

PayPoint Plc
Results for the half year ended 30 September 2021

A positive first half across the PayPoint Group in line with expectations, with early delivery from growth initiatives

FINANCIAL HIGHLIGHTS

- Net revenue¹ from continuing operations of £56.1 million (H1 FY21: £46.4 million from continuing operations) increased by £9.7 million (20.9%), driven by a proactive recovery from the prior year impacts of Covid-19, a positive contribution from Handepay/Merchant Rentals and supported by the acquisitions of i-movo and RSM 2000
- Profit before tax from continuing operations excluding exceptional items of £21.9 million² (H1 FY21: £16.8 million) increased by £5.1 million (30.0%)
- Disposal of Romanian business completed on 8 April 2021, delivering a profit before tax from the discontinued operation of £30.0 million with final cash proceeds net of disposal costs of £47.6 million
- Acquisition of RSM 2000 completed on 12 April 2021 for an initial cash consideration of £5.9 million, with £1.0 million deferred, enhancing our digital payments capability, adding innovative mobile payment products and enabling further reach into new and existing sectors, including charities, housing, not-for-profit organisations, events and SMEs in the UK
- Investment in Snappy Group made on 7 July 2021 for cash consideration of £6.7 million, positioning us to take advantage of the rapid growth in consumer demand for local home delivery seen over the past 18 months
- Total costs³ from continuing operations (which excludes exceptional items) of £34.2 million (H1 FY21: £29.6 million from continuing operations) increased by £4.6 million (15.5%) mainly due to the £7.1m additional cost base in relation to the newly acquired businesses partially offset by £1.5m reductions in operational costs and £1.0 million of one off acquisition costs in FY21
- Net corporate debt⁴ of £36.5 million (H1 FY21: £6.1 million) reflects corporate cash balances of £7.2 million less borrowings of £43.7 million. Net corporate debt reduced by £31.7 million since the end of the prior year as the proceeds received on sale of the Romanian business were used to repay the majority of the revolving credit facility
- Increased ordinary interim dividend of 17.0 pence per share declared, an increase of 2.4% vs the final dividend declared on 27 May 2021 of 16.6 pence per share and an increase of 9.0% vs. the same period last year (H1 FY21: 15.6p). The dividend will be paid in equal instalments of 8.5 pence per share on 30 December 2021 and 7 March 2022

	Six months to 30 September 2021	Six months to 30 September 2020	Change
Revenue from continuing operations	£70.2m	£60.7m	15.6%
Net revenue from continuing operations ¹	£56.1m	£46.4m	20.9%
Operating margin before exceptional items ⁵ from continuing operations	40.8%	37.7%	3.1ppts
Profit before tax from continuing operations excluding exceptional items ²	£21.9m	£16.8m	30.0%
Exceptional items from continuing operations	£2.9m	-	n/m
Profit before tax from discontinued operation	£30.0m	£3.8m	n/m
Profit before tax	£54.8m	£20.6m	165.6%
Diluted earnings per share	72.4p	23.8p	204.2%
Diluted earnings per share from continuing operations	29.1p	19.1p	52.4%
Ordinary dividend paid per share	16.6p	15.6p	6.4%
Ordinary reported dividend per share	17.0p	15.6p	9.0%
Cash generation ⁶ from continuing operations	£22.1m	£25.1m	(12.0%)
Net corporate debt	£(36.5)m	£(6.1)m	n/m

Nick Wiles, Chief Executive of PayPoint plc, said:

“The Group has continued to perform well in the first half of the year, with further progress made on the numerous growth opportunities across our expanded business. We have delivered this positive performance against the backdrop of continued

¹ Net revenue is an alternative performance measure. Refer to note 1 to the interim report for a reconciliation to revenue

² Profit before tax from continuing operations excluding exceptional items excludes the £30.0 million profit before tax from the discontinued operation and £2.9m revaluation gain of the i-movo deferred, contingent consideration liability

³ Total costs is an alternative performance measure as explained in note 1 to the interim report, and excludes exceptional costs/income. A reconciliation is included in the Financial Review on page 14

⁴ Net corporate debt (excluding IFRS 16 liabilities) is an alternative performance measure. Refer to note 1 to the interim report for a reconciliation to cash and cash equivalents

⁵ Operating margin before exceptional items % is an alternative performance measure as explained in note 1 to the interim report and is calculated by dividing operating profit before exceptional items from continuing operations by net revenue from continuing operations

⁶ Cash generation is an alternative performance measure. Refer to the Financial review on page 15 – cash flow and liquidity for a reconciliation from profit before tax

uncertainty in our energy markets and its impact on our clients, as well as responding in a number of areas of the business to the impact of changing consumer behaviours as Covid-19 restrictions have eased.

Good progress has been made on our strategic priorities: we've continued to enhance our proposition to help our retailer partners respond to key consumer demand trends, such as local store to door delivery and FMCG rewards, backed up by increased engagement with them and key trade associations. We have also commenced the rollout of our Counter Cash solution, providing vital access to cash in communities across the UK; we've secured more client wins for our digital payments solutions and i-movo has launched a major new service with the Department for Work and Pensions replacing the Post Office Card Account; and we've diversified our e-commerce offering to launch more services with existing clients whilst building out our consumer Parcel Send service. Many of these new services have underlined the need to grow consumer awareness directly for our expanded proposition, with a further shift away from the B2B2C model of our legacy markets.

Strategically, in the half year, we have continued to build on the transformative changes we delivered last year to expand growth opportunities and leverage our strengthened capabilities by completing the acquisition of RSM 2000 for an initial cash consideration of £5.9 million, enhancing our digital payments capability, and making a strategic £6.7 million investment in Snappy Group, positioning us to support the convenience sector in response to consumer demand for local store to door delivery.

Across our expanded universe of over 60,000 SME and retailer partner locations, we continue to be well-placed to support our partners in response to the wider trends that have accelerated through the pandemic, including the continued shift from cash to digital payments, the growing demand for online shopping fulfilment and the increase in shopping local. Overall, the Board's expectations for the full year remain unchanged."

OFGEM UPDATE

- On 23 November 2021, Ofgem published a 'Notice of Decision to Accept Binding Commitments', regarding voluntary commitments proposed by PayPoint to Ofgem to address the concerns raised in Ofgem's Statement of Objections received on 29 September 2020
- Ofgem, the energy regulator, has now accepted those commitments as a resolution of its concerns
- PayPoint will now implement the commitments with all relevant stakeholders in a timetable agreed with Ofgem

DIVISIONAL HIGHLIGHTS

Positive performance across the Group with continued shift away from legacy bill payment markets

Shopping

Shopping divisional net revenue increased by 51.0% to £29.3 million, driven by the net revenue contribution from the Handepay/Merchant Rentals card payments businesses of £9.8m and from the roll out of PayPoint One to additional retailer sites.

- Service fee net revenue increased by 15.3% to £8.2 million, with increases in sites from PayPoint One
- Strong card payment volumes continued on the existing book – Handepay business growing to 72.1 million transactions in the half year (H1 FY21: 57 million), together with the PayPoint card business increasing slightly by 0.2% year on year to 112.6 million transactions, maintaining the strong volumes seen in H1 FY21 driven by increased consumer usage during the first Covid-19 lockdown
- UK retail network increased to 28,135 sites (31 March 2021: 28,067), with 68.7% in independent retailer partners and 31.3% in multiple retail groups

E-commerce

E-commerce divisional net revenue increased by 39.0% to £2.1 million (H1 FY21: £1.5m) and transactions increased by 27.6% (H1 FY21: 11.2 million) through our e-commerce technology platform, Collect+, driven by the continued growth and recovery in transaction volumes vs. the Covid-19 impacted H1 FY21 performance.

Payments & Banking

Payments & Banking divisional net revenue decreased by 3.1% to £24.7 million, driven by fewer cash bill payments and top up transactions, and margin erosion from client contract renewals but offset by continued growth in digital transactions.

- Good digital payments growth to 13.5 million transactions (H1 FY21: 13.1 million) and net revenue to £3.5 million (H1 FY21: £2.9 million), with a positive contribution from RSM 2000 and continued demand for cash out services, providing vital and immediate access to funds for vulnerable consumers driven by ongoing Government meal voucher schemes and Covid-19 related hardship funds
- Continued cash through to digital payments growth, with eMoney transactions increasing by 15.5% and net revenue by 11.1% compared to H1 FY21. Overall, this now represents 7.7% of total Group net revenue at £4.3 million (H1 FY21: 8.3% of total Group net revenue at £3.9 million)
- Cash payments net revenue decreased by 9.7%, primarily due to consumers continuing to make fewer, larger bill payments, margin erosion as client contracts have been renewed, and a continued reduction in consumers and absence of tourists topping up mobile phones in store

BUSINESS DIVISION NET REVENUE AND MIX

Net revenue from continuing operations by business division (£m)	H1 FY22	FY21	H1 FY21
Shopping	29.3	40.2	19.4
E-commerce	2.1	3.6	1.5
Payments & Banking	24.7	53.3	25.5
PayPoint Group Total	56.1	97.1	46.4
Business division mix	H1 FY22	FY21	H1 FY21
Shopping	52.4%	41.4%	42.0%
E-commerce	3.6%	3.7%	3.2%
Payments & Banking	44.0%	54.9%	54.8%

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A presentation for analysts is being held at 9.30am today (25 November 2021) via webcast. This announcement, along with details for the webcast, is available on the PayPoint plc website: corporate.paypoint.com

CHIEF EXECUTIVE'S REVIEW

The Group has had a positive first half, with further progress made on the numerous growth opportunities across our expanded business and a good performance delivered against the backdrop of continued uncertainty in our energy markets and the impact of these on our clients, as well as responding in a number of areas of the business to how consumer behaviours will continue to adjust longer-term as Covid-19 restrictions have eased. We continue to be well-placed to take advantage of the wider trends that have accelerated through the pandemic, including the continued shift from cash to digital payments, the growing demand for online shopping fulfilment and the increase in shopping local, with the enlarged PayPoint Group now delivering a broader range of innovative services and technology connecting millions of consumers with an expanded universe of over 60,000 retailer partner and SME locations across multiple sectors.

As we indicated in our first quarter results, we continue to see a positive contribution from the Handepay/Merchant Rentals, i-movo and RSM 2000 acquisitions and overall trading has remained good with a continuation of the trends seen in the second half of the last financial year. Energy bill payment volumes have not recovered as we would have hoped, reflecting a combination of continued higher than average top up amounts and a shift to digital channels seen through Covid-19, while ATM volumes have remained similarly subdued. However, volumes in eMoney, digital payments and parcels have continued to grow year on year, and the expanded parcel Send service has now started to gather momentum but with volumes slower than originally anticipated.

