Out clients signed, driven by local authorities digitising operations due to Covid-19
- Strong eMoney growth with transactions increasing by 15.4% and net revenue increasing by 19.9%

4. Building a delivery focused organisation and culture

- Strengthened Executive team with key appointments, completing organisation structure announced earlier in year
- Ben Ford joined PayPoint on 1 July 2020 to lead our new Retail Services function. His focus is on aligning all our retailer-facing resource and capability, the end-to-end delivery of products and services to our retailers and the management of retailer relationships, leveraging our new CRM system
- Next phase of CRM now fully rolled out to Contact Centre, enabling 'single customer view' of retailer and enhanced retailer experience
- First phase CRM benefits yielding better data to improve key business decisions
- In-house warehouse operations extended to products and consumables, giving complete control of experience and key moments of retailer lifecycle

Covid-19 impacts

Overall trading continued to be resilient in the first half following the impact of the Covid-19 outbreak, with a proactive network and product recovery post-lockdown, supported by our resilient, sustainable operating model, as evidenced by the tables at the end of this section.

At the beginning of the national lockdown earlier this year, PayPoint swiftly moved to an operating model which combined remote working and continued activity in the field to support our retailer partner network, along with some essential office based activity. We are actively minimising the disruption to services and the support we provide clients and retailer partners whilst we continue taking the appropriate steps to safeguard our people. In the first half of this year, we have not furloughed any of our people and have not accessed any available government assistance. Instead, we have continued to review third party spend, continued to seek efficiencies in cost and invested our capex carefully.

Transaction volumes and sites have recovered well from the initial impacts seen in April through the first national lockdown. An expected reduction in bill payment transactions year on year was further compounded by Covid-19, with consumers increasing their average top-up amounts and energy companies providing pre-payment consumers with credit advances. However, by the end of the first half, volumes had started to recover and in September 2020 were 19% behind the same period last year. Digital payments continue to grow strongly, with eMoney volumes recovering well. Card payments have benefited from the broader consumer shifts from cash to card and to more local shopping, delivering a strong performance with transactions increasing by 68.7% for the same six-month period last year. ATM volumes continue to recover, although this recovery remains dependent on a broader recovery in the economy. Parcel transactions continue to recover and are showing year on year increases from June onwards.

The resilient performance of the business through this period was further underpinned by a series of proactive initiatives to support clients, retailers and consumers. This included launching a partnership with Deliveroo to give our retailer partners the capability to deliver goods to their local communities, the PayPoint Retailer Heroes

[1] 13 client renewals completed by 30 September 2020, 4 renewals after period close

awards recognising retailers who had gone above and beyond to support consumers through the pandemic and a £25,000 contribution to the NFRN Covid-19 Hardship Fund, helping retailers adversely affected by Covid-19.

Service	**April 20/21 vs 19/20 % increase/ (decrease)**	**May 20/21 vs 19/20 % increase/ (decrease)**	**June 20/21 vs 19/20 % increase/ (decrease)**	**July 20/21 vs 19/20 % increase/ (decrease)**	**August 20/21 vs 19/20 % increase/ (decrease)**	**September 20/21 vs 19/20 % increase/ (decrease)**
UK bill payment transactions[1]	(28%)	(26%)	(20%)	(18%)	(19%)	(19%)
UK mobile top up transactions	(22%)	(20%)	(18%)	(19)%	(20)%	(17%)
UK eMoney transactions	(5%)	11%	32%	27%	14%	15%
Card payment transactions	72%	89%	79%	61%	58%	54%
ATM transactions	(37%)	(30%)	(24%)	(20%)	(19%)	(18%)
Parcels transactions	(36%)	(9%)	4%	9%	4%	10%

Sites temporarily suspended due to Covid-19	**As at 31 March 2020**	**As at 30 April 2020**	**As at 31 May 2020**	**As at 30 June 2020**	**As at 31 July 2020**	**As at 31 August 2020**	**As at 30 September 2020**
UK PayPoint One	328	368	185	79	41	39	29
UK ATMs	283	330	303	212	57	43	26
UK Card payments	293	230	124	47	18	16	15
UK Parcels	208	274	182	87	49	47	18

Enquiries

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A *presentation for analysts is being held at 9.30am today (26 November 2020) via webcast. This announcement, along with details for the webcast, is available on the PayPoint plc website: corporate.paypoint.com*

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

CHIEF EXECUTIVE'S REVIEW

The business has delivered a solid performance in the first half, against the backdrop of Covid-19, with a proactive network and product recovery post-lockdown, supported by our resilient, sustainable operating model. 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.

Our priority through this crisis remains to keep our people safe and well, while providing the necessary support to our clients and retailer partner network, as we continue to serve some of the most vulnerable in our communities. The business quickly moved to a hybrid operating model which combines remote working, continued activity in the support of our retailer partner network, including our Contact Centre which has remained fully operational throughout, and some essential office-based activity. We have sought to minimise the disruption to service and support we can provide to clients and our retailer partner network, as evidenced by the swift recovery of transaction volumes and retailer sites in the half year period.

As we indicated in our first quarter results, we have continued to see recovery in our business from the April lows and overall trading has remained resilient. Bill payment volumes have not recovered as we would have hoped, reflecting a combination of continued higher than average top up amounts, the consumer benefit of the reduced energy price cap and mild weather conditions. ATM volumes remain subdued after some recovery over the summer months, while volumes in Cards, Top-ups, digital payments (MultiPay), eMoney and in a number of the new payment initiatives have all continued to perform strongly. In addition, we have seen some recovery in parcel volumes, although this has been more subdued in recent weeks as a result of the recent additional government restrictions.

The Board continues to support our core strategic priorities for the business: embedding PayPoint at the heart of convenience retail; becoming the definitive parcel point solution; sustaining leadership in 'pay-as-you-go' and growing digital bill payments. We have also fully embedded a new organisational structure to underpin these core strategic priorities and create meaningful new opportunities for growth. As set out later in this report, we have made good progress in the first half on strengthening and investing our business to deliver a stronger platform for long-term growth. Following the Board changes announced in May 2020, I am also delighted to welcome Rosie Shapland to the Board as an Independent Non-Executive Director who will assume chairmanship of the Audit Committee effective from 1 December 2020, and to confirm the appointment of Alan Dale as Finance Director, effective from 20 November 2020.

We have now accelerated the execution of our strategy for growth in the UK, with the acquisitions of Handepay Ltd/Merchant Rentals Limited (card payments) and i-movo Limited (digital vouchering) significantly expanding our capability to seize the significant growth opportunities in our core market. 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. Our acquisition of Handepay/Merchant Rentals enhances significantly our 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. The sale of our Romanian business to Innova Capital will enable us to realise value and focus on the UK business.

On 30 Sept 2020, we announced that we had received a Statement of Objections from Ofgem relating to certain contractual terms with certain energy suppliers and retailers for the provision of over-the-counter (OTC) payment services. We are considering Ofgem's provisional views set out in the Statement of Objections and will exercise our right to respond to Ofgem in due course. It is therefore too early at this stage to predict an outcome and any potential outflow of funds.

With new national restrictions in force across the UK, we are applying our learnings from earlier in the year to ensure the continued resilience and preparedness of our business for this developing situation. We have clear plans underway to contain costs, we are working flexibly in support of our clients and retailer partner network and we continue to explore new opportunities.

Finally, I am deeply grateful to our incredible people who have been working so hard over the past six months, the senior team who have shown great leadership in response to the challenges we are facing, and, most importantly, our retailer partners and clients who continue to work with us to deliver vital services and support consumers across the UK.

Nick Wiles
Chief Executive
25 November 2020

MARKET OVERVIEW

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

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

- Convenience retail
    - The UK convenience sector has been one of the main beneficiaries of the increase in shopping local through Covid-19, with consumers choosing to stay closer to home, avoid busier stores and support businesses in their local community
    - Total UK convenience sector is expected to grow by £3.8bn in 2020, an expected 9.2% growth on 2019[1]
    - Total UK convenience store numbers remained resilient, with marginal growth to 47,000 and numbers of independently-owned stores gaining 3% in the year[2]

- Card payments
    - Growth in this sector has again been driven by the shift from cash to card payments accelerated by Covid-19
    - Forecast growth in UK debit card market by 2027 to 19.7bn payments, with 36% contactless[3]
    - In H1, PayPoint has seen card payment volume increase by 68.7% YOY
    - UK convenience store card payments transactions overall increased by 27.2%[4] and average basket sizes increasing 16.9% in 2020[12]
    - Outside of this sector, card payments overall have recovered well since the lows experienced earlier in the year, with latest data from August 2020 showing 1.6 billion debit card transactions, an increase of 2.5% YOY, and total spend of £58.4 billion, an increase of 12.5% YOY[5]

- Cash Out
    - There have been clear challenges in this sector due to Covid-19, with a shift away from cash usage by consumers
    - LINK's ATM transactions declined by 44.8%[6] to c700 million transactions and the number of ATMs in the UK reduced by 3.9% (2,241 sites) to 55,565[7] in the 5 months to August 2020
    - 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

- Parcels
    - Overall online sales increased during the lockdown earlier in the year, particularly in electronics, leisure equipment and grocery, as consumers were restricted at home
    - However, the fashion sector saw a decrease by 4.4% year on year[8], for the period from January to August 2020, due to lack of socialising. This was also evidenced through a subsequent drop in demand in parcel volumes seen in our network due to the fashion focus of our carrier partners
    - As consumers were generally at home, we also saw a reduction in the requirement for out of home pick up points
    - Since April, pick-up and drop-off (PUDO) volumes have recovered well through our Collect+ network, ahead of the overall PUDO market performance
    - 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[9]. Returns and send volumes are estimated at c.185 million and c.380 million parcels per year respectively[10]

[1] https://www.lumina-intelligence.com/blog/convenience/lockdown-boosts-the-uk-convenience-retail-market-by-3-8bn
[2] ACS local shop report 2020
[3] https://www.ukfinance.org.uk/system/files/Summary-UK-Payment-Markets-2018.pdf
[4] 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.
[5] https://www.ukfinance.org.uk/data-and-research/data/cards/card-spending
[6] https://www.link.co.uk/about/statistics-and-trends/
[7] https://www.link.co.uk/media/1643/monthly-report-august-2020-final.pdf
[8] https://www.imrg.org/uploads/media/report_download/0001/10/c5ab6be4f7645ffbc54513df2612931af5142e5e.pdf?st
[9] https://www.imrg.org/uploads/media/default/0001/08/2477f50ad2fee946cdf5ed23ebb8df21f2489d09.pdf?st.
[10] OC&C analysis.

- Bill payments and top-ups
    - The price cap for pre-pay customers reduced to £1,164 for the six months to September 2020. This is 6%[1] lower than the cap set in September 2019. This will further reduce by 8.1% in the six months to March 2021
    - Non-Big Six energy providers combined market share remained static at c28%[2].
    - The rollout of smart meters has slowed further with the impact of Covid-19 impacting installations with only 1.1m meters installed in 2020[3]. The deadline for completion of the rollout has now been extended to 30 June 2025
    - The number of PAYG mobile subscribers declined by 3% in 2019 to 24.9 million subscribers[4]

PROGRESS AGAINST OUR STRATEGIC PRIORITIES

PayPoint is uniquely placed to take advantage of the continued shift from cash to digital payments and the increase in shopping local, with both of these trends accelerated further over the past six months by Covid-19.

Our core strategic priorities for the business remain unchanged:

1. Embed PayPoint at the heart of convenience retail
2. PayPoint becomes the definitive parcel point solution
3. Sustain leadership in 'pay-as-you-go' and grow digital bill payments
4. Building a delivery focused organisation and culture

During the period, we have made a number of important steps to underpin this strategy through the acquisition of i-movo Limited and Handepay Ltd/Merchant Rentals Limited (subject to regulatory approval) and the disposal of our Romanian business.

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. Our acquisition of Handepay/Merchant Rentals enhances significantly our 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. We believe the sale of our Romanian business is well timed, delivering a strong profit on its disposal and ahead of the next stage of development and investment in this business. These steps, together with our internal investment plans, underpin the focus on our UK markets and our confidence in the accelerated growth opportunities we see for the business.

Progress against the core strategic priorities is set out below:

PRIORITY 1: EMBED PAYPOINT AT THE HEART OF CONVENIENCE RETAIL

PayPoint continues to provide technology, payment services, increased footfall and basket spend to our retailer partners. Our UK network of more than 27,500 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 99.5% of the urban population live within one mile of a PayPoint retailer partner and 98.3% of the rural population live within five miles.

Our network is enabled with cutting-edge 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.

H1 Progress

PayPoint One:

- PayPoint One was live in 16,900 sites at 30 September 2020, an increase of 802 since 31 March 2020
- The number of sites suspended due to Covid-19 has reduced by 91% since 31 March 2020 to 29 at 30 September 2020
- Average weekly service fee revenue per site increased to £15.7 (2019: £15.5). To support our retailers during the Covid-19 period, the annual inflation increase was waived this year

[1] https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform/implementation-cma-remedies/prepayment-meter-cap-level#:~:text=The%20Prepayment%20Meter%20Price%20Cap%20came%20into%20force,Price%20Cap%20expires%20at%20the%20end%20of%202020.
[2] https://www.ofgem.gov.uk/data-portal/retail-market-indicators
[3] https://www.gov.uk/government/statistics/smart-meters-in-great-britain-quarterly-update-june-2020
[4] https://www.statista.com/statistics/273608/number-of-prepaid-mobile-subscriber-in-the-united-kingdom-uk/

- EPoS Pro was live in 1,336 sites, growth of 498 (59%) since 31 March 2020
- We launched a new promotion in July 2020 to enable PayPoint One retailers to try our EPoS solution at no extra cost for 3 months. After the trial period, we are anticipating two thirds of retailer partners will remain on the platform and benefit from the full capability of our EPoS solution
- EPoS technical re-platforming is now complete and we have fully launched a new retailer self-service portal, improving the quality of our retailer experience and reducing their need to call our Contact Centre
- Established trials of digital advertising screens and digital vouchering to drive conversion and footfall for retailer partners, new engagement channels for FMCG brands to their consumers and, subsequently, open up new revenue streams for PayPoint One

Card payment:

- Card payment services were live in 9,885 sites at 30 September 2020, an increase of 450 sites since 31 March 2020 mainly due to installs and Covid-19 suspended sites returning
- Transactions grew significantly by 68.7% to 112.3 million and net revenue increased by 63.4% to £6.9 million, benefiting from the increase in convenience store sales and the preference of stores to take payment by card
- The average transaction value for the period increased to £12.5 from £11.8 in the prior period. This was impacted in the first half by the increase in contactless limit to £45 along with the increasing average basket size in the convenience sector
- Use of our card payments net settlement functionality has been growing and is now active in 881 sites, an increase of 179% from 31 March 2020
- First phase of retailer lifecycle improvements complete, focused on onboarding and early-life experience

ATM:

- ATMs were live in 3,782 sites at 30 September 2020, an increase of 162 since 31 March 2020, largely due to non-operational sites coming back online from Covid-19
- PayPoint continued to focus on estate optimisation and tight cost management, relocating machines from low performing sites to better locations
- ATM transactions declined by 24.8% to 15.6 million, less than the general market decline of 44.8%[1] during Covid-19
- Net revenue decreased 17.8% to £5.0 million, primarily due to lower transactions processed as a result of less demand for cash across the economy
- PayPoint have been actively converting surcharge ATMs to free ATMs, under LINK's Financial Inclusion scheme. This activity has contributed to building an estate of over 181 free PayPoint ATMs, that facilitate free access to cash to the most vulnerable in society
- The Link Counter Service trial is now in progress, offering access to cash via over-the-counter cash withdrawals using PayPoint's in store terminals

H2 Priorities

Refocus of sales team and continued building of sales pipeline, including key initiatives:

- Field Sales team refresh, driving sales and retailer partnering
- EPoS Try Before You Buy – phase 2
- Card attachment rate recovery and onboarding improvements with a focus to buy-out of contracts partnered with our acquirer
- Store to Door – create an open platform for Delivery partners to fulfil customer orders with home delivery

PRIORITY 2: PAYPOINT BECOMES THE DEFINITIVE PARCEL POINT SOLUTION

PayPoint's extensive parcel pick-up and drop-off network, which comprises over 10,000 sites, provides a solution for carriers and a footfall driver for retailer partners, including Amazon, eBay, DHL, Fedex and Yodel. Delivering high levels of consumer satisfaction, 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.

[1] https://www.link.co.uk/about/statistics-and-trends/

H1 Progress

- 10,486 live total parcel sites at 30 September 2020, an increase of 1,840 sites since 31 March 2020 due to increasing sites for newer parcel partners and Covid-19 suspended sites returning
- Secured full ownership of Collect+ in April, maintaining Yodel as key carrier partner and enabling further partner and store expansion
- New Collect+ website launched – gives control and ownership of store locator, consumer interactions and online parcel tracking, as well as a platform for future send service and further integrations with our carrier partners
- New carriers signed, DPD and Parcel2Go send proposition trial underway
- Rollout of new Zebra thermal label printers, enhancing our send proposition
- Existing carriers scaling store presence pre-peak 2020 across our network

H2 Priorities

- Ensure smooth operational delivery during peak 2020 trading
- Successful launch of DPD and trial of Parcel2Go send service
- Accelerate rollout of Zebra printers to improve customer experience and send proposition
- Enhance our send proposition via Collect+ website

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

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

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

H1 Progress

Major relationships renewed and expanding to digital services

- Proactive management of client and multiple retailer relationships yielding positive results on digital opportunities beyond 'pay-as-you-go'
- Major client contract renewal programme largely complete - 17 client renewals[2], including EDF, delivering a broader range of services from our MultiPay digital payments portfolio
- 26 new clients signed, with over 75% coming from non-energy sectors
- BBC TV Licence App now live, enabling customers to pay for their license digitally
- 7 multiple retailer contract renewals, including EG Group, Motor Fuel Group and several regional Co-ops

Digital payments growth

- MultiPay increased by 17.7% in net revenue YOY – Direct Debit and PayByLink products launched
- 13 new Cash Out clients signed, driven by local authorities digitising operations due to Covid-19
- Strong eMoney growth with transactions increasing by 15.4% and net revenue increasing by 19.9% in the period