Over the half year, given the number of new initiatives underway, there has been a greater demand for strong execution from the business, particularly in these new areas and growth opportunities where we are establishing operations for the first time. Like many businesses, we are navigating more challenges from a people perspective as labour markets and working habits continue to recover post-Covid restrictions, including adjusting to new working patterns, higher levels of Covid-related sickness in key areas such as field sales, higher levels of staff turnover and increased salary pressures to recruit and retain talent. We have taken positive actions to address these challenges, including our successful return to office programme in September 2021, with ongoing manager support and staff surveys; regular communication and support for teams on supporting Covid-affected individuals; and reviewing key role salaries and streamlining our recruitment process to remain competitive in the current market.

Strategically, in the half year, we have built on the transformative changes we delivered in the last financial year to expand our growth opportunities and leverage our strengthened capabilities by completing the acquisition of RSM 2000 and making a strategic £6.7m investment in Snappy Group, one of the UK's leading local home delivery and click and collect operators. RSM 2000 enhances our digital payments capability, adding innovative mobile payment products and enabling reach into new and existing sectors, including charities, housing, not-for-profit organisations, events and SMEs in the UK. Our investment in Snappy Group builds on our previously announced commercial partnership, enabling the Group and its retailer partners to respond to consumer demand for rapid, local home delivery and remain at the forefront of retail and consumer trends. Furthermore, the performance of our expanded cards business continues to be strong, following the acquisition of Handepay/Merchant Rentals in February 2021, and we are continuing to innovate and enhance our merchant proposition to support SMEs as the economy continues to recover.

The Board has reconfirmed our core strategic priorities for the business: embedding PayPoint at the heart of SME and convenience retail businesses; becoming the definitive technology-based e-commerce delivery platform for first and last mile customer journeys; sustaining leadership in 'pay-as-you-go' and growing digital bill payments; building a delivery focused organisation and culture. Though the challenge of maintaining a consistent pace of delivery in new areas is key, we have seen some good early delivery in growth opportunities. Of particular note are two new initiatives supporting the Government in digitising benefit payments and providing vital access to cash in communities: we are now fully live with the Payment Exception Service, run for the Department for Work and Pensions via our i-movo business, to deliver payments to those without access to a standard bank account and replacing the Post Office Card Account, which is coming to an end. Furthermore, the PayPoint Counter Cash service, offering cashback without purchase and balance enquiries over the counter, has now gone live in over 900 stores and we expect to rollout to circa 5,000 stores by the end of the financial year. Both of these initiatives are significant additions to our retailer proposition and broaden the vital community services we offer.

Many of these new services have underlined the need to grow consumer awareness directly for our expanded proposition, with a further shift away from the B2B2C model of our legacy markets. We are developing better consumer data and insights to drive our marketing efforts through both digital and traditional channels to build awareness of the new products and services launching across our expanded universe of over 60,000 SME and convenience retail locations. Furthermore, in our E-commerce division, we are working closely with our carrier partners to grow further awareness of Pick Up and Drop Off (PUDO) services and the clear customer, community and climate benefits that they bring.

We have also taken significant steps to strengthen our engagement and relationships with our retailer partners, with increased direct communication, commitments and collaboration with key trade associations, including the Association of Convenience Stores (ACS), the Scottish Grocers' Federation (SGF) and the National Federation of Retail Newsagents (NFRN). These organisations are all important partners for us as we continue to support our retailer partners in delivering vital community services for their customers and continue to champion the important role that local stores play across the UK. We are listening hard to the feedback given by the members of all of these organisations and their input is vital to our business as we continue to support the convenience sector in meeting changing consumer needs.

Finally, I am deeply grateful to our incredible people who have been working so tirelessly over the past six months, the senior team who have shown great leadership as we seek to deliver growth in challenging market conditions, 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
24 November 2021

MARKET OVERVIEW

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

Key trends and changes since the end of the 20/21 financial year in the UK markets in which PayPoint operates include:

Convenience retail

- The UK convenience market is set to total £43.2 billion¹ in 2021 as the pandemic-induced boost to market value is retained. The market benefited from increased at-home consumption growing +6.3% in 2020 as restrictions plagued the hospitality market for 41 weeks of the year. Enduring restrictions have seen local shopping continue with consumers more aware of the range and value at their local convenience store.
- PayPoint consumer research² shows two in three people said their local convenience store has become more important to them over the past 12 months and 22% relied on their local convenience store to supply essentials unavailable elsewhere (e.g. supermarkets) during lockdown. 27% will continue to do more local shopping as restrictions ease
- PayPoint One basket data shows overall convenience store average basket spend in the half year has reduced year on year to £8.92 (H1 FY21: £10.00) vs. the highs seen during the first Covid-19 lockdown. However, average basket spend has now grown by 14% over the past two years (H1 FY20: £7.80), reinforcing continuing consumer demand to shop local after government restrictions have been lifted³
- Total UK convenience store numbers remained resilient, with marginal growth of 0.2% to 47,079⁴
- Local home delivery and click and collect from convenience stores has grown rapidly over the past year, driven by the pandemic. Currently, circa 5% of total convenience missions are driven through these methods and they attract a younger, more affluent consumer, with basket spend being +128% higher than in-store shoppers⁵

Card payments

- Growth has again been driven by the shift from cash to card payments accelerated through Covid-19
- Forecast growth in UK debit card market by 2027 to 19.7 billion payments, with 36% contactless⁶
- In the half year, the PayPoint Group has seen card payment volumes increase by 9% year on year across its PayPoint and Handepay/Merchant Rentals businesses, against strong volumes in FY21 due to Covid-19
- During 2020, the number of contactless payments made in the UK increased by 12% to 9.6 billion payments, driven by changing consumer behaviour through Covid-19 as well as the contactless limit increase to £45 in April 2020⁷. This limit has now been increased to £100 as of 15 October 2021
- In our SME markets, businesses employing 0-49 people, account for 99.2% (5.5 million) of the total UK business population, with 75% (4.2 million) having no employees and a further 20% (1.1 million) classed as micro-businesses with 0-9 employees⁸. Retail, auto trade and hospitality businesses make up circa 14% of the SME sector⁹.

Cash Out

- Despite the shift from cash usage during Covid-19, PayPoint's Cash Out service has grown significantly year on year, driven by ongoing Government meal voucher schemes and Covid-19 related hardship funds. In addition, the recent launch of the Payment Exception Service, run for the Department for Work and Pensions via our i-movo business, has further underlined the continuing importance of delivering cash payments to those without access to a standard bank account and replaces the Post Office Card Account, which is coming to an end
- LINK's ATM transactions remained flat¹⁰ year on year to circa 140 million transactions and the number of ATMs in the UK reduced by 1.3% year on year to 53,859 in the latest data from July 2021
- 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 about by Covid-19
- PayPoint continues to play an important role in the delivery of these vital community services, particularly with the rollout of the PayPoint Counter Cash service in November 2021, offering cashback without purchase and balance enquiries over the counter

Parcels

- Online retail sales in 2020 were up by 37% year on year, according to IMRG and Capgemini's Sales Index. Electricals and home & garden were the stand-out sectors, with sales leaping by 91% and 74% respectively compared to 2019¹¹

¹ Lumina Intelligence Convenience Market Report July 2021

² PayPoint Consumer Research March 2021, 2k respondents, UK consumers

³ PayPoint One Basket Data – April 2019 – September 2021

⁴ ACS Local Shop Report 2021

⁵ Lumina Intelligence Convenience Market Report July 2021

⁶ <https://www.ukfinance.org.uk/system/files/Summary-UK-Payment-Markets-2018.pdf>

⁷ <https://www.ukfinance.org.uk/sites/default/files/uploads/SUMMARY-UK-Payment-Markets-2021-FINAL.pdf>

⁸ <https://www.fsb.org.uk/uk-small-business-statistics.html>

⁹ <https://www.gov.uk/government/statistics/business-population-estimates-2021>

¹⁰ <https://www.link.co.uk/media/1729/monthly-report-mar-21-final.pdf>

¹¹ IMRG Consumer Home Delivery Review 2020-21

- Latest data¹ shows that 87% of UK consumers have shopped more online during the pandemic, with 71% having returned a product. Delivery preference is key in the e-commerce journey, with 56% considering it the most important factor when shopping online. Home delivery is still the preferred channel for 82% of consumers, with PUDO at 8% and lockers at 2%
- IMRG data shows that click and collect share of the delivery market in April-June 2021 recovered marginally year on year to 19% (vs. 15% in the same period last year), but still lower than the high of 35% seen in 2019
- 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 2025². Returns and send volumes are estimated at c.185 million and c.380 million parcels per year respectively³

Bill payments and top-ups

- The dislocation of the energy market heightened in September 2021, with small operator insolvencies and pressure from rising wholesale prices. A well-established Ofgem process to support and transfer customers to new suppliers was invoked with minimal impact and risk to our business and client base. PayPoint's focus through the period has been on increased client engagement and leveraging the strength and stability of our network to provide an uninterrupted service to consumers
- The price cap for pre-pay customers increased to £1,138⁴ for the six months to September 2021, which was 6% higher than the cap of £1,070 in the six months from October 2020 to March 2021. From 1 October 2021, the price cap increased by a further 12% to £1,277 for the six months to March 2022. Ofgem launched a consultation on the energy price cap on 19 November 2021, with results due to be announced at the next review in February 2022
- Non-Big Six energy providers combined market share increased to 31.3%⁵ at end of June 2021 (29% as of 31 March 2021)
- The rollout of smart meters has slowed further with the impact of Covid-19 impacting installations with only 3.2m meters installed in 2020⁶ versus 4.5m in 2019. However, there has been a marginal uptick in installations so far in this year, with 1.7m meters installed to end of June 2021. The deadline for completion of the rollout has now been extended to 30 June 2025
- PayPoint data shows average transaction values for dual fuel had grown to £13.35 in September 2021, from £13.19 in the previous year, affecting frequency of visits and transaction volumes
- The number of Pay As You Go mobile subscribers declined to 21.5 million subscribers⁷ in March 2021, from 23.3 million in March 2020

PROGRESS AGAINST OUR STRATEGIC PRIORITIES

SHOPPING BUSINESS DIVISION – H1 FY22 net revenue £29.3m (H1 FY21: £19.4m)

PRIORITY 1: EMBED PAYPOINT GROUP AT THE HEART OF SME AND CONVENIENCE RETAIL BUSINESSES

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

Retail services - we provide digital solutions to help our retailer and SME partners keep pace with changing shopper needs, service expectations and demographics. Our retail services platform, PayPoint One, is live in over 18,500 stores across the UK and offers everything a modern convenience store needs, including EPoS, parcel services, card and bill payments, home delivery and digital vouchers. This empowers our retailer partners to grow their businesses profitably, achieving higher footfall and increased spend. We also provide access to cash solutions via our network of circa 3,800 ATMs and our pioneering Counter Cash service, offering cashback without purchase and balance enquiries over the counter, has now gone live in over 900 stores and we expect to roll out to circa 5,000 stores by the end of the financial year.

Key to our progress here is the pace of delivery and execution as we establish new revenue streams and build a strong platform for success in future years.