H2 Priorities

- Complete remaining key energy and multiple retailer contract renewals
- Deliver new business sector wins – Housing & eMoney
- Continue to diversify and secure broader opportunities beyond 'pay as you go' with existing clients – Pay By Link, cards and Direct Debit

[1] https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf
[2] 13 client renewals completed by 30 September 2020, 4 renewals after period close

PRIORITY 4: BUILDING A DELIVERY FOCUSED ORGANISATION AND CULTURE

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

H1 Progress

- Strengthened Executive team with key appointments, completing organisation structure announced earlier in year
- Ben Ford, joined PayPoint on 1 July 2020 to lead our new Retail Services function – his focus is on aligning all our retailer-facing resource and capability, the end-to-end delivery of products and services to our retailers and the management of retailer relationships, leveraging our new CRM system
- Next phase of CRM now fully rolled out to Contact Centre, enabling 'single customer view' of retailer and enhanced retailer experience
- First phase CRM benefits yielding better data to drive key business decisions
- In-house warehouse operations extended to products and consumables, giving complete control of experience and key moments of retailer lifecycle

H2 Priorities

- Deliver the successful integration of Handepay, Merchant Rentals and i-movo businesses
- Start to deliver synergies from acquisitions

OUTLOOK AND DIVIDEND

Our first half has been a particularly busy and challenging period for the business. Operationally, we have remained focused on managing our business by supporting our people, our clients and retailer partner network and the most vulnerable in the community. In addition, we have taken important steps to strengthen our operating model and organisational structure and to identify and support growth opportunities in our core UK business.

Our core strategic priorities for the business remain unchanged: embedding PayPoint at the heart of convenience retail; becoming the definitive parcels solution and sustaining leadership in 'pay as you go' and growing digital bill payments. During the year, we have made a number of important steps to underpin this strategy through the acquisition of i-movo Limited and Handepay Ltd/Merchant Rentals Limited (subject to regulatory approval) and the disposal of our Romanian business. 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. Our acquisition of Handepay/Merchant Rentals enhances significantly our 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. We believe the sale of our Romanian business is well timed, delivering a strong profit on its disposal and ahead of the next stage of development and investment in this business. These steps, together with our internal investment plans, underpin the focus on our UK markets and our confidence in the accelerated growth opportunities we see for the business.

We expect the continuing government restrictions to create some uncertainty in the outlook to a number of our businesses in the second half, although we have taken the necessary steps and learnings from the first lockdown to ensure their continued resilience through this developing situation. The influence of parcel volumes during the important peak seasonal period and resilience in bill payment volumes will also be important factors, along with the continuation of the positive trends we have seen in card volumes, e-Money and MultiPay. Underpinning our outlook for the second half are the actions we have taken during the year to manage our costs, apply a tight operational focus and maximise new business opportunities. We have declared a dividend of 15.6p per share, consistent with our dividend policy, 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 current year. Overall expectations for the full year remain unchanged.

FINANCIAL REVIEW

OVERVIEW

£m	Six months to 30 September 2020	Restated[1] Six months to 30 September 2019	Change %	Restated[1] Year ended 31 March 2020
Net revenue				
Continuing operations				
UK retail services	**21.7**	19.9	8.6%	41.0
UK bill payments and top-ups	**24.7**	30.4	(18.6%)	65.8
	46.4	50.3	(7.8%)	106.8
Discontinued operation				
Romania	**7.6**	7.3	4.5%	14.6
Total net revenue	**54.0**	57.6	(6.2%)	121.4
Costs from continuing operations	**29.6**	29.7	(0.3%)	56.8
Profit before tax from continuing operations	**16.8**	20.7	(18.6%)	50.0
Cash generation	**29.5**	27.1	8.9%	66.4
Cash generation from continuing operations	**25.1**	22.4	12.1%	57.9
Net corporate debt	**(6.1)**	(12.3)	(50.3%)	(12.0)

Profit before tax from continuing operations of £16.8 million (2019: £20.7 million) decreased by £3.9 million due to the decrease in net revenue from continuing operations and the expected impact of the British Gas contract ended in December 2019.

Revenue from continuing operations decreased by £8.4 million to £60.7 million (2019: £69.1 million). Net revenue from continuing operations decreased by £3.9 million (7.8%) to £46.4 million (2019: £50.3 million); the prior period included £2.1 million net revenue from the British Gas contract now ended.

UK retail services net revenue increased by £1.8 million (8.6%) to £21.7 million mainly from increased card payments net revenue. Card payments net revenue increased by £2.7 million (63.4%) due to a significant increase in transactions (68.7%). Service fee net revenue increased by £0.8 million (12.7%) driven by the roll out of PayPoint One to additional sites. ATM net revenue decreased by £1.0 million (17.8%) due to a reduction in transactions with reduced demand for cash over the period and the closure of sites due to Covid-19. Parcel net revenue decreased by £0.3 million (20.1%) mainly due to a decrease in transactions.

UK bill payments and top-ups net revenue of £24.7 million decreased by £5.7 million (18.6%). UK bill payments revenue was restated to include the intercompany revenue recharge for transactional services with the discontinued operation. UK bill payments net revenue decreased by £5.7 million (25.6%), or £3.6 million (17.9%) excluding the £2.1 million prior period net revenue from British Gas, mainly due to the impacts of Covid-19 where consumers are making larger payments, less frequently and energy companies provided credit to prepayment customers.

MultiPay net revenue increased by £0.3 million (17.7%) driven by growth from new revenue streams and an increase in transactions from other clients excluding Utilita. As expected MultiPay transactions decreased due to Utilita moving customers to their own in-house app. UK top-ups and eMoney net revenue remained stable at £8.1 million (2019: £8.1 million), transactions decreased by 13.8%. eMoney transactions increased by 15.4% which increased net revenue by £0.6 million (19.9%).

Romania's net revenue increased by 4.5% to £7.6 million (2019: £7.3 million) through margin improvement in bill payments and top-ups. Transactions increased by 1.2% to 57.4 million (2019: 56.7 million).

Total costs from continuing and discontinued operations of £33.4 million (2019: £33.6 million) decreased by £0.2 million. Total costs include £1.0 million associated with the one-off acquisition and disposal costs. Costs from continuing operations decreased by £0.1 million mainly due to cost efficiencies from bringing terminal maintenance and repairs in-house and lower costs from decreased transaction volumes. Costs from discontinued

[1] Comparative information has been restated due to a discontinued operation. Refer to note 9.

operations decreased by £0.1 million due to cost reduction measures for Covid-19 including travel savings and lower bonuses.

Cash generation remained strong with £29.5 million (2019: £27.1 million) delivered from profit before tax from continuing and discontinued operations of £20.6 million. There was a working capital inflow of £3.4 million, of which £3.3 million will reverse next year once the HMRC VAT deferral is paid. There was also the add back for depreciation and amortisation of £4.9 million.

Net corporate debt decreased by £6.2 million to £6.1 million (2019: £12.3 million). Dividend payments were lower compared to the same period last year due to the end of the additional dividend programme. At 30 September 2020, £21.0 million (2019: £18.0 million) was drawn down from the revolving credit facility, repayments of £49.0 million were made for the revolving credit facility in the period since 31 March 2020.

SECTOR ANALYSIS

UK retail services

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

	Six months to 30 September 2020	Six months to 30 September 2019	Change %	Year ended 31 March 2020
Number of retailers	**17,279**	17,472	(1.1%)	16,663
PayPoint terminal sites (No.)				
PayPoint One[1]	**16,900**	15,088	12.0%	16,098
Legacy terminal	**2,360**	4,732	(50.1%)	2,496
PPoS[2]	**8,293**	8,546	(3.0%)	8,235
Total sites	**27,553**	28,366	(2.9%)	26,829
Services in sites (No.)				
PayPoint One Base	**8,153**	7,579	7.6%	8,304
EPoS Core	**7,411**	6,685	10.9%	6,956
EPoS Pro	**1,336**	824	62.1%	838
Card payments	**9,885**	9,879	0.1%	9,435
ATMs	**3,782**	3,972	(4.8%)	3,620
Parcels	**10,486**	7,113	47.4%	8,646
Transactions (Millions)				
Card payments	**112.3**	66.6	68.7%	136.8
ATMs	**15.6**	20.7	(24.8%)	40.4
Parcels	**11.2**	11.5	(2.5%)	24.5
PayPoint One average weekly service fee per site (£)	**15.7**	15.5	1.2%	15.4
Net revenue (£m)				
Service fees	**7.1**	6.3	12.7%	13.1
Card payments	**6.9**	4.2	63.4%	8.7
ATM	**5.0**	6.0	(17.8%)	11.9
Parcels and other	**2.7**	3.4	(20.3%)	7.3
Total net revenue (£m)	**21.7**	19.9	8.6%	41.0

As at 30 September 2020, PayPoint had a live terminal in 27,553 UK sites, an increase of 724 sites from 31 March 2020, primarily as a result of sites temporarily suspended sites due to Covid-19 returning to the network. PayPoint One sites increased by 802 since 31 March 2020 due to installs and a reduction in sites suspended due to Covid-19.

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

UK retail services: net revenue increased by £1.8 million (8.6%) to £21.7 million. The net revenue of each of our key products is separately addressed below.

Service fees: This is a core growth area and consists of service fees from PayPoint One and our legacy terminal. Service fee net revenue increased by £0.8 million (12.7%) to £7.1 million (2019: £6.3 million) driven by the additional 1,812 PayPoint One sites compared to 30 September 2019. The PayPoint One average weekly service fee per site increased by 1.2% to £15.7 (2019: £15.5), benefiting from the increase in Core and Pro sites which are charged at a higher rate. EPoS Pro and Core sites increased by 498 and 455 respectively since 31 March 2020, mainly due to new sales, the EPoS try before you buy trial and Covid-19 suspended sites returning. Legacy terminals now just remain in our multiple retailer partners, the replacement in our independent retailer partners having been completed at the end of the last financial year.

Card payments: Card payment transaction volumes increased significantly by 68.7% to 112.3 million (2019: 66.6 million). Across our network, 9,885 retailer partners were using the card payment solution, an increase of 450 sites since 31 March 2020 mainly due to new sales and Covid-19 suspended sites returning. Net revenue increased by 63.4% to £6.9 million (2019: £4.2 million), benefitting from the increase in convenience store sales and the preference of stores to take payment by card. PayPoint's revenue rebate is broadly based on a percentage of the transaction value processed.

ATMs: As expected ATM net revenue decreased by £1.0 million (17.8%) to £5.0 million (2019: £6.0 million) due to a 24.8% reduction in transactions, attributable to a combination of suspended sites from Covid-19 and reduced demand for cash across the economy over this period. ATM sites increased by 162 since 31 March 2020 due to a reduction in the Covid-19 suspended sites and the re-opening of a large leisure partner. PayPoint continued to optimise its ATM network by relocating existing machines to better performing locations.

Parcels & other: Total parcel volumes decreased by 2.5% to 11.2 million (2019: 11.5 million), impacted by Covid-19 with consumers staying at home. Parcel sites increased by 1,840 from 31 March 2020 to 10,486 sites (31 March 2020: 8,646 sites), due to increasing sites for the newer parcel partners and Covid-19 suspended sites returning. Parcels and other net revenue decreased by 20.3% to £2.7 million (2019: £3.4 million), due to parcel net revenue which was impacted by Covid-19 and a market decline in SIM sales. Other services provided include SIM sales and other ad hoc items.

UK bill payments

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

	Six months to 30 September 2020	Restated[1] Six months to 30 September 2019	Change %	Restated[1] Year ended 31 March 2020
Total transactions (millions)	**90.6**	141.7	(36.0%)	296.9
Of which: MultiPay transactions (millions)	**12.2**	13.9	(11.8%)	32.9
Transaction value (£m)	**2,207.7**	2,896.6	(23.8%)	6,106.3
Net revenue (£m)	**16.6**	22.3	(25.6%)	49.6
Net revenue per transaction (pence)	**18.3**	15.7	16.4%	16.7

UK bill payments revenue was restated to include the intercompany revenue recharge for transactional services with the discontinued operation. UK bill payments net revenue decreased by 25.6% (£5.7 million) to £16.6 million (2019: £22.3 million). Excluding the £2.1 million prior period net revenue from British Gas, net revenue decreased by £3.6 million (17.9%). Net revenue per transaction continued to increase and was up by 2.6 pence (16.4%) due to a 16.9% increase in the average transaction value for prepay energy and the ongoing improvement in mix to smaller, but higher yielding clients. Transaction volumes decreased by 51.1 million (36.0%), excluding British Gas transaction volumes decreased by 22.0%. The decrease in bill payment 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, less frequently and energy companies provided credit to prepayment customers.

MultiPay net revenue continued to grow and increased by 17.7% to £2.1 million (2019: £1.8 million) driven by growth from new revenue streams and an increase in transactions from other clients excluding Utilita. As expected, MultiPay transactions decreased by 1.7 million (11.8%) to 12.2 million (2019: 13.9 million) due to the planned Utilita switch to their in-house app.

[1] Comparative information has been restated due to a discontinued operation. Refer to note 9.

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 2020	Six months to 30 September 2019	Change %	Year ended 31 March 2020
Transactions (millions)	**17.6**	20.4	(13.8%)	39.5
Of which: eMoney transactions (millions)	**5.0**	4.4	15.4%	9.1
Transaction value (£m)	**358.2**	308.1	16.3%	684.1
Net revenue (£m)	**8.1**	8.1	0.7%	16.2
Net revenue per transaction (pence)	**46.3**	39.6	17.0%	41.0

As expected, UK top-up and eMoney transactions decreased by 2.8 million (13.8%) to 17.6 million (2019: 20.4 million) due to further declines in the prepaid mobile sector and Covid-19 impacts. There was a resilient performance in UK top-up and eMoney net revenue which has stayed stable at £8.1 million (2019: £8.1 million), with the decline in UK top-ups offset by the growth in eMoney.

eMoney transactions increased by 0.6 million (15.4%) to 5.0 million (2019: 4.4 million) and net revenue increased by 19.9%. eMoney transactions derive a substantially higher fee per transaction than traditional top-up transactions.

Romania (Discontinued operation)

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 2020	Six months to 30 September 2019	Change %	Year ended 31 March 2020
PayPoint terminal sites (No.)	**19,048**	19,088	(0.2%)	19,257
Transaction value (£m)	**1,228**	1,146	7.2%	2,296
Transactions (millions)				
Bill payments	**49.5**	49.6	(0.3%)	100.0
Top-ups	**6.1**	6.1	0.2%	12.4
Other	**1.8**	1.0	85.1%	2.2
Total transactions	**57.4**	56.7	1.2%	114.6
Net revenue (£m)	**7.6**	7.3	4.5%	14.6
Net revenue per transaction (pence)	**13.2**	12.8	3.1%	12.8

The number of sites decreased by 209 from 31 March 2020 to 19,048 as a result of an exercise to close non-performing sites. Bill payment transactions decreased by 0.3% to 49.5 million (2019: 49.6 million) and top-up transactions remained stable at 6.1 million (2019: 6.1 million). The growth in other transactions was driven by card payment transactions with an increase of 10 sites to 1,451 sites (2019: 1,441 sites). Net revenue increased by 4.5% from margin improvement in bill payments and top-ups.

TOTAL COSTS

£m	Six months to 30 September 2020	Restated[1] Six months to 30 September 2019	Change %	Restated[1] Year ended 31 March 2020
Continuing operations				
Other costs of revenue	**3.2**	3.8	(16.0%)	7.3
Depreciation and amortisation	**4.6**	4.0	14.6%	8.7
Administrative costs	**21.1**	21.7	(2.6%)	40.3
Finance costs	**0.7**	0.2	262.8%	0.5
	29.6	29.7	(0.3%)	56.8
Discontinued operation				
Romania	**3.8**	3.9	(2.6%)	7.9
Total costs	**33.4**	33.6	(0.6%)	64.7

Total costs decreased by £0.2 million (0.6%) to £33.4 million (2019: £33.6 million). Total costs include £1.0 million associated with the one-off acquisition and disposal costs. Costs from continuing operations decreased by £0.1 million (0.3%) to £29.6 million. Costs have been tightly managed in the period with further cost efficiencies driven by bringing terminal maintenance and repairs in-house and lower costs associated with transaction volumes. As anticipated, there were increases in depreciation and amortisation relating to the investment in our back-office systems, together with the amortisation in relation to the intangible asset recognised on acquisition of the remaining Collect+ asset. Financing costs have increased as a result of the £70.0 million revolving credit facility being fully drawn down for six months, £49.0 million was repaid in the period.

OPERATING MARGIN[2]

Operating margin from continuing operations of 37.7% (2019: 41.4%) declined by 3.7ppts due to a 7.8% decrease in net revenue from continuing operations.

PROFIT BEFORE TAX AND TAXATION

The tax charge for continuing operations of £3.7 million (2019: £4.0 million) on profit before tax from continuing operations of £16.8 million (2019: £20.7 million) represents an effective tax rate[3] for continuing operations of 21.8% (2019: 19.2%). The effective tax rate was 2.6ppts higher than the prior period due to an increase in disallowable expenses associated with the one-off acquisition and disposal costs.

STATEMENT OF FINANCIAL POSITION

Net assets of £45.0 million (2019: £41.4 million) increased by £3.6 million. Current assets decreased by £12.5 million to £163.3 million (2019: £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 decreased by £11.5 million to £45.0 million (2019: 56.5 million), due to goodwill in relation to the discontinued operation being classified as held for sale.