- PayPoint One sites increased by 711 to 18,516 since 31 March 2021, including 550 sites installed and set live in multiple retailers
- Service fee net revenue increased by 15.3% to £8.2 million (H1 FY21: £7.1 million) driven by the roll out of PayPoint One to additional sites
- The PayPoint One average weekly service fee per site increased by £1.10 to £16.80 since 30 September 2020 (£15.70), benefiting from the increase in sites overall and the annual RPI increase
- Home delivery partnership with Snappy Shopper launched in July 2021, enabling local store to door delivery and click and collect for our retailer partners – over 100 stores now live and a strong pipeline in progress underlining retailer demand for the opportunity, with majority rapidly hitting £1k a week in sales and one retailer already achieving £6k a week

¹ Metapack E-Commerce Delivery Benchmark Report 2021

² <https://www.imrg.org/uploads/media/default/0001/08/2477f50ad2fee946cdf5ed23ebb8df21f2489d09.pdf?st>

³ OC&C analysis.

⁴ <https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/default-tariff-cap#:~:text=The%20Prepayment%20Meter%20Price%20Cap%20came%20into%20force,Price%20Cap%20expires%20at%20the%20end%20of%202020>

⁵ <https://www.ofgem.gov.uk/data-portal/retail-market-indicators>

⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1013006/Q2_2021_Smart_Meters_Statistics_Report.pdf

⁷ https://www.ofcom.org.uk/data/assets/pdf_file/0023/222593/telecoms-data-update-q1-2021-.pdf

- Investing to deliver further enhancements to our retailer proposition – retailer rewards app partnership live with McCurrach, a leading field marketing agency, with PayPoint’s retailer partners now able to access exclusive rewards as part of their package on the MyStore+ app – circa 800 retailers signed up to date with further work planned to integrate into PayPoint One; Love2Shop e-gift cards launched in June 2021 offering richer retailer commission; FMCG marketing and data – strong early interest from brands and retail groups, early campaigns now live for several FMCG brands
- Restructure of sales teams initiated across PayPoint - new business managers are focused on bringing new retailer partners to the network and our retailer relationship managers are supporting new and existing retailer partners with installation, training and ensuring the value of PayPoint One is maximised in their store
- Continued progress on retailer engagement, with regular quarterly meetings established with the leadership of key retail trade associations, a new partnership with the Scottish Grocer’s Federation announced and a series of open letters sent to all retailer partners reinforcing commitment to engage more regularly and strengthen the retailer proposition
- ATM services were live in 3,812 sites at 30 September 2021, an increase of 186 sites since 31 March 2021, with Covid-19 suspended sites opening back up
- ATM net revenue decreased slightly by 0.4% to £4.9 million (H1 FY21: £5.0 million) with a 0.2% increase in transactions (H1 FY21: 15.6 million), with recovery in consumer behaviour subdued as restrictions have been lifted
- Following a successful trial, the PayPoint Counter Cash service, offering cashback without purchase and balance enquiries over the counter, has now gone live in over 900 stores and we expect to roll out to circa 5,000 stores by the end of the financial year

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

- PayPoint card payment transactions increased by 0.2% to 112.6 million (H1 FY21: 112.3 million) and net revenue decreased by £1.2 million to £5.7 million (H1 FY21: £6.9 million), maintaining strong transaction volumes seen in H1 FY21 but at a lower average transaction value
- PayPoint card payment services were live in 9,900 sites at 30 September 2021, a slight decrease of 30 sites since 31 March 2021
- Use of our card payments net settlement functionality continues to grow and is now active in 1,856 sites, an increase of 16% since 31 March 2021
- Launched PayPoint Business Finance, in partnership with YouLend, in July 2021 with positive early demand
- Launched new PayPoint switching proposition trial in June 2021 to make it easier for customers to switch card payment services from competitors
- Plans in development for H2 to rollout standalone Handepay terminals to PayPoint retailer partners wanting additional card terminals in store
- Handepay card payment and terminal lease net revenue of £9.8 million (Pre-acquisition H1 FY21: £7.2 million) and transaction volumes of 72.1 million in the half year (Pre-acquisition H1 FY21: 57 million) as SMEs across key sectors have reopened as government restrictions have eased
- Handepay card payment services were live in 22,661 sites at 30 September 2021, an increase of 3,856 sites since 31 March 2021 as sectors have reopened and sales momentum growing after a slow start to the half year
- Handepay – significant enhancement to proposition launched with one-month rolling contracts rolled out for customers switching from other providers in October 2021, with positive early demand
- Handepay - faster settlement solution enabled for all existing and new EVO-acquired customers and successful pilot and roll out completed of new Castles range of terminals
- Handepay – plans in progress for H2 to trial new touchscreen terminals with integrated EPoS app
- The average transaction value for the half year in PayPoint sites decreased to £11.30 (H1 FY21: £12.50), driven by lower basket values than in the previous half year. The average transaction value for Handepay sites in the half year was £31.74, driven by SME sectors reopening as restrictions have eased

E-COMMERCE BUSINESS DIVISION – H1 FY22 net revenue £2.1m (H1 FY21: £1.5m)

PRIORITY 2: BECOME THE DEFINITIVE TECHNOLOGY-BASED E-COMMERCE DELIVERY PLATFORM FOR FIRST AND LAST MILE CUSTOMER JOURNEYS

We provide a technology-based platform to deliver best-in-class customer journeys for e-commerce brands and their customers over the ‘first and last mile’, leveraging our proprietary software capability and expertise with continuous investment and innovation in the in-store experience.

E-commerce - we deliver all of this in circa 10,100 locations through our Collect+ brand, helping consumers pick up and drop off online shopping or send parcels across the UK. We work with a comprehensive range of partners, including Amazon, eBay, Yodel, Fedex, DPD, DHL, Hubbox, Parcels2Go and Radox. Our proprietary PUDO software solutions are built inhouse, with a singular focus on the delivery of great consumer experiences and confidence in the crucial first and last mile of parcel journeys. These solutions are easily deployable in thousands of diverse locations across multiple sectors through the PayPoint Group. Our unique blend of in-depth parcel operations experience, consumer interaction and agile IT development capability has been built over years of delivering best-in-class customer experiences.

Key to our success here is continuing to leverage our network scale and technology expertise whilst building a better view of ongoing consumer habits and data to guide our growth plans and navigate the post-Covid e-commerce landscape.

- Parcel services were live in 10,186 sites at 30 September 2021, a decrease of 323 sites since 31 March 2021 due to stores being removed from our network
- Parcels transactions increased by 27.6% (H1 FY21: 11.2 million) and net revenue grew by 39.0% year on year to £2.1 million (H1 FY21: £1.5 million) versus the same period last year, which was adversely impacted by Covid-19 restrictions
- Investment in Zebra thermal printers continuing to yield improved customer experience and transaction growth – 41% of returns (5.9 million transactions) were printed in store during the half with 55% of those transactions using the new printer technology, highlighting growing popularity and consumer demand for the service
- New partnership launched with Radox in several major shopping centres supporting their Covid-19 testing service
- Expanding service proposition to existing partners progressing well, with DHL In Store Returns launched in May 2021 to 3,000 stores and Amazon Returns launched to 700 stores ahead of peak trading
- Further carrier by carrier opportunities being explored to strengthen our proposition and expand our service provision, including returns, send, supplying our proprietary software solutions and working to promote greater awareness of PUDO with consumers
- Enhancement of Send proposition continuing to build, supported by marketing activity launched in August 2021
- New capacity planning tool launched on Store Scan app to help retailer partners manage peak demand and customer experience

PAYMENTS & BANKING BUSINESS DIVISION – H1 FY22 net revenue £24.7m (H1 FY21: £25.5m)

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

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

Digital - we are developing new ways of using digital payments so organisations can seamlessly and effectively serve their customers. Our market-leading omnichannel solution – MultiPay – is an integrated solution offering a full suite of digital payments. It enables transactions online and through smartphone apps and text messages, as well as event payments, over the counter, over the phone and via interactive voice response (IVR) systems. It also supports a full range of Direct Debit options, including scheduling collections, as well as new product developments such as PayByLink, recurring payments and Event Streamer. MultiPay customers benefit from real-time visibility of all payments received, through one easy-to-use portal that is fully PCI compliant, and allows visibility of all payment channels - including cash. The platform is used by a growing number of organisations across the UK, including many housing associations, local government authorities and utility providers. Our Cash Out service also enables the rapid dispersal of funds through secure digital channels and is actively used by local authorities and charities to distribute emergency funds.

- Continued diversification from cash to digital - 18 new client services now live, with 12 coming from non-energy sectors and 15 taking digital payments solutions
- Major new Payment Exception Service launched via i-movo for Department for Work and Pensions digitising benefit payments to consumers and replacing the Post Office Card Account, which is coming to an end
- Contract now signed to go live in 2022 with Studio Retail, the market leading digital value retailer, providing direct debit services
- MultiPay net revenue decreased by 31.6% to £1.4 million (H1 FY21: £2.0 million) and transactions by 10.6%, driven by the expected volume reduction due to Utilita moving customers to their in-house solutions
- Cash Out net revenue increased by 32.3%, driven by continued demand from local authorities seeking to digitise their payments offering and distribute funds for Covid-19 support schemes
- Acquisition of RSM 2000 completed on 12 April 2021 – positive contribution of £1m net revenue with charity and housing sector action plan underway to expand digital payments services to new and existing clients
- MultiPay new product development continues apace: next generation PayByLink service launched, offering more payment and message options; app balance enquiries and recurring payments now live; low balance notifications via text rolled out; PayByLink and card payments integration now complete with Northgate, one of the leading housing management platforms
- Three pilot schemes in progress with major newspaper publishers via i-movo to digitise consumer subscription services and home news delivery in local convenience stores
- Enhanced Direct Debit platform in development for launch in early 2022, improving our MultiPay digital payments platform and built around giving clients more flexibility in Direct Debit and customer payments management

Cash through to digital – we enable consumers to access digital brands and services through a comprehensive portfolio of banking, e-Commerce, gaming and loyalty card partners, including Amazon, Xbox, Playstation, Paysafe, Monzo and the Appreciate Group. Consumers simply pay for a ‘pin on receipt’ code in cash in any of our 28,135 retail locations and then can use that value online with the digital brand or service chosen. For our digital banking partners, consumers can deposit cash into their accounts across our extensive retail network.