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

CASH FLOW AND LIQUIDITY

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

£m	**Six months to 30 September 2020**	Six months to 30 September 2019	Change %	Year ended 31 March 2020
Profit before tax from continuing and discontinued operations	**20.6**	24.0	(14.2%)	56.8
Depreciation and amortisation	**4.9**	4.3	14.0%	9.5
VAT and other non-cash items	**-**	-	100.0%	0.4
Share based payments and other items	**0.6**	-	100.0%	(0.4)
Working capital changes (corporate)	**3.4**	(1.2)	(383.3%)	0.1
Cash generation	**29.5**	27.1	8.9%	66.4
Taxation payments	**(4.2)**	(10.2)	(58.8%)	(15.8)
Capital expenditure and business acquisitions	**(9.8)**	(4.1)	139.0%	(8.4)
Loans and borrowings	**(49.0)**	18.0	(372.2%)	70.0
Acquisition of subsidiary - cash acquired	**0.9**	-	100.0%	-
Lease payments	**(0.1)**	-	100.0%	(0.3)
Dividends paid	**(10.7)**	(28.7)	(62.7%)	(57.4)
Net (decrease)/increase in corporate cash and cash equivalents	**(43.4)**	2.1	(2,166.7%)	54.5
Net change in clients' funds and retailer partners' deposits	**7.7**	0.8	862.5%	1.4
Net (decrease)/ increase in cash and cash equivalents	**(35.7)**	2.9	(1,331.0%)	55.9
Cash and cash equivalents at the beginning of year	**93.8**	37.5	150.1%	37.5
Effect of foreign exchange rate changes	**0.4**	0.1	300.0%	0.4
Cash and cash equivalents at period end	**58.5**	40.5	44.4%	93.8
Comprising:				
Corporate cash	**14.9**	5.7	161.4%	58.0
Clients' funds and retailer partners' deposits	**27.2**	34.8	(21.8%)	35.7
Assets held for sale - Clients' funds and retailer partners' deposits	**16.4**	-	100.0%	-

Cash generation remained strong with £29.5 million delivered from profit before tax from continuing and discontinued operations of £20.6 million. There was a working capital inflow of £3.4 million benefiting from the VAT deferral offered by HMRC; this will lead to a cash outflow of £3.3 million next year.

Taxation payments on account of £4.2 million (2019: £10.2 million) are lower compared to the same period last year due to HMRC bringing the payments on account forward by six months in 2019.

Capital expenditure and business acquisitions of £9.8 million (2019: £4.1 million) was £5.7 million higher than the prior year. Capital expenditure and business acquisitions primarily consists of IT hardware, PayPoint One terminals, EPoS, CRM development and T4 terminals, together with the acquisition of the remaining 50% asset that Yodel owned for £6 million. Excluding the acquisition of the remaining 50% asset that Yodel owned, capital expenditure was £0.3 million lower compared to the same period last year. This is as a result of reduced CRM development as the core platform is now live, although this was partially offset by the purchase of T4 terminals in Romania.

At 30 September 2020 net corporate debt was £6.1 million (2019: 12.3 million), £21.0 million of the £70.0 million revolving credit facility was utilised (2019: £18.0 million). Repayments of £49.0 million were made for the revolving credit facility in the period since 31 March 2020.

DIVIDENDS

	Six months to 30 September 2020	Six months to 30 September 2019	Change %
Ordinary dividends per share (pence)			
Interim (Proposed)	**15.6**	23.6	(33.9%)
Final (paid)	**15.6**	23.6	(33.9%)
Additional dividend per share (pence)			
Interim (Proposed)	**-**	18.4	(100.0%)
Final (paid)	**-**	18.4	(100.0%)
Total dividend per share (pence)	**31.2**	84.0	(62.9%)
Total dividends paid in period (£m)	**10.7**	28.7	(62.7%)

In the six months to 30 September 2020, total dividend payments of £10.7 million (15.6 pence per share) were made, representing the final ordinary dividend for the year ended 31 March 2020. This is lower than the same period last year due to the end of the additional dividend programme.

We have declared an interim dividend of 15.6 pence per share (September 2019: 23.6 pence) payable in equal instalments of 7.8 pence per share on 29 December 2020 and 8 March 2021 to shareholders on the register on 4 December 2020 and 5 February 2021 respectively.

Alan Dale
Finance Director
25 November 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**6 months ended 30 September 2020 £000**	Restated[1] 6 months ended 30 September 2019 £000	Restated[1] Year ended 31 March 2020 £000
Continuing operations				
Revenue	2,3	**60,711**	69,050	144,289
Cost of revenue	4	**(21,875)**	(26,313)	(53,142)
Gross profit		**38,836**	42,737	91,147
Administrative expenses		**(21,327)**	(21,871)	(40,687)
Operating profit		**17,509**	20,866	50,460
Finance income		**14**	59	149
Finance costs		**(696)**	(247)	(626)
Profit before tax		**16,827**	20,678	49,983
Tax	5	**(3,667)**	(3,963)	(9,961)
Profit from continuing operations		**13,160**	16,715	40,022
Discontinued operation				
Profit from discontinued operation, net of tax	9	**3,232**	2,812	5,646
Profit for the period attributable to equity holders of the parent		**16,392**	19,527	45,668
Earnings per share				
Basic	6	**24.0p**	28.6p	66.9p
Diluted	6	**23.8p**	28.5p	66.3p
Earnings per share - continuing operations				
Basic	6	**19.3p**	24.5p	58.6p
Diluted	6	**19.1p**	24.4p	58.1p

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	6 months ended 30 September 2020 £000	6 months ended 30 September 2019 £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	**267**	415	256
Other comprehensive income for the period	**267**	415	256
Profit for the period	**16,392**	19,527	45,668
Total comprehensive income for the period attributable to equity holders of the parent	**16,659**	19,942	45,924

Notes 1 to 18 form part of these financial statements.

[1] Comparative information has been restated due to a discontinued operation. Refer to note 9.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 September 2020 £000**	30 September 2019 £000	31 March 2020 £000
Non-current assets				
Goodwill		**-**	12,037	11,853
Other intangible assets		**22,322**	16,997	17,274
Property, plant and equipment		**22,119**	26,505	24,840
Deferred tax asset		**605**	945	565
Total non-current assets		**45,046**	56,484	54,532
Current assets				
Inventories		**44**	180	214
Trade and other receivables	10	**69,643**	133,840	108,368
Current tax asset		**1,084**	1,262	1,099
Cash and cash equivalents	11	**42,028**	40,521	93,774
		112,799	175,803	203,455
Assets held for sale	9	**50,529**	-	-
Total current assets		**163,328**	175,803	203,455
Total assets		**208,374**	232,287	257,987
Current liabilities				
Trade and other payables	12	**100,875**	171,686	148,621
Lease liabilities		**18**	211	197
Loans and borrowings		**21,000**	18,000	70,000
		121,893	189,897	218,818
Liabilities directly associated with assets classified as held for sale	9	**41,514**	-	-
Total current liabilities		**163,407**	189,897	218,818
Non-current liabilities				
Trade and other payables	12	**-**	169	95
Lease liabilities		**12**	828	744
Total non-current liabilities		**12**	997	839
Total liabilities		**163,419**	190,894	219,657
Net assets		**44,955**	41,393	38,330
Equity				
Share capital	13	**228**	227	228
Share premium		**4,974**	4,485	4,485
Share-based payment reserve		**1,556**	2,349	1,875
Translation reserve		**(466)**	(574)	(733)
Retained earnings		**38,663**	34,906	32,475
Total equity attributable to equity holders of the parent		**44,955**	41,393	38,330

Notes 1 to 18 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
Opening equity for 1 April 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 operation		-	-	-	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		-	1,133	(1,374)	-	(788)	(1,029)
Tax on share-based payments		-	-	13	-	72	85
Dividends		-	-	-	-	(28,708)	(28,708)
Closing equity 30 September 2019		**227**	**4,485**	**2,349**	**(574)**	**34,906**	**41,393**
Profit for the period		-	-	-	-	26,141	26,141
Exchange differences on translation of foreign operation		-	-	-	(159)	-	(159)
Comprehensive income for the period		-	-	-	(159)	26,141	25,982
Issue of shares		1	-	-	-	-	1
Equity-settled share-based payment expense		-	-	(395)	-	-	(395)
Vesting of share scheme		-	-	(42)	-	42	-
Deferred tax on share-based payments		-	-	(37)	-	97	60
Dividends		-	-	-	-	(28,711)	(28,711)
Closing equity 31 March 2020		**228**	**4,485**	**1,875**	**(733)**	**32,475**	**38,330**
Profit for the period		-	-	-	-	16,392	16,392
Exchange differences on translation of foreign operation		-	-	-	267	-	267
Comprehensive income for the period		-	-	-	267	16,392	16,659
Equity-settled share-based payment expense		-	-	610	-	-	610
Vesting of share scheme	14	-	489	(925)	-	452	16
Tax on share-based payments		-	-	(4)	-	20	16
Dividends	7	-	-	-	-	(10,676)	(10,676)
Closing equity 30 September 2020		**228**	**4,974**	**1,556**	**(466)**	**38,663**	**44,955**

Notes 1 to 18 form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**6 months ended 30 September 2020 £000**	6 months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Net cash flow from operating activities	16	**32,793**	17,531	51,481
Investing activities				
Investment income		**197**	228	531
Purchases of property, plant and equipment		**(2,002)**	(1,562)	(2,963)
Purchases of intangible assets		**(7,813)**	(2,521)	(5,445)
Acquisition of subsidiary - cash acquired		**923**	-	-
Net proceeds from disposal of property, plant and equipment		**74**	1	-
Net cash used in investing activities		**(8,621)**	(3,854)	(7,877)
Financing activities				
Dividends paid		**(10,676)**	(28,708)	(57,419)
Proceeds from issue of share capital		**-**	-	1
Proceeds from loans and borrowings		**-**	18,000	70,000
Repayment of borrowings		**(49,000)**	-	-
Payment of lease liabilities		**(111)**	-	(271)
Net cash (used in)/from financing activities		**(59,787)**	(10,708)	12,311
Net (decrease)/increase in cash and cash equivalents		**(35,615)**	2,969	55,915
Cash and cash equivalents at beginning of year		**93,774**	37,485	37,485
Effect of foreign exchange rate changes		**383**	67	374
Cash and cash equivalents at period end		**58,542**	40,521	93,774
Reconciliation of cash and cash equivalents				
Corporate cash		**14,868**	5,673	58,035
Clients’ funds and retailer partners’ deposits		**27,160**	34,848	35,739
Assets held for sale - clients’ funds and retailer partners’ deposits		**16,514**	-	-
Cash and cash equivalents at period end		**58,542**	40,521	93,774

Notes 1 to 18 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 2020 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 financial statements as at and for the year ended 31 March 2020 ('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 36.