- Continued growth in eMoney, with transactions increasing year on year by 15.5% and a 11.1% increase in net revenue. Overall, this now represents 7.7% of total Group net revenue at £4.3 million (H1 FY21: 8.3% of total Group net revenue at £3.9 million)
- Love2Shop e-gift cards launched across retail network in June 2021, enabling consumers to shop with some of the nation's favourite high street and online brands, including Argos, Halfords, Marks & Spencer, ASOS, Costa and Uber Eats
- Targeted B2C in-store marketing campaign for cash through to digital category launched in October 2021 to 1,000 stores to drive further awareness, featuring brands such as Amazon, Xbox and Playstation

Cash - we provide vital access to cash payment services across the UK by helping millions of people every week control their household finances, make essential payments and access in-store services. Our UK retail network of more than 28,100 stores is bigger than all banks, supermarkets and Post Offices together, putting us at the heart of communities nationwide

- Bill payments net revenue decreased by 9.5% to £12.4 million (H1 FY21: £13.7 million) and transactions decreased by 6.1% to 72.8 million (H1 FY21: 77.5 million), primarily due to the continued shift in consumer behaviour for making fewer, larger payments seen through Covid-19, margin erosion from client contract renewals and structural changes in this market
- UK top-ups net revenue decreased by 9.3%. Top-up transactions reduced by 10.4% due to further declines in the prepaid mobile sector and a continued reduction in consumers and absence of tourists topping up mobile phones in store

PRIORITY 4: BUILDING A DELIVERY FOCUSED ORGANISATION AND CULTURE

PAYPOINT GROUP

Underpinning the PayPoint Group's future success is the continued development and investment in our people, systems and organisation. We aim to create a dynamic place to work for our people, enabling us to deliver for our customers by collaborating and being good colleagues to each other, creating a positive and inclusive environment where everyone can learn, grow and shine.

- First phase of integration work now complete for acquisitions of Handepay/Merchant Rentals, RSM 2000 and i-movo
- Return to office/hybrid working plans launched successfully in September 2021
- Actively evolving our ongoing approach to labour markets and working habits as they recover post-Covid restrictions, including adjusting to new working patterns, higher levels of Covid-related sickness in key areas such as field sales, higher levels of staff turnover and increased salary pressures to recruit and retain talent.
- Latest full employee engagement survey completed in May 2021 across PayPoint Group, with overall engagement score at 72%, an improvement from the last full survey conducted two years ago (2019: 68%) and down from two exceptional Covid-19 focused surveys run last year (2020: 77%)
- Refreshed PayPoint Group purpose and values now embedded across business and further development underway of our ESG approach to deliver responsible and sustainable value for shareholders
- Review of basic salaries completed for Handepay sales team to recruit and retain better talent and to reinforce position as an employer of choice in the sector
- Key product development projects in-flight and on track to launch new capabilities and services from Q3 onwards, including MultiPay enhanced Direct Debit platform
- Investing to build further resiliency into our service delivery, with improvement plans for key services agreed and planned for implementation throughout the current financial year. Heritage systems assessment underway and review of IT strategy to complete in Q3 FY22.
- Integration of service and product development teams continues and has started delivering improvements in reactivity of teams to service issues and new opportunities

OUTLOOK AND DIVIDEND

Our first half has been a particularly busy period for the business, with early delivery success in our growth opportunities against the backdrop of continued uncertainty in a number of our markets, including the dislocation in the energy sector and our need to respond in a number of areas of the business to how consumer behaviours will continue to adjust longer-term as Covid-19 restrictions have eased. Operationally, we have remained focused on supporting our people through the transition to new working patterns, executing with pace and precision in the numerous growth initiatives across the business and navigating the new challenges arising from the post-pandemic labour market.

Our core strategic priorities for the business remain unchanged: embedding PayPoint at the heart of SME and convenience retail businesses; becoming the definitive technology-based e-commerce delivery platform for first and last mile customer journeys; sustaining leadership in 'pay-as-you-go' and growing digital bill payments; building a delivery focused organisation and culture. During the half, we have continued to build on the transformative changes we delivered in the last financial year to expand our growth opportunities and leverage our strengthened capabilities by completing the acquisition of RSM 2000 and making a strategic £6.7 million investment in Snappy Group, one of the UK's leading local home delivery and click and collect operators. These steps, along with our continued focus on the pace and precision of execution in our new initiatives, underpin our confidence in the accelerated growth opportunities we see for the business.

This year there is a higher level of uncertainty as to the outlook for the second half of the year. We expect the dislocation in energy markets and its impact on our energy clients to continue. The influence of parcel volumes during the important peak seasonal period, with the added uncertainty of customer behaviours post-pandemic, is an additional factor. As we continue to rollout our new growth initiatives that are less seasonally impacted, we expect a greater balance in the future between the two halves of our financial year.

Mindful of this market background, our confidence in the outlook for the second half is underpinned by the actions and discipline we have continued to apply in managing our costs, combined with a tight operational focus on the key delivery areas and our energy to deliver on our new business opportunities. We have declared a dividend of 17.0p 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 past 18 months. Overall expectations for the full year remain unchanged.

FINANCIAL REVIEW

OVERVIEW OF CONTINUING OPERATIONS

£m	Six months to 30 September 2021	Six months to 30 September 2020	Change %	Year ended 31 March 2021
Revenue				
Revenue from continuing operations	70.2	60.7	15.6%	127.7
Net revenue¹				
Continuing operations				
Shopping	29.3	19.4	51.0%	40.2
e-commerce	2.1	1.5	39.0%	3.6
Payments & banking	24.7	25.5	(3.1%)	53.3
Total net revenue	56.1	46.4	20.9%	97.1
Total costs ² from continuing operations (excluding exceptional items)	(34.2)	(29.6)	15.5%	(61.5)
Exceptional costs	-	-	-	(16.1)
Exceptional income	2.9	-	-	-
Profit before tax from continuing operations	24.8	16.8	47.1%	19.4
Profit before tax from continuing operations excluding exceptional items³	21.9	16.8	30.0%	35.5
Cash generation ⁴ from continuing operations	22.1	25.1	(12.0%)	44.1
Net corporate debt ⁵	(36.5)	(6.1)	n/m	(68.2)

In the same period last year, we saw the impact of the Covid-19 pandemic affect a number of our business lines which drove significant variances in that period. In the current period, a number of those business lines and sectors have partially recovered but the economy is still not back to pre Covid-19 levels. Given the disposal of the Romanian business on 8 April 2021 the focus of this review is predominately on the continuing operations of the Group.

Profit before tax from continuing operations excluding exceptional items of £21.9 million (September 2020: £16.8 million) increased by £5.1 million due to the contribution from our recent acquisitions.

Revenue from continuing operations increased by £9.5 million to £70.2 million (September 2020: £60.7 million). Net revenue from continuing operations increased by £9.7 million (20.9%) to £56.1 million (September 2020: £46.4 million). This was driven by net revenues generated by Handepay and Merchant Rentals card payments and leasing revenue which contributed £9.8m in the first six months of the year. There was also continued growth across service fees, parcels and cash through to digital (e-money), partially offset by decreases in cash bill payments and top-ups primarily due to the continued shift in consumer behaviour through Covid-19 and ongoing structural decline of the prepaid mobile sector.

Shopping net revenue increased by £9.9 million (51.0%) to £29.3 million (September 2020: £19.4 million). PayPoint card payments net revenue decreased by £1.2 million (17.6%) (September 2020: £6.9 million) maintaining strong transaction volumes seen in H1 FY21 but at a lower average transaction value. Handepay and Merchant Rentals contributed £9.8 million card payments and terminal leasing net revenue in the first half of the year. Service fee net revenue increased by £1.1 million (15.3%) to £8.2 million (September 2020: £7.1 million) driven by the roll out of PayPoint One to additional sites and the impact of the annual RPI increase. ATM net revenue decreased by £0.1 million (0.4%) to £4.9 million (September 2020: £5.0 million).

¹ Net revenue is an alternative performance measure. Refer to note 1 to the interim report for a reconciliation to revenue.

² Total costs is an alternative performance measure as explained in note 1 to the interim report, and excludes £16.1 million exceptional costs in the prior year. A reconciliation is included in the Financial review on page 14

³ Profit before tax from continuing operations excluding exceptional items excludes the £30.0 million profit before tax from the discontinued operation and £2.9m revaluation gain of the i-movo deferred, contingent consideration liability

⁴ Cash generation is an alternative performance measure. Refer to the Financial review – cash flow and liquidity on page 15 for a reconciliation from profit before tax.

⁵ Net corporate debt (excluding IFRS 16 liabilities) is an alternative performance measure. Refer to note 1 to the interim report for a reconciliation to cash and cash equivalents.

E-commerce net revenue increased by £0.6 million (39.0%) to £2.1 million (September 2020: £1.5 million), driven by strong growth in total transactions which increased by 27.6% with the easing of Covid-19 restrictions in the current period. This facilitated increased Pick Up/Drop Off activity combined with growth in volumes following our investment in thermal instore printers.

Payments & Banking net revenue decreased by £0.8 million (3.1%) to £24.7 million (September 2020: £25.5 million). Cash bill payments net revenue decreased by £1.3 million (9.5%) to £12.4 million (September 2020: £13.7 million), driven by a decrease in bill payment transactions primarily as a result of the continued switch to digital payment methods along with the impacts of Covid-19 where consumers are continuing to make larger payments, less frequently. Cash top-ups net revenue decreased by £0.4 million (9.3%) to £3.9 million (September 2020: £4.3 million) with volumes down 10.4% driven by the continuing structural declines in the prepaid mobile sector. Digital net revenue increased by £0.6 million (20.7%) to £3.5 million (September 2020: £2.9 million) driven by the £1.0 million net revenue contribution from RSM 2000 in the period. Multipay transactions decreased 10.6% due to Utilita moving customers to their own in-house app. Non-Utilita MultiPay business net revenue increased by £0.2 million (10.8%) as a result of more clients taking the digital services and contribution from the new functionalities of Direct Debit and PayByLink although at a lower net revenue per transaction. This has been partially offset by growth in Cash Out benefiting from the i-movo acquisition. eMoney net revenue increased by £0.4 million (11.1%) to £4.3 million (September 2020: £3.9 million), driven by a 15.5% increase in transactions.

Total costs from continuing operations of £34.2 million (September 2020: £29.6 million) increased by £4.6 million. The prior period includes £1.0 million one-off, non-recurring acquisition and disposal costs. Excluding this, the increase in costs from continuing operations was driven by the £7.1m additional cost base in relation to the newly acquired businesses partially offset by £1.5m reduction in operational costs.

Exceptional income of £2.9 million reflects the change in fair value of the deferred contingent consideration relating to the i-movo acquisition.

Cash generation reduced by £3.0 million to £22.1 million (September 2020: £25.1 million) delivered from profit before tax excluding exceptional items of £21.9 million from continuing operations (September 2020: £16.8 million from continuing operations). There was a working capital outflow of £5.7 million, of which £1.8 million relates to payment of the prior year HMRC VAT deferral and £3.0 million relating to timing impacts on working capital expected to unwind in the second half of this financial year.

The current period benefited from the £48.6 million cash proceeds received on sale of the Romanian business. Tax payments were £0.3 million lower than the prior period following the super deduction on capital allowances and dividend payments were £0.7 million higher compared to the prior period due to the increase in the final ordinary dividend per share. The current period includes net cash outflows of £4.5 million for the acquisition of RSM2000 and £6.7 million for the investment in Snappy Shopper Limited

Net corporate debt increased by £30.4 million to £36.5 million (September 2020: £6.1 million) although decreased by £31.7 million from the year end position. £37.5 million of the revolving credit facility was repaid since the year end using the proceeds received from the sale of the Romanian business. At 30 September 2021, £12.0 million (September 2020: £21.0 million) was drawn down from the revolving credit facility.