The information shown for the year ended 31 March 2020, 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 2020, 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 26 November 2020.

The condensed consolidated interim financial statements have been prepared on a going concern basis. At 30 September 2020, the Group had cash and cash equivalents of £42.0 million, including £27.2 million of clients' funds and retailer partners' deposits. In addition, the Group has in place a five-year unsecured £75 million revolving loan facility with a £20 million accordion expiring in March 2023. The lender has confirmed the accordion of £20 million. At 30 September 2020, £21 million was drawn down from the revolving credit facility. Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group. This includes the acquisition of i-movo for an initial cash consideration of £2 million and Handepay and Merchant Rentals for a cash consideration of £70 million, which are expected to be paid on the anticipated completion dates of late November 2020 and the last quarter of the current financial year respectively. This excludes the proceeds from the sale of the Romanian business which is anticipated for April 2021. The acquisitions will be funded by the credit facility and agreed £20 million additional commitment via the accordion. The Group has a resilient Statement of Financial Position, with net assets of £45.0 million as at 30 September 2020, having made a profit for the period of £16.4 million and delivered net cash flows from operating activities of £32.8 million for the period.

As referred to on page 2, the business continuity plans actioned by the Group to date have resulted in operations continuing unaffected on a remote working basis and an analysis of post period end transaction volumes is included on page 2.

The Directors have prepared cash flow forecast scenarios over a three-year period, taking into account the Group's current financial and trading position, the principal risks and uncertainties and the strategic plans that are reviewed at least annually by the Board. The cashflow forecasts included an analysis and stress test to ensure working capital movements do not trigger a covenant breach. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of not less than 12 months from the date of this announcement and therefore have prepared the financial statements on a going concern basis.

The accounting policies are consistent with those included in the annual report 2020, apart from non-current assets held for sale and discontinued operations which is 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 first is 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 Company'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. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

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

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

Critical judgement: recognition of cash and cash equivalents
The nature of bill payments services means that PayPoint collects and holds funds on behalf of clients as those funds pass through the settlement process and also retains retailer partners' deposits as security for those collections.

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

(a) existence of a binding agreement clearly identifying the beneficiary of the funds
(b) the identification, ability to allocate and separability of funds
(c) identification of the holder of those funds at any point in time
(d) whether PayPoint bears the credit risk

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

Critical estimate: useful economic lives of intangible assets
A critical estimate for the amount of amortisation that is recognised in the profit or loss account and the carrying value of the asset in the statement of financial position. The useful life used to amortise intangible assets relates to the expected future performance of the assets and management's judgement of the period over which economic benefit will be derived from the asset. For development costs, the Group has determined the useful life based on historical experience with similar products and platforms controlled by the Group as well as anticipation of future events which may impact their life such as changes in technology.

The Group has recognised a brand intangible asset at fair value in accordance with IAS38 Intangible Assets, which is being amortised over its estimated useful economic life of twelve years.

Critical estimate: capitalised development expenditure
A critical estimate at the statement of financial position date that has a risk of causing an adjustment to the carrying amount of assets and liabilities through estimation uncertainty is the evaluation of capitalised development expenditure shown in intangible assets. An estimate is required of how additions to intangible assets will generate probable future economic benefits whilst judgement is required in determining the technical feasibility of completing the intangible asset.

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 commissions paid to retailer partners and the cost of mobile top-ups and SIM cards where PayPoint is principal. This reflects the benefit attributable to PayPoint's performance eliminating pass-through costs which creates comparability where PayPoint is agent or principal and is an important measure of the overall success of our strategy.

The reconciliation of revenue to net revenue is as follows:

	6 months ended 30 September 2020 £000	Restated[1] 6 months ended 30 September 2019 £000	Restated[1] Year ended 31 March 2020 £000
Continuing operations			
Service revenue	**58,876**	67,585	141,280
Sale of goods	**744**	891	1,793
Royalties	**1,091**	574	1,216
Revenue	**60,711**	69,050	144,289
less:			
Retail partners' commissions	**(14,122)**	(18,533)	(37,243)
Cost of mobile top-ups and SIM cards as principal	**(173)**	(160)	(286)
	46,416	50,357	106,760
Discontinued operation			
Net revenue from Romania	**7,592**	7,262	14,633
Total net revenue	**54,008**	57,619	121,393

Effective tax rate (non-IFRS measure)
Effective tax rate is the ongoing tax cost as a percentage of the 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 16. 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 4), administrative expenses, financing income and financing costs.

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

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

[1] Comparative information has been restated due to a discontinued operation. Refer to note 9.

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

	30 September 2020 £000	30 September 2019 £000	31 March 2020 £000
Cash and cash equivalents	**42,028**	40,521	93,774
less:			
Clients' funds and retailer partners' deposits	**(27,160)**	(34,848)	(35,739)
Loans and borrowings	**(21,000)**	(18,000)	(70,000)
Net corporate debt	**(6,132)**	(12,327)	(11,965)

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, as the chief operating decision maker does not review those separately for resource allocations purposes, therefore the Group has only one operating segment. A sector analysis has been provided in the finance review on pages 12 to 14.

	6 months ended 30 September 2020 £000	Restated[1] 6 months ended 30 September 2019 £000	Restated[1] Year ended 31 March 2020 £000
Revenue by country			
Continuing operations			
UK	**60,711**	69,050	144,289
Discontinued operation			
Romania	**34,472**	35,042	69,712
Total	**95,183**	104,092	214,001

	30 September 2020 £000	30 September 2019 £000	31 March 2020 £000
Non-current assets			
Continuing operations			
UK	**45,046**	42,211	40,493
Discontinued operation			
Romania	**14,614**	14,273	14,039
Total	**59,660**	56,484	54,532

[1] Comparative information has been restated due to a discontinued operation. Refer to note 9.

3. Revenue

Disaggregation of revenue	6 months ended 30 September 2020 £000	Restated[1] 6 months ended 30 September 2019 £000	Restated[1] Year ended 31 March 2020 £000
Continuing operations			
Bill payments	**21,668**	29,969	65,003
Top-ups and eMoney	**11,715**	12,187	24,203
Retail services	**27,328**	26,894	55,083
	60,711	69,050	144,289
Discontinued operation			
Romania	**34,472**	35,042	69,712
Total	**95,183**	104,092	214,001

Seasonality of operations
PayPoint operates in many sectors each within their own form of seasonality. The energy bill payment and parcel sectors are the most seasonal sectors with the energy sector generating more transactions during the winter months and parcels generating higher volumes in the lead up to Christmas. As a result, higher revenue and operating profits are usually expected in the second half of the year rather than in the first six months. This does not constitute “highly seasonal” as considered by IAS 34 Interim Financial Reporting.

Contract balances	30 September 2020 £000	30 September 2019 £000	31 March 2020 £000
Trade receivables	**7,831**	13,701	12,346
Accrued income	**3,935**	4,147	2,518
Contract assets - deferred setup and development fees	**2,324**	3,397	2,862
Contract liabilities	**(1,644)**	(2,378)	(1,965)
Deferred income	**(348)**	(612)	(328)
Total contract balances	**12,098**	18,255	15,433

4. Cost of revenue

	6 months ended 30 September 2020 £000	Restated[1] 6 months ended 30 September 2019 £000	Restated[1] Year ended 31 March 2020 £000
Continuing operations			
Retailer partners' commissions	**14,122**	18,533	37,243
Cost of mobile top-ups and SIM cards	**172**	160	286
Cost of revenue deducted for net revenue	**14,294**	18,693	37,529
Depreciation and amortisation	**4,385**	3,814	8,295
Other	**3,196**	3,806	7,318
Other costs of revenue	**7,581**	7,620	15,613
Total cost of revenue from continuing operations	**21,875**	26,313	53,142
Discontinued operation			
Total cost of revenue from Romania	**27,333**	28,384	56,479
Total cost of revenue	**49,208**	54,697	109,621

5. Tax

	6 months ended 30 September 2020 £000	Restated[1] 6 months ended 30 September 2019 £000	Restated[1] Year ended 31 March 2020 £000
Continuing operations			
Current tax	**3,727**	4,137	9,778
Deferred tax	**(60)**	(174)	183
	3,667	3,963	9,961
Discontinued operation			
Current tax	**551**	522	1,163
Deferred tax	**5**	24	8
	556	546	1,171
Total	**4,223**	4,509	11,132

	6 months ended 30 September 2020 £000	6 months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Effective tax rate	**20.5%**	18.8%	19.6%
Effective tax rate for continuing operations	**21.8%**	19.2%	19.9%

The tax charge for continuing and discontinued operations was £4.2 million (September 2019: £4.5 million) resulting in an effective tax rate of 20.5% (September 2019: 18.8%), which is above 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.