BUSINESS DIVISION ANALYSIS

SHOPPING

	Six months to 30 September 2021	Six months to 30 September 2020	Change %	Year ended 31 March 2021
PayPoint terminal sites (No.)				
PayPoint One ¹	18,516	16,900	9.6%	17,805
Legacy terminal	482	2,360	(79.6%)	1,441
PPoS ²	9,137	8,293	10.2%	8,821
Total terminal sites in PayPoint network	28,135	27,553	2.1%	28,067
Services in live sites (No.)				
PayPoint One Base	7,691	8,119	(5.3%)	7,915
PayPoint One EPoS Core	9,084	7,411	22.6%	8,307
PayPoint One EPoS Pro	1,191	1,336	(10.9%)	1,240
Total PayPoint One – revenue generating	17,966	16,866	6.5%	17,462
PayPoint One Base non-revenue generating	550	34	n/m	343
Total PayPoint One	18,516	16,900	9.6%	17,805

¹ PayPoint One has replaced the legacy terminal in independent retailer partners.

² PPoS is a plug-in device and a virtual PayPoint terminal used on larger retailer partners' own EPoS systems who wish to use PayPoint services.

Services in live sites (No.) (continued)	Six months to 30 September 2021	Six months to 30 September 2020	Change %	Year ended 31 March 2021
Card payments – Handepay	22,661	-	-	18,805
Card terminal leases – Merchant Rentals	35,447	-	-	26,017
Card payments – PayPoint	9,900	9,885	0.2%	9,930
ATMs	3,812	3,782	0.8%	3,626
Transactions (Millions)				
Card payments – Handepay	72.1	-	-	14.6
Card payments – PayPoint	112.6	112.3	0.2%	210.4
ATMs	15.6	15.6	0.2%	30.6
PayPoint One average weekly service fee per site (£)	16.8	15.7	7.0%	16.3
Net revenue (£m)				
Service fees	8.2	7.1	15.3%	14.6
Card payments – Handepay	6.5	-	-	1.5
Card terminal leases – Merchant Rentals	3.3	-	-	1.0
Card payments – PayPoint	5.7	6.9	(17.6%)	12.1
ATMs	4.9	5.0	(0.4%)	9.7
Other shopping	0.7	0.4	54.3%	1.3
Total net revenue (£m)	29.3	19.4	51.0%	40.2

As at 30 September 2021, PayPoint had a live terminal in 28,135 sites (31 March 2021: 28,067), a slight increase of 68 sites since 31 March 2021. PayPoint One revenue generating sites increased by 504 (2.9%) to 17,966 sites (31 March 2021: 17,462) since 31 March 2021 due to new sales and fewer Covid-19 suspended sites.

Net revenue increased by £9.9 million (51.0%) to £29.3 million (September 2020: £19.4 million) primarily due to the inclusion of Handepay and Merchant Rentals revenues in the period. 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 terminals. Service fee net revenue increased by £1.1 million (15.3%) to £8.2 million (September 2020: £7.1 million) driven by the additional 1,100 PayPoint One revenue generating sites compared to 30 September 2020. The higher price point EPoS Core sites increased by 1,673 due to new sales and upselling whilst EPoS Pro sites reduced by 145 since 30 September 2020, with the ending of our 3 month try before you buy EPoS Pro offering. The PayPoint One average weekly service fee per site increased by 7.0% to £16.8 (September 2020: £15.7), benefiting from the increase in EPoS Core sites which are charged at a higher rate and the annual RPI increase. Retailers taking the Core version of the product represent 49.1% (September 2020: 43.9%) of all PayPoint One sites and the Pro version represent 6.4% (September 2020: 7.9%). Legacy terminals now just remain in our multiple retailer partners but are being replaced.

Card payments: Handepay and Merchant Rentals generated £9.8 million net revenue in the half year. Handepay contributed £6.5 million card payments net revenue and 72.1 million transactions, benefiting from the reopening of SMEs across key sectors with the easing of government restrictions. Handepay card payment services were live in 22,661 sites at 30 September 2021, an increase of 3,856 sites since 31 March 2021. Merchant Rentals contributed £3.3 million terminal leasing net revenue.

PayPoint card payments transactions increased by 0.2% to 112.6 million (September 2020: 112.3 million) and net revenue decreased by 17.6% to £5.7 million (September 2020: £6.9 million) maintaining strong transaction volumes seen in H1 FY21 but at a lower average transaction value £11.30 (H1 FY21: £12.50). Across our network there were 9,900 PayPoint card payments sites (31 March 2021: 9,930), a decrease of 30 sites since 31 March 2021.

ATMs: ATM net revenue decreased marginally by £0.1 million (0.4%) to £4.9 million (September 2020: £5.0 million). ATM transactions continue to be impacted by the reduced demand for cash across the economy, accentuated by the Covid-19 preference for card use. PayPoint continued to optimise its ATM network by relocating existing machines to better performing locations. ATM sites increased by 186 to 3,812 sites (31 March 2021: 3,626) since 31 March 2021 with fewer Covid-19 suspended sites.

Other Shopping net revenue includes the new PayPoint Counter Cash Service, for which a full rollout commences in November 2021.

E-COMMERCE

E-commerce net revenue increased by £0.6 million (39.0%) to £2.1 million (September 2020: £1.5 million), due to the increase in total parcels transactions by 27.6% to 14.3 million (September 2020: 11.2 million) with the easing of Covid-19 restrictions in the current period facilitating increased Pick Up/Drop Off activity. The prior period transactions were impacted by Covid-19 restrictions with consumers staying at home. Parcel sites decreased by 323 since 31 March 2021 to 10,186 sites (31 March 2021: 10,509 sites), due to stores being removed from our network.

PAYMENTS & BANKING

	Six months to 30 September 2021	Six months to 30 September 2020	Change %	Year ended 31 March 2021
Cash bill payments net revenue (£m)	12.4	13.7	(9.5%)	29.0
Cash bill payments transactions (millions)	72.8	77.5	(6.1%)	168.3
Cash bill payments transaction value (£m)	1,864.3	2,001.6	(6.9%)	4,210.1
Cash bill payments average transaction value (£)	25.6	25.8	(0.9%)	25.0
Cash bill payments net revenue per transaction (pence)	17.0	17.7	(3.6%)	17.2
Cash top-ups net revenue (£m)	3.9	4.3	(9.3%)	8.3
Cash top-ups transactions (millions)	11.2	12.5	(10.4%)	24.3
Cash top-ups transaction value (£m)	134.3	148.7	(9.7%)	289.1
Cash top-ups average transaction value (£)	12.0	11.9	1.2%	11.9
Cash top-ups net revenue per transaction (pence)	34.8	34.4	1.2%	34.2
Digital net revenue (£m)	3.5	2.9	20.7%	6.1
Digital transactions (millions)	13.5	13.1	3.1%	27.2
Digital transaction value (£m)	292.8	206.1	42.1%	545.7
Digital average transaction value (£)	21.7	15.7	38.2%	20.1
Digital net revenue per transaction (pence)	25.9	22.1	17.2%	22.4
Cash through to digital net revenue (£m)	4.3	3.9	11.1%	8.7
Cash through to digital transactions (millions)	5.8	5.0	15.5%	11.4
Cash through to digital transaction value (£m)	254.2	209.5	21.3%	475.0
Cash through to digital average transaction value (£)	43.8	41.7	5.0%	41.6
Cash through to digital net revenue per transaction (pence)	74.1	78.0	(5.0%)	76.3
Other payments & banking net revenue	0.6	0.7	(14.3%)	1.2

Payments & Banking divisional net revenue decreased by 3.1% to £24.7 million, driven by fewer cash bill payments and top up transactions, and margin erosion from client contract renewals but offset by continued growth in digital transactions

Cash bill payments net revenue decreased by £1.3 million (9.5%) to £12.4 million (September 2020: £13.7 million), primarily as a result of the impacts of Covid-19 where consumers are continuing to make larger payments, less frequently and the continued switch to digital payment methods. Cash bill payments transactions decreased by 4.7 million (6.1%) to 72.8 million (September 2020: 77.5 million). Cash bill payments net revenue per transaction decreased by 0.7 pence (3.6%) due to margin erosion from client contract renewals.

Cash top-ups net revenue decreased by £0.4 million (9.3%) to £3.9 million (September 2020: £4.3 million). Cash top-ups transactions decreased by 1.3 million (10.4%) to 11.2 million (September 2020: 12.5 million) due to further market declines in the prepaid mobile sector whereby UK direct debit pay monthly options displace UK prepay mobile and Covid-19 impacts where consumers are making larger payments and less frequently.

Digital (MultiPay, Cash Out and RSM 2000) net revenue increased by £0.6 million (20.7%) to £3.5 million (September 2020: £2.9 million) and digital transactions increased by 0.4 million (3.1%) to 13.5 million (September 2020: 13.1 million), driven by the £1.0 million contribution of RSM 2000 to this sector. MultiPay net revenue decreased by £0.7 million to £1.4 million (September 2020: £2.1 million), this was due to the expected volume reduction from Utilita moving customers to their in-house solutions. This was partially offset by Cash Out net revenue which increased by £0.3 million (32.3%), driven by continued demand from local authorities seeking to digitise their payments offering and despite Covid-19 meal voucher schemes winding down.

Cash through to digital (eMoney) net revenue increased by £0.4 million (11.1%) to £4.3 million (September 2020: £3.9 million) and transactions increased by 0.8 million (15.5%) to 5.8 million (September 2020: 5.0 million). eMoney transactions derive a substantially higher fee per transaction than traditional top-up transactions.

Other payments & banking net revenue includes SIM sales and other ad-hoc items which contributed £0.6 million (September 2020: £0.7 million) net revenue. The decrease reflects the continuing decline in SIM sales, accentuated by the impact of Covid-19 on tourism.

TOTAL COSTS

£m	Six months to 30 September 2021	Six months to 30 September 2020	Change %	Year ended 31 March 2021
Continuing operations excluding exceptional items				
Other costs of revenue	5.3	3.2	65.6%	7.0
Depreciation and amortisation (costs of revenue)	4.1	4.4	6.3%	9.6
Depreciation and amortisation (administrative expenses)	1.5	0.2	n/m	0.9
Other administrative costs	22.3	21.1	5.7%	42.7
Finance costs	1.0	0.7	42.9%	1.3
Total costs from continuing operations excluding exceptional items	34.2	29.6	15.5%	61.5

Total costs from continuing operations increased by £4.6 million (15.5%) to £34.2 million (September 2020: £29.6 million). The prior period includes £1.0 million one-off, non-recurring acquisition and disposal costs. Excluding this, the increase in costs from continuing operations was driven by the cost base in relation to the newly acquired businesses of £7.1 million, included within this balance is £1.2 million for amortisation on acquired intangibles shown in administrative expenses. This was partially offset by operational cost reductions made in the group of £1.5 million. This included lower people costs of £0.5 million as a result of higher vacancies this year compared to last year, lower depreciation and amortisation with some legacy assets coming to the end of their life and a reduction in cost of revenue following the acquisition of i-movo and eliminating this transaction cost from our cost base.

DISCONTINUED OPERATION - ROMANIA

£m	Six months to 30 September 2021	Six months to 30 September 2020	Change %	Year ended 31 March 2021
Revenue from discontinued operation	1.3	34.5	n/m	67.7
Net profit from discontinued operation	0.1	3.8	n/m	7.5
Profit on disposal of discontinued operation	29.9	-	-	-
Total profit from discontinued operation	30.0	3.8	n/m	7.5

The revenues and net profit from the discontinued operation in the current period represents the revenue and costs from Romania between 1 and 8 April 2021 prior to disposal completion.

OPERATING MARGIN BEFORE EXCEPTIONAL ITEMS¹

Operating margin before exceptional items of 40.8% (September 2020: 37.7% from continuing operations) increased by 3.1ppts following the increases in net revenue of 20.9% and operational costs being tightly managed increasing by 14.9%. Operating margin in the prior interim reporting period ended 30 September 2020 excluding the £1.0 million of acquisition and disposal costs was 39.9%.

PROFIT BEFORE TAX AND TAXATION

The tax charge of £4.6 million (September 2020: £3.7 million for continuing operations) on profit before tax from continuing operations £24.8 million (September 2020: £16.8 million from continuing operations) represents an effective tax rate² for continuing operations of 18.4% (September 2020: 21.8%). The effective tax rate was 3.4ppts lower than the prior period due to the non-taxable exceptional item in the period and a decrease in disallowable expenses, with the prior year impacted by the one-off disallowable acquisition and disposal costs partially offset by the impact of the enacted new tax rate on our deferred tax liabilities.

STATEMENT OF FINANCIAL POSITION

Net assets of £80.3 million (September 2020: £45.0 million) increased by £35.3 million and increased by £40.8 million since the year end position, primarily as a result of the Romania disposal. Current assets decreased by £68.0 million to £95.3 million (September 2020: £163.3 million) mainly due to the disposal of the Romania assets. Non-current assets increased by £87.3 million to £132.3 million (September 2020: 45.0 million), mainly due to the businesses acquired in the second half of the financial year. Non-current liabilities of £21.7 million (September 2020: £nil) increased due to the refinancing in the second half of the prior financial year which included taking out a new three-year term loan.

¹ Operating margin before exceptional items % is an alternative performance measure as explained in note 1 to the interim report and is calculated by dividing operating profit before exceptional items from continuing operations by net revenue from continuing operations.

² 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 2021	Six months to 30 September 2020	Change %	Year ended 31 March 2021
Profit before tax from continuing and discontinued operations	54.8	20.6	165.6%	27.0
Provision in relation to the Ofgem Statement of Objections	-	-	-	12.5
Exceptional items	(2.9)	-	-	-
Depreciation and amortisation	5.6	4.9	14.3%	10.9
Profit from discontinued operation	(30.0)	-	-	-
Discount unwind of deferred consideration liability	0.1	-	-	0.1
Share based payments and other items	0.6	0.6	33.3%	0.9
Working capital changes (corporate)	(5.7)	3.4	273.5%	0.8
Cash generation¹	22.1	29.5	25.1%	52.2
Taxation payments	(3.9)	(4.2)	7.1%	(8.4)
Capital expenditure	(4.0)	(3.8)	5.3%	(6.0)
Acquisition of Collect+ brand	-	(6.0)	-	(6.0)
Acquisitions of subsidiaries net of cash acquired	(4.5)	0.9	n/m	(60.8)
Purchase of associate	(6.7)	-	-	-
Disposal of Romania business net of cash acquired	20.2	-	-	-
Movement in loans and borrowings	(42.9)	(49.0)	12.4%	11.3
Lease payments	(0.1)	(0.1)	-	(0.2)
Dividends paid	(11.4)	(10.7)	6.5%	(21.4)
Net decrease in corporate cash and cash equivalents	(31.2)	(43.4)	28.1%	(39.3)
Net change in clients' funds and retailer partners' deposits	(10.2)	7.7	232.5%	11.9
Net decrease in cash and cash equivalents	(41.4)	(35.7)	16.0%	(27.4)
Cash and cash equivalents at the beginning of year	64.8	93.8	30.9%	93.8
Effect of foreign exchange rate changes	-	0.4	n/m	(1.6)
Cash and cash equivalents at period end	23.4	58.5	60.0%	64.8
Comprising:				
Corporate cash	7.2	14.9	51.7%	18.3
Clients' funds and retailer partners' deposits	16.2	43.6	63.1%	46.5

	Six months to 30 September 2021	Six months to 30 September 2020	Change %	Year ended 31 March 2021
Profit before tax from continuing operations	24.8	16.8	47.1%	19.4
Provision in relation to the Ofgem Statement of Objections	-	-	-	12.5
Exceptional items	(2.9)	-	-	-
Depreciation and amortisation	5.6	4.6	21.7%	10.5
Discount unwind of deferred consideration liability	0.1	-	-	0.1
Share-based payments and other items	0.6	0.6	33.3%	0.9
Working capital changes (corporate)	(5.7)	3.1	290.3%	0.7
Cash generation from continuing operations	22.1	25.1	12.0%	44.1

Cash generation reduced to £22.1 million (September 2020: £29.5 million) delivered from profit before tax from continuing operations excluding exceptional items of £21.9 million (September 2020: £20.6 million). There was a working capital outflow of £5.7 million, of which £1.8 million relates to the repayment of the prior year HMRC VAT deferral and £3.0 million relating to timing impacts on working capital expected to unwind in the second half of this financial year.

¹ Cash generation is an alternative performance measure which reflects earnings before tax, depreciation, amortisation and exceptional items adjusted for working capital (excluding movement in clients' funds and retailers' deposits). Refer to the Financial review – cash flow and liquidity for a reconciliation from profit before tax.

The current period benefited from the £47.6 million cash proceeds received on sale of the Romanian business, net of transaction costs. Taxation payments on account of £3.9 million (September 2020: £4.2 million) are lower compared to the prior period due to the expected benefit from the super deduction on capital allowances offered by the government. Dividend payments were higher compared to the prior period due to the increase in the final ordinary dividend paid per share for the prior year ended 31 March 2021.

Capital expenditure of £4.0 million (September 2020: £3.8 million, of which £3.1m related to continuing operations) was £0.2 million higher than the prior year. Capital expenditure primarily consists of IT hardware, PayPoint One terminals, EPoS development and the enhancement to the Direct Debit platform. The increase in capital expenditure is primarily driven by the enhancement to the Direct Debit platform.

At 30 September 2021 net corporate debt was £36.5 million (September 2020: £6.1 million) although decreased by £31.7 million from the year end position. Total loans and borrowings of £43.7 million consisted of a £27.1 million amortising term loan, £12.0 million drawdown of the £75.0 million revolving credit facility and £4.6 million of asset financing balances (September 2020: £21.0 million drawdown from the old revolving credit facility). The cash proceeds received on sale of the Romanian business in April 2021 were used to repay the majority of the revolving credit facility at year end of £37.5 million and so reduced net corporate debt since the prior year end.

DIVIDENDS

	Six months to 30 September 2021	Six months to 30 September 2020	Change %
Ordinary dividends per share (pence)			
Interim (proposed)	17.0	15.6	9.0%
Final (paid)	16.6	15.6	6.4%
Total dividend per share (pence)	33.6	31.2	7.7%
Total dividends paid in period (£m)	11.4	10.7	6.5%

In the six months to 30 September 2021, total dividend payments of £11.4 million or 16.6 pence per share (September 2020: £10.7 million or 15.6 pence per share) were made, representing the final ordinary dividend for the year ended 31 March 2021. This is a 6.4% increase in the final dividend since last year.

We have declared an increased interim dividend of 17.0 pence per share (September 2020: 15.6 pence) payable in equal instalments of 8.5 pence per share on 30 December 2021 (to shareholders on the register on 3 December 2021) and 7 March 2022 (to shareholders on the register on 4 February 2022). This is an increase of 2.4% compared to the final dividend declared on 27 May 2021 of 16.6 pence per share, and an increase of 9.0% compared to the same period last year (September 2020: 15.6 pence).

Alan Dale

Finance Director
24 November 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	6 months ended 30 September 2021 £000	6 months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Continuing operations				
Revenue	2,3	70,199	60,711	127,747
Cost of revenue	4	(23,468)	(21,875)	(47,280)
Gross profit		46,731	38,836	80,467
Administrative expenses – excluding exceptional items		(23,834)	(21,327)	(43,578)
Exceptional items – revaluation of deferred, contingent consideration liability	5	2,880	-	-
Exceptional items – administrative expenses	5	-	-	(15,600)
Operating profit		25,777	17,509	21,289
Finance income		12	14	22
Finance costs – excluding exceptional items		(951)	(696)	(1,352)
Discount unwind of deferred consideration liability	17	(87)	-	(57)
Exceptional items – finance costs	5	-	-	(459)
Profit before tax from continuing operations		24,751	16,827	19,443
Tax on continuing operations	6	(4,555)	(3,667)	(4,335)
Profit from continuing operations		20,196	13,160	15,108
Discontinued operation				
Profit from discontinued operation, net of tax	11	148	3,232	6,423
Exceptional items – gain on disposal of discontinued operation, net of tax	11	29,863	-	-
Profit for the period attributable to equity holders of the parent		50,207	16,392	21,531
Earnings per share				
Basic	7	73.2p	24.0p	31.5p
Diluted	7	72.4p	23.8p	31.3p
Earnings per share - continuing operations				
Basic	7	29.4p	19.3p	22.1p
Diluted	7	29.1p	19.1p	21.9p

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		6 months ended 30 September 2021 £000	6 months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Items that may subsequently be reclassified to the consolidated statement of profit or loss:				
Exchange differences on translation of foreign operation		-	267	(912)
Exchange differences on disposal of discontinued operation reclassified to profit or loss	11	1,645	-	-
Other comprehensive income/(loss) for the period		1,645	267	(912)
Profit for the period		50,207	16,392	21,531
Total comprehensive income for the period attributable to equity holders of the parent		51,852	16,659	20,619