[1] Comparative information has been restated due to a discontinued operation. Refer to note 9.

6. Earnings per share

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

	6 months ended 30 September 2020 £000	6 months ended 30 September 2019 £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	**16,392**	19,527	45,668
Continuing operations			
Profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**13,160**	16,715	40,022

	30 September 2020 Number of Shares Thousands	30 September 2019 Number of Shares Thousands	31 March 2020 Number of Shares Thousands
Weighted average number of ordinary shares in issue (for basic earnings per share)	**68,338**	68,251	68,264
Potential dilutive ordinary shares:			
Long-term incentive plan	**177**	266	417
Deferred annual bonus scheme	**62**	43	73
SIP and other	**262**	51	80
Weighted average number of ordinary shares in issue (for diluted earnings per share)	**68,839**	68,611	68,834

Earnings per share (pence)			
Basic	**24.0**	28.6	66.9
Diluted	**23.8**	28.5	66.3

Earnings per share - continuing operations (pence)			
Basic	**19.3**	24.5	58.6
Diluted	**19.1**	24.4	58.1

7. Dividends

On 26 November 2020, an interim dividend of 15.6 pence per share (September 2019: 23.6 pence) was declared. There was no additional dividend (September 2019: 18.4 pence). The total dividend of 15.6 pence per share will be paid in equal instalments of 7.8 pence per share on 29 December 2020 (to shareholders on the register on 4 December 2020) and 8 March 2021 (to shareholders on the register on 5 February 2021). Total dividends of £10.7 million (15.6 pence per share) were paid during the period and comprised of the final ordinary dividend for the year ended 31 March 2020.

8. Acquisition of 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. An intangible brand asset of £6.0 million has been recognised initially at cost and will be amortised over the useful life of 12 years.

In the period since acquisition, the Collect+ Group earned gross revenues of £1.1 million and reported profit after tax of £0.9 million.

The following table summarises the recognised amounts of assets acquired and liabilities of the Collect+ Group assumed at the date of acquisition.

Fair value of assets and liabilities acquired on 6 April 2020	**£000**
Trade and other receivables	**8**
Cash and cash equivalents	**923**
Trade and other payables	**(906)**
Total identifiable net assets acquired	**25**

9. Disposal Group held for sale and discontinued operation

On 21 October 2020, PayPoint announced that it had signed an agreement to sell its Romanian business, PayPoint Services SRL and Payzone SA to Innova Capital. The sale is subject to competition and regulatory approvals, as well as other conditions precedent, and therefore completion is anticipated to take place on 31 March 2021. The cash consideration is expected to be circa £47 million on a debt-free, cash-free basis, subject to a net working capital adjustment on completion.

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, which is where the net proceeds will be invested.

The major classes of assets and liabilities comprising the operation classified as held for sale are as follows:

Assets held for sale	**30 September 2020 £000**
Goodwill	**12,042**
Other intangible assets	**314**
Property, plant and equipment	**2,247**
Deferred tax asset	**11**
Inventories	**203**
Trade and other receivables	**19,198**
Clients' funds and retailers' deposits	**16,514**
	50,529
Liabilities directly associated with assets classified as held for sale:	
Trade and other payables	**41,227**
Current tax liabilities	**287**
	41,514
Net assets held for sale	**9,015**

The assets held for sale are those of the Romanian business, including the related goodwill.

The net assets have been assessed to ensure their fair value less costs to sell is greater than the carrying value. The proceeds of the disposal are expected to substantially exceed the carrying amount of the related net assets and accordingly no impairment losses have been recognised on the classification of the operation as held for sale.

The Romanian business was not previously classified as held-for-sale or 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 was restated to include the intercompany revenue recharge for transactional services with the discontinued operation. Subsequent to the disposal, the Group will continue to recharge the discontinued operation for transactional services. Although intra-group transactions have been fully eliminated in the consolidated financial results, PayPoint has elected to attribute the elimination of transactions between the continuing and discontinued operation before the disposal in a way that best reflects the continuance of these transactions subsequent to the disposal.

To achieve this presentation, the discontinued operation results include the intercompany cost for transactional services within the expenses line below.

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

	6 months ended 30 September 2020 £000	6 months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Revenue	**34,472**	35,042	69,712
Cost of revenue	**(27,333)**	(28,384)	(56,479)
Gross profit	**7,139**	6,658	13,233
Expenses	**(3,465)**	(3,416)	(6,704)
Operating profit	**3,674**	3,242	6,529
Finance income	**184**	169	382
Finance costs	**(70)**	(53)	(94)
Profit before tax	**3,788**	3,358	6,817
Tax	**(556)**	(546)	(1,171)
Profit from discontinued operation attributable to equity holders of the parent	**3,232**	2,812	5,646

Cash flows (used in)/from discontinued operation

	6 months ended 30 September 2020 £000	6 months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Net cash from operations	**4,161**	3,690	6,942
Net cash (used in)/from investing activities	**(439)**	149	678
Net cash used in financing activities	**(6,570)**	-	(920)
Effect of foreign exchange rate changes	**361**	58	366
Net cash flow for the period	**(2,487)**	3,897	7,066

10. Trade and other receivables

	30 September 2020 £000	30 September 2019 £000	31 March 2020 £000
Trade receivables	**7,831**	13,701	12,346
Items in the course of collection[1]	**53,926**	112,623	88,692
Revenue allowance	**(1,312)**	(2,926)	(1,379)
	60,445	123,398	99,659
Other receivables	**111**	217	594
Contract assets	**2,324**	3,397	2,862
Accrued income	**3,935**	4,147	2,518
Prepayments	**2,828**	2,681	2,735
	69,643	133,840	108,368

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

11. 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 cash and cash equivalents of £42.0 million (2019: £40.5 million) are balances of £27.2 million (2019: £34.8 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 12). Clients' funds held in trust which are not included in cash and cash equivalents amounted to £51.0 million at 30 September 2020 (2019: £38.4 million).

12. Trade and other payables

	30 September 2020 £000	30 September 2019 £000	31 March 2020 £000
Amounts owed in respect of client funds' and retailer partners' deposits[1]	**27,160**	34,848	35,739
Settlement payables[2]	**53,926**	112,623	88,692
Client payables	**81,086**	147,471	124,431
Trade payables	**4,294**	6,938	8,318
Other taxes and social security	**6,014**	3,083	4,006
Other payables	**474**	3,489	3,886
Accruals	**7,015**	7,884	5,782
Deferred income	**348**	612	328
Contract liabilities	**1,644**	2,378	1,965
	100,875	171,855	148,716

Disclosed as:			
Current	**100,875**	171,686	148,621
Non-current	**-**	169	95
Total	**100,875**	171,855	148,716

13. Share capital

Share capital as at 30 September 2020 was £228,220. During the period PayPoint plc issued 89,294 (September 2019: 111,602) shares for the 2017 LTIP, DABS, SIP and Restricted Share Plan which were all equity settled share schemes. All ordinary shares were issued with a par value of 1/3 pence each.

14. Share-based payments

The total charge of £0.9 million (September 2019: £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 27 July 2020 the following restricted share awards (RSAs) were issued to eligible employees: 20,117 2-year RSAs, 140,894 3-year RSAs, 14,861 4-year RSAs and 14,861 5-year RSAs. The restricted share awards do not contain any performance criteria and will vest over either 2, 3, 4 or 5 years.

A further 2,532 share awards were issued under the DABS scheme with vesting over three years to 09 June 2023.

15. 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 2020, 30 September 2019 and 31 March 2020.

[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.

16. Notes to the condensed consolidated statement of cash flows

	6 months ended 30 September 2020 £000	6 months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Profit before tax from continuing and discontinued operations	**20,615**	24,035	56,799
Adjustments for:			
Depreciation on property, plant and equipment	**2,478**	2,867	5,631
Amortisation of intangible assets	**2,403**	1,474	3,886
Loss on disposal of fixed assets	**-**	8	387
Net finance costs	**568**	72	189
Share-based payment charge	**610**	1,026	631
Cash element of share-based remuneration	**-**	(1,028)	(1,028)
Operating cashflows before movements in corporate working capital	**26,674**	28,454	66,495
Movement in inventories	**(30)**	(53)	(89)
Movement in receivables	**(549)**	993	1,172
Movement in contract assets	**641**	(192)	775
Movement in contract liabilities	**(322)**	(197)	(731)
Movement in payables	**3,638**	(1,882)	(1,160)
Movement in lease liabilities	**19**	(10)	96
Cash generated by operations	**30,071**	27,113	66,558
Corporation tax paid	**(4,191)**	(10,116)	(15,770)
Finance charges paid	**(765)**	(300)	(720)
Cash generated from operating activities (corporate)	**25,115**	16,697	50,068
Movement in clients' cash and retailer partners' deposits[1]	**7,678**	834	1,413
Net cash from operating activities	**32,793**	17,531	51,481

17. Ofgem Statement of Objection

On 30 Sept 2020, we announced that we had received a Statement of Objections from Ofgem relating to certain contractual terms with certain energy suppliers and retailers for the provision of over-the-counter (OTC) payment services. We are considering Ofgem's provisional views set out in the Statement of Objections and will exercise our right to respond to Ofgem in due course. It is therefore too early at this stage to predict an outcome and any potential outflow of funds.