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2021 £000	30 September 2020 £000	31 March 2021 £000
Non-current assets				
Goodwill	9	57,134	-	51,551
Other intangible assets		41,115	22,322	41,698
Investment in associate	10	6,739	-	-
Property, plant and equipment		20,863	22,119	21,379
Net investment in finance lease receivables		6,402	-	6,511
Deferred tax asset		-	605	-
Total non-current assets	2	132,253	45,046	121,139
Current assets				
Inventories		1,166	44	1,059
Trade and other receivables	12	68,155	69,643	69,576
Current tax asset		2,592	1,084	3,021
Cash and cash equivalents	13	23,371	42,028	38,940
		95,284	112,799	112,596
Assets held for sale	11	-	50,529	57,353
Total current assets		95,284	163,328	169,949
Total assets		227,537	208,374	291,088
Current liabilities				
Trade and other payables	14	95,942	100,875	102,504
Provision	18	-	-	12,500
Deferred consideration liability	17	3,954	-	1,462
Lease liabilities		200	18	194
Loans and borrowings		25,461	21,000	63,627
		125,557	121,893	180,287
Liabilities directly associated with assets held for sale	11	-	41,514	40,866
Total current liabilities		125,557	163,407	221,153
Non-current liabilities				
Deferred consideration liability	17	-	-	4,285
Lease liabilities		172	12	253
Loans and borrowings		18,237	-	22,956
Deferred tax liability		3,300	-	2,971
Total non-current liabilities		21,709	12	30,465
Total liabilities		147,266	163,419	251,618
Net assets		80,271	44,955	39,470
Equity				
Share capital	15	229	228	229
Share premium		-	4,974	4,975
Merger reserve		999	-	999
Share-based payment reserve		1,178	1,556	2,005
Translation reserve		-	(466)	(1,645)
Retained earnings		77,865	38,663	32,907
Total equity attributable to equity holders of the parent		80,271	44,955	39,470

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Share premium £000	Merger reserve £000	Share-based payment reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Opening equity 1 April 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		-	489	-	(925)	-	452	16
Tax on share-based payments		-	-	-	(4)	-	20	16
Dividends		-	-	-	-	-	(10,676)	(10,676)
Closing equity 30 September 2020		228	4,974	-	1,556	(466)	38,663	44,955
Profit for the period		-	-	-	-	-	5,139	5,139
Exchange differences on translation of foreign operation		-	-	-	-	(1,179)	-	(1,179)
Comprehensive income for the period		-	-	-	-	(1,179)	5,139	3,960
Issue of shares		1	-	999	-	-	-	1,000
Equity-settled share-based payment expense		-	-	-	456	-	-	456
Vesting of share scheme		-	1	-	(1)	-	(185)	(185)
Deferred tax on share-based payments		-	-	-	(6)	-	-	(6)
Dividends		-	-	-	-	-	(10,710)	(10,710)
Closing equity 31 March 2021		229	4,975	999	2,005	(1,645)	32,907	39,470
Profit for the period		-	-	-	-	-	50,207	50,207
Exchange differences on disposal of discontinued operation reclassified to profit or loss	11	-	-	-	-	1,645	-	1,645
Comprehensive income for the period		-	-	-	-	1,645	50,207	51,852
Equity-settled share-based payment expense		-	-	-	358	-	-	358
Vesting of share scheme	16	-	-	-	(1,185)	-	1,185	-
Reclassification of share premium into retained earnings	1	-	(4,975)	-	-	-	4,975	-
Dividends	8	-	-	-	-	-	(11,409)	(11,409)
Closing equity September 2021		229	-	999	1,178	-	77,865	80,271

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	6 months ended 30 September 2021 £000	6 months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Net cash flow from operating activities	20	8,076	32,793	55,438
Investing activities				
Investment income		12	197	332
Purchases of property, plant and equipment		(1,719)	(1,928)	(3,287)
Purchases of intangible assets		(2,257)	(7,813)	(8,745)
Acquisitions of subsidiaries net of cash acquired	9	(4,543)	923	(60,800)
Purchase of investment in associate	10	(6,739)	-	-
Proceeds from disposal of discontinued operation net of cash disposed	11	20,159	-	21
Net cash from/(used in) investing activities		4,913	(8,621)	(72,479)
Financing activities				
Dividends paid	8	(11,409)	(10,676)	(21,385)
Proceeds from issue of share capital		-	-	1
Repayment of loans and borrowings		(54,306)	(49,000)	(70,000)
Proceeds from loans and borrowings		11,421	-	81,259
Payment of lease liabilities		(130)	(111)	(211)
Net cash used in financing activities		(54,424)	(59,787)	(10,336)
Net decrease in cash and cash equivalents		(41,435)	(35,615)	(27,377)
Cash and cash equivalents at beginning of year		64,806	93,774	93,774
Effect of foreign exchange rate changes		-	383	(1,591)
Cash and cash equivalents at period end		23,371	58,542	64,806
Reconciliation of cash and cash equivalents				
Continuing operations				
Corporate cash		7,224	14,868	10,535
Clients' funds and retailer partners' deposits		16,147	27,160	28,405
Cash and cash equivalents on the condensed consolidated statement of financial position		23,371	42,028	38,940
Discontinued operation				
Corporate cash		-	-	7,814
Clients' funds and retailer partners' deposits		-	16,514	18,052
		-	16,514	25,866
Cash and cash equivalents from continuing and discontinued operations	13	23,371	58,542	64,806

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting policies

Reporting entity

PayPoint plc ('PayPoint' or the 'Company') is a public limited company and is incorporated and registered in England in the UK under the Companies Act 2006. The Company's ordinary shares are traded on the London Stock Exchange. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 September 2021 are made up of the Company, its subsidiaries and its interest in the equity-accounted associate (together referred to as the 'Group').

Basis of preparation

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK, and should be read in conjunction with the Group's last annual financial statements as at and for the year ended 31 March 2021 ('last annual financial statements'). They do not include all the information required for a complete set of financial statements which comply with International Financial Reporting Standards ('IFRS'). 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 42.

The information shown for the year ended 31 March 2021, which was prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, 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 2021 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, the interim financial statements were authorised for issue on 25 November 2021.

The interim financial statements have been prepared on a going concern basis. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt to equity balance. The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent comprising capital, reserves and retained earnings. The Group's policy is to borrow centrally to meet anticipated funding requirements. Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group. At 30 September 2021, the Group had cash and cash equivalents of £23.4 million, including £16.2 million of clients' funds and retailer partners' deposits. In addition, the Group has in place a three-year £27.1 million amortising term loan and a three-year unsecured £75.0 million revolving credit facility expiring in February 2024. At 30 September 2021, £12.0 million (31 March 2021: £49.5 million) was drawn down from the revolving credit facility. The cash proceeds received on the sale of the Romanian business were used to partly repay the revolving credit facility in April 2021. At 30 September 2021 the Group also had £4.6 million of block loan balances. The Group has a strengthened statement of financial position as at 30 September 2021, with net assets of £80.3 million, having made a profit for the period of £50.2 million and delivered net cash flows from operating activities of £8.1 million for the period then ended. The Group had net current liabilities of £30.3 million at 30 September 2021, mainly due to short-term loans and borrowings which have been used to finance acquisitions and investments in the current period and prior year and are periodically being repaid.

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

The accounting policies applied by the Group in the interim financial statements for the period ended 30 September 2021 are consistent with those set out in the Group's Annual Report for the year ended 31 March 2021, apart from the addition of the accounting policy for investments in associates as detailed below.

Investments in associates are accounted for using the equity method and initially recognised at cost. The carrying amount of the associates are subsequently adjusted where material to recognise the Group's share of the profit or loss after tax, distributions received and any impairment in value of the associates. Where the Group's share of losses in associates exceeds the investment, the Group ceases to recognise further losses unless an obligation exists for the Group to fund the losses. Where a change in net assets has been recognised directly in the associate's equity, the Group recognises its share of those changes in the condensed consolidated statement of changes in equity when applicable. Adjustments are made to align the accounting policies of the associates with the Group and to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its associates.

Reclassification of share premium balance

Management has reviewed the treatment of the share premium balance as at 31 March 2021 and concluded that an amount of £5.0 million should have been presented within retained earnings. This balance was previously presented within share premium on the consolidated and Company statements of financial position and statements of changes in equity, and relates entirely to share awards which have vested and been recycled from the share-based payment reserve.

Management has decided not to re-present the prior year comparatives relating to the above item, as it has no impact on the condensed consolidated statement of profit or loss or the condensed consolidated statement of cash flows for the period ended 30

September 2021 and the adjustment is not considered significant compared to the overall amount in the condensed consolidated statement of financial position and/or the captions affected. The revision has not reduced distributable reserves and has not had any impact on operating profit, profit for the period, assets and liabilities or cash flows for the period ended 30 September 2021, where the revised presentation has been adopted, or periods prior to this current 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 condensed consolidated statement of financial position. This includes evaluating:

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

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

Critical estimate: valuation of i-movo deferred, contingent consideration

The i-movo sale and purchase agreement includes an element of deferred consideration which is contingent on future performance over the 29-month earnout period since the period following acquisition (December 2020) and is linked to four monthly revenue growth targets on two potential key revenue streams. At 30 September 2021, the Group recognised a £3.0 million deferred, contingent consideration liability on the consolidated statement of financial position, representing the discounted fair value of the estimated additional consideration payable at the reporting date. At each reporting date, the liability is measured against the contractually agreed performance targets with any fair value adjustments recognised in the consolidated statement of profit or loss. The estimation of the liability requires an estimate of future performance of the related business over the earnout period, based on management's latest forecasts. In the current period there was a £2.9 million fair value gain recognised in the condensed consolidated statement of profit or loss due to the revaluation of part of the previously recognised liability based on management's latest forecasts. The range of reasonably possible outcomes for the fair value of the undiscounted earnout is £3.0 million to £6.0 million, by applying a possible 70% sensitivity to the revenue forecasts of one of the key revenue streams.

Critical estimate: valuation of i-movo goodwill

Impairment testing has been performed on the goodwill attributable to i-movo (£6.9 million) for the interim reporting period ended 30 September 2021. When testing for impairment, the recoverable amount of the cash generating unit (CGU) is measured at its value-in-use by discounting future expected cash flows from the carrying values of assets in that CGU. The key sources of estimation applied to future forecasts of the business in determining value-in-use are:

- Discount rate used to discount the forecast cash flows which is calculated by reference to the weighted average cost of capital ('WACC') of the CGU, adjusted to reflect the market and other systemic risks specific to the CGU and the territories in which it operates.
- timing of key revenue streams within the forecast cash flows with forecast high revenue growth in the near-term. Revenue included in the forecast cash flows is determined using an estimate of future results based on the latest business forecasts and appropriately reflects expected performance of the CGU.

Sensitivity analysis has been applied to determine the impact of a reasonably possible change in the above assumptions in isolation and in aggregation on the valuation of i-movo goodwill in the financial statements. The below reasonably possible changes to the key inputs would not cause a material impairment of i-movo goodwill in isolation but would result in a material impairment of i-movo goodwill in aggregation.

Value of i-movo cash generating unit	£8.9m
Discount rate applied in impairment assessment	15.0%
Discount rate – sensitivity applied	2.0%
Delay in launch of key revenue stream – sensitivity applied	2.5 years

Prior year critical estimates

Revenue recognition (agent vs principal) which was a critical estimate in the prior financial year ended 31 March 2021, is no longer considered to be a critical estimate. The Romanian business, which was where most of the Group's revenue as principal was recognised, was disposed of in April 2021. The cost of mobile top-ups and SIM cards as principal was £1.0 million in the period (September 2020: £24.7 million), refer to note 4. Therefore, at 30 September 2021, this estimate no longer has a significant risk of resulting in material adjustment to the amount of revenue recognised within the next reporting period.