18. Post balance sheet events

On 24 September 2020, PayPoint agreed to acquire all of the shares of i-movo Holdings Limited and its wholly owned subsidiary i-movo Limited for an initial consideration of £3.0 million and potential deferred, contingent consideration capped at £6.0m. The acquisition completed on 24 November 2020 after receiving approval from the regulatory authorities. The initial accounting of the business combination is yet to be finalised and therefore the allocation of the purchase price has not been disclosed.

On 4 November 2020, PayPoint agreed to acquire all of the shares of Handepay Limited and Merchant Rentals Limited for cash consideration of £70.0 million on a cash-free, debt-free basis. The acquisition is conditional on approval from the regulatory authorities which is expected to be received in the last quarter of the current financial year. The Group is now awaiting approval from the regulatory authorities before proceeding with the acquisition. Beneficial ownership and control of Handepay and Merchant Rentals would

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

be transferred, and consideration paid, following regulatory approval. The initial accounting of the business combination is yet to be finalised and therefore the allocation of the purchase price has not been disclosed.

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
Credit and operational risk	PayPoint processes large volumes of payments creating significant credit risks and risk of fraud and error. Significant credit exposures exist with large retailers and other counterparties, and failure of a large retailer or counterparty may result in significant financial loss. Effective operational controls are essential to settle funds securely and timely, and inadequate or failed controls may result in fraud, liquidity risk, contractual breaches or other financial loss.	PayPoint has effective credit and operational procedures and controls in place. Retailers and counterparties are subject to ongoing credit assessments, and effective debt management processes are implemented. Settlement processes and controls are continually assessed and enhanced, and new systems and technology implemented. Effective governance is in place with segregation of duties and approval processes enforced to protect against fraud and error.	➲
People and culture	Failure to attract and develop key talent and continue evolving our culture may impact service levels and delivery of strategic initiatives. If we do not develop our employees and maintain an appropriate culture, our business performance and reputation may be damaged resulting in reduced revenue and growth.	The Executive Board define and advocate PayPoint's values, and employee development and culture are key strategic priorities. Talent management and people development are well established, and employment guidelines and ethical principles are implemented to assist maintaining a strong culture. Values and ethical principles are aligned with employee objectives and employee and retailer engagement surveys are regularly conducted to assess how we deliver on our values. PayPoint is protecting its employees through the Covid-19 pandemic by allowing employees to work from home and offering additional support and flexibility.	➲
Losing key clients and retailers	PayPoint has diversified portfolios of clients and retailers however some are more strategically important. Our business relies on an appropriate mix of clients and retailers and losing a key client or retailer has the ability to adversely impact the business model and reduce revenue.	PayPoint builds strategic relationships with key clients and retailers and continually seeks to improve its service levels; including conducting retailer engagement surveys to monitor and enhance our performance. Key clients and retailers are on long-term contracts, and new clients and retailers are routinely onboarded maintaining and diversifying portfolios. New products and channels are also developed to diversify revenue streams and mitigate the impact of losing key clients or retailers in particular markets.	➲
Competition and markets	The markets in which PayPoint operates, and the competition in those markets continue to evolve. Covid-19 has impacted PayPoint's markets and may continue to do so. The decline in cash usage, and changes in consumer trends and government policy may impact our core markets, and failure to implement effective strategies in response to changes will negatively impact revenue. Industry consolidation in the UK has increased the competitive environment, and our market proposition and service levels need to remain strong to maximise business performance.	PayPoint closely monitors consumer and technological trends and engages with clients and retailers to continually improve service levels. The Executive Board regularly reviews markets, trading opportunities, pricing and competitor activity, and the Board oversee and challenge strategic direction. PayPoint invests in new products, services and technology and adapts to consumer trends such as growing its parcel and online payments businesses to capitalise on market changes.	⬆
Innovation and implementation	Failure to innovate and implement new products, services and technology would impede business performance and our ability to achieve strategic goals. Our business relies on continued product enhancements and failing to improve products due to poor design, build or roll-out would ultimately reduce revenue. Continued system infrastructure improvements are essential in maintaining resilient and effective services, and ineffective infrastructure upgrades may impact future performance.	PayPoint is committed to innovation and investing in new technology and products to support its continued growth. Products and services are continually reviewed and developed to enhance our proposition and service levels, consistent with customer needs and expectations. Various improvement programmes are under way and effective change management processes are deployed by dedicated project teams. The Executive Board oversees all major projects to ensure governance and implementation are effective.	➲

Key partners and suppliers	PayPoint has a diverse range of suppliers and partners, however some suppliers and partners are more strategically important and not so easily substituted. If supply of goods or services is disrupted or relationships cease before alternative arrangements can be implemented, PayPoint may experience difficulty maintaining service levels potentially resulting in revenue loss, reputational damage or penalties. Continued uncertainties around Covid-19 remain a risk to PayPoint's continued relationship with key partners and suppliers.	PayPoint has effective partner and supplier selection processes and long-term contacts are implemented for strategic partner and suppliers. We aim to develop strong relationships with key partners and suppliers, and single points of failure are avoided where practicable, with alternative suppliers and partners contracted and continuity plans implemented. Impact assessments are conducted for critical dependencies and mitigation measures implemented.	→
Business interruption	Service delivery interruption caused by system failure, loss of premises, or other disruption may impede performance and harm our reputation. Clients, retailers and consumers rely on resilient systems and continued service delivery, and failure to promptly recover services may result in revenue loss, contractual breaches, penalties and increased costs. PayPoint's important transition from cash to digital creates an upward trend in interruption risk and a recent interruption incident was encountered. Additionally, continued uncertainties remain around Covid-19 which may impact PayPoint's service delivery, therefore interruption risk is considered increasing.	Comprehensive continuity plans have been implemented to mitigate risk of disruption from Covid-19. Systems are continually upgraded and resilience is built into systems and processes. Effective change management processes are deployed minimising risk of disruption, and systems are regularly tested and continually monitored for outages. PayPoint has a Major Incident Response Plan and business continuity and disaster recovery plans are implemented and regularly tested. Third party data centres are used with failover capabilities, and business continuity premises and work from home arrangements are implemented.	↑
Legal and regulatory	PayPoint is required to comply with numerous legal and regulatory requirements, and breaches of these obligations may result in costly corrective actions, reputational damage and prosecution. Regulatory landscapes continue to evolve, and changes in regulations and license requirements may adversely impact our business. 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. PayPoint is subject to numerous contractual requirements and failure to meet obligations may result in penalties and financial loss.	PayPoint's legal team work closely with management to advise on regulatory matters and adopt strategies to ensure regulatory adherence. Legal teams are engaged on key contracts and legal matters, and compliance teams oversee compliance programmes, monitoring and reporting. PayPoint is in the process of responding to the Statement of Objections received from Ofgem. Emerging regulations are incorporated into strategic planning, and we engage with regulators to ensure we have appropriate frameworks to support new products and markets. External counsel is engaged where required.	↑
Cyber security and data protection	Cyber attacks on PayPoint's systems and networks may significantly impact service delivery and data protection causing harm to PayPoint, our clients, retailer partners and other stakeholders. Although PayPoint continues to upgrade and enhance its cyber security capabilities, attacks are a constant threat, with increased ransomware attacks on businesses over the last 12 months. Covid-19 has heightened cyber risk with significant reliance on home working tools and criminals exploiting vulnerabilities. Failure to comply with service delivery, contractual requirements or data privacy requirements may result in significant fines and reputational damage.	PayPoint has a robust IT security framework and deploys industry standard security systems with cyber intelligence capabilities. Systems are constantly monitored for attacks with teams in place to respond to incidents, and cyber security response plans are regularly tested. Home working tools, security alert processes and employee cyber awareness have been enhanced in response to specific Covid-19 threats. We engage with law enforcement and partners on cyber crime, and proactively manage compliance with data privacy requirements. Additionally, PayPoint's Audit Committee has a cyber security and IT sub-committee which oversees cyber security capability.	↑

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
Chief Executive

Alan Dale
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 2020 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 2020 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.

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

25 November 2020

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 17,100 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 cash withdrawals, eMoney, parcel collections and drop-offs. Our UK network of more than 27,700 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 market-leading payments technologies without the need for capital investment. Our seamlessly integrated omnichannel solution – MultiPay is a one-stop shop for digital and other customer payments. PayPoint helps a wide range of consumer service organisations 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 (Chief Executive) Alan Dale (Finance Director, appointed 20 November 2020) Rachel Kentleton (resigned 30 June 2020) Giles Kerr (Chairman)* Rakesh Sharma (Senior Independent Director)* Gillian Barr* Rosie Shapland* (appointed 2 October 2020) Ben Wishart* *Non-Executive Directors
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Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA United Kingdom
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Auditors	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL United Kingdom