Business combinations (initial recognition of goodwill and intangible assets) which was a critical estimate in the prior financial year ended 31 March 2021, is no longer considered to be a critical estimate. The initial recognition of the fair values of intangible assets and goodwill relating to the acquisitions made in the prior financial year do not have a significant risk of resulting in material adjustment to the carrying amounts of intangible assets and goodwill within the next reporting period.

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 the alternative performance measures disclosed in the Annual Report for the year ended 31 March 2021. 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.

Underlying performance measures (non-IFRS measures)

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

Net revenue (non-IFRS measure)

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

The reconciliation of revenue to net revenue is as follows:

	6 months ended 30 September 2021 £000	6 months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Continuing operations			
Service revenue	65,256	58,876	122,912
Sale of goods	631	744	1,343
Royalties	1,152	1,091	2,518
Lease income	3,160	-	974
Revenue from continuing operations	70,199	60,711	127,747
less:			
Retailer partners' commissions	(13,960)	(14,122)	(30,272)
Cost of mobile top-ups and SIM cards as principal	(110)	(173)	(337)
Net revenue from continuing operations	56,129	46,416	97,138
Discontinued operation¹			
Service revenue	366	8,139	17,842
Sale of goods	892	26,333	49,900
Revenue from discontinued operation	1,258	34,472	67,742
less:			
Retailer partners' commissions	(101)	(2,342)	(5,847)
Cost of mobile top-ups and SIM cards as principal	(897)	(24,538)	(46,567)
Net revenue from discontinued operation	260	7,592	15,328
Total net revenue	56,389	54,008	112,466

¹The revenue and net revenue in the current period from the discontinued operation represents the revenue and net revenue from Romania between 1 and 8 April 2021 prior to disposal.

Effective tax rate (non-IFRS measure)

Effective tax rate is the ongoing tax cost as a percentage of the net profit before tax.

Reported dividends (non-IFRS measure)

Reported dividends for an interim reporting period are based on that period's results from which the dividend is declared and consist of the interim dividend declared. This is different to statutory dividends where the final dividend on ordinary shares is recognised in the following interim period when it is approved by the Company's shareholders.

Cash generation (non-IFRS measure)

Cash generation reflects earnings before tax, depreciation, amortisation and exceptional items adjusted for working capital (excluding movement in clients' funds and retailers' deposits) as detailed in note 20. 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. Total costs exclude exceptional costs.

Operating margin before exceptional items (non-IFRS measure)

Operating margin before exceptional items is calculated by dividing operating profit before exceptional items from continuing operations by net revenue from continuing operations. This measure reflects the efficiency of converting revenue into profits. The calculation of operating margin before exceptional items is as follows:

	30 September 2021 £000	30 September 2020 £000	31 March 2021 £000
Operating profit from continuing operations	25,777	17,509	21,289
Less:			
Exceptional items – administrative (income)/expenses	(2,880)	-	15,600
Operating profit from continuing operations before exceptional items	22,897	17,509	36,889
Net revenue from continuing operations	56,129	46,416	97,138
Operating margin before exceptional items	40.8%	37.7%	38.0%

Operating margin in the prior interim reporting period ended 30 September 2020 excluding the £1.0 million of acquisition and disposal costs was 39.9%. Operating profit in the prior interim reporting period included £1.0 million of acquisition and disposal costs. These were not presented as exceptional at 30 September 2020 but were reclassified to exceptional items at 31 March 2021 as they were one-off and non-recurring in nature (refer to the accounting policies disclosed in the 31 March 2021 Annual Report).

Net corporate debt (non-IFRS measure)

Net corporate debt represents cash and cash equivalents excluding cash recognised as clients' funds and retailer partners' deposits, less amounts borrowed under financing facilities (excluding IFRS 16 liabilities).

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

	30 September 2021 £000	30 September 2020 £000	31 March 2021 £000
Cash and cash equivalents from continuing operations	23,371	36,702	38,940
Cash and cash equivalents from discontinued operation	-	5,326	25,866
Less:			
Clients' funds and retailer partners' deposits from continuing operations	(16,147)	(27,160)	(28,405)
Clients' funds and retailer partners' deposits from discontinued operation	-	-	(18,052)
Loans and borrowings	(43,698)	(21,000)	(86,583)
Net corporate debt	(36,474)	(6,132)	(68,234)

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 discrete financial information is not available for each and the chief operating decision maker, the Executive Board, does not review those separately for resource allocation purposes, therefore the Group has only one operating segment. A business division analysis has been provided in Note 3.

Geographical information

	6 months ended 30 September 2021 £000	6 months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Revenue			
Continuing operations – UK	70,199	60,711	127,747
Discontinued operation – Romania ¹	1,258	34,472	67,742
Total	71,457	95,183	195,489

¹The revenue in the current period from the discontinued operation represents the revenue from Romania between 1 and 8 April 2021 prior to disposal.

	30 September 2021 £000	30 September 2020 £000	31 March 2021 £000
Non-current assets			
Continuing operations – UK	132,253	45,046	121,139
Discontinued operation – Romania	-	-	-
Total	132,253	45,046	121,139

3. Revenue

Disaggregation of revenue	6 months ended 30 September 2021 £000	6 months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Continuing operations			
Shopping			
Service fees	8,163	7,081	14,649
Card payments – Handeipay	6,602	-	1,480
Card terminal leases – Merchant Rentals	3,160	-	974
Card payments – PayPoint	5,704	6,921	12,578
ATMs	7,086	7,133	13,956
Other shopping	818	528	1,219
Shopping total	31,533	21,663	44,856
e-commerce total	5,741	4,661	11,074
Payments and banking			
Cash – bill payments	17,050	18,750	39,889
Cash – top-ups	6,620	7,272	14,166
Digital	3,524	2,927	6,050
Cash through to digital	4,959	4,443	9,983
Other payments and banking	772	995	1,729
Payments and banking total	32,925	34,387	71,817
Total continuing operations	70,199	60,711	127,747
Discontinued operation			
Romania ¹	1,258	34,472	67,742
Total	71,457	95,183	195,489

¹The revenue in the current period from the discontinued operation represents the revenue from Romania between 1 and 8 April 2021 prior to disposal.

Service fee revenue of £8.2 million (September 2020: £7.1 million) and management fees, set-up fees and up-front lump sum payments of £0.7 million (September 2020: £0.5 million) are recognised on a straight-line basis over the period of the contract. Terminal finance leasing revenue of £3.2 million (September 2020: £nil) is recognised over the lease term using the sum of digits method. The remainder of revenue is recognised at the point in time when each transaction is processed, with the usual timing of payment by customers on fourteen-day terms.

Revenue subject to variable consideration of £6.1 million (September 2020: £6.4 million) exists where the consideration which PayPoint is entitled to varies according to transaction volumes processed and rate per transaction. Management estimates the total transaction price using the expected value method at contract inception, which is reassessed at the end of each reporting period, by applying a blended rate per transaction to estimated transaction volumes. Any required adjustment is made against the transaction price in the period in which it occurred. The revenue is recognised at the constrained amount to the extent that it is highly probable that the inclusion will not result in a significant revenue reversal in the future, with the estimates based on projected transaction volumes and historical experience.

Seasonality of operations

PayPoint operates in many sectors, some with their own form of seasonality. This does not constitute “highly seasonal” as considered by IAS 34 Interim Financial Reporting. Historically energy bill payments typically generated more transactions and revenue during the winter months and e-commerce typically generated more transactions and revenue in the lead up to Christmas. However, in the current period bill payments transactions have decreased, primarily due to the continued shift in consumer behaviour towards making fewer, larger payments and structural changes in this market. Parcels transactions during the peak seasonal period will be impacted by the uncertainty of customer behaviours post-pandemic. The increase in card payments and terminal leasing revenue in the current period is due to the acquisitions of HandePAY and Merchant Rentals which are less affected by seasonality. The business continues to rollout new growth initiatives that are less seasonally impacted, thus reducing the overall impact of seasonality on total revenue and operating profit between the two halves of the financial year.

Contract balances	30 September 2021 £000	30 September 2020 £000	31 March 2021 £000
Accrued income	3,171	3,935	3,320
Trade receivables	10,880	7,831	10,772
Net investment in finance lease receivables	10,032	-	10,575
Contract assets - capitalisation of fulfilment costs	1,728	2,324	1,889
Contract liabilities - deferral of setup and development fees	(1,101)	(1,644)	(1,472)
Deferred income	(539)	(348)	(565)
Total contract balances	24,171	12,098	24,519

The increase in contract balances since the comparative period primarily results from the business acquisitions in the second half of the prior financial year. PayPoint’s contract balances arise from differences between timing of cash flow and revenue recognition, which is usually at the point in time each transaction is processed or on a straight-line basis over the contracted period for management fees, set-up fees or up-front lump sum payments.

- The accrued income represents PayPoint’s entitlement to consideration from clients and SME and retailer partners for services and goods delivered but not yet invoiced at the reporting date.
- The accrued income is transferred to trade receivables when the entitlement to consideration becomes unconditional.
- The net investment in finance lease receivables balance arose upon acquisition of Merchant Rentals in February 2021 and represents the total minimum lease payments receivable to PayPoint as lessor under leases discounted at the interest rate implicit in those leases.
- The contract assets are mainly capitalised employee costs directly relating to the implementation services which are expected to be recovered from the customer and are amortised on a straight-line basis over the period of the contract.
- The contract liabilities represent set-up and development fees which are released on a straight-line basis over the period of the contract.
- The deferred income represents advance consideration received from clients and SME and retailer partners at the reporting date, which is released with revenue recognised upon delivery of the performance obligations.

4. Cost of revenue

	6 months ended 30 September 2021 £000	6 months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Continuing operations			
Retailer partners' commissions	13,960	14,122	30,272
Cost of mobile top-ups and SIM cards as principal	110	172	337
Cost of revenue deducted for net revenue	14,070	14,294	30,609
Depreciation and amortisation	4,060	4,385	9,655
Field service costs	2,289	1,432	3,174
Other	3,049	1,764	3,842
Total other costs of revenue	9,398	7,581	16,671
Total cost of revenue from continuing operations	23,468	21,875	47,280
Discontinued operation¹			
Retailer partners' commissions	101	2,342	5,847
Cost of mobile top-ups and SIM cards as principal	897	24,538	46,567
Cost of revenue deducted for net revenue	998	26,880	52,414
Depreciation and amortisation	-	271	381
Other	-	182	331
Total other costs of revenue	-	453	712
Total cost of revenue from discontinued operation	998	27,333	53,126
Total cost of revenue	24,466	49,208	100,406

¹The cost of revenue from the discontinued operation in the current period represents the cost of revenue from Romania between 1 and 8 April 2021 prior to disposal.

5. Exceptional items

	6 months ended 30 September 2021 £000	6 months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Revaluation of deferred, contingent consideration liability – administrative expenses	2,880	-	-
Acquisition costs expensed – administrative expenses	-	-	(2,796)
Provision in relation to Ofgem Statement of Objections – administrative expenses	-	-	(12,500)
Refinancing costs expensed – administrative expenses	-	-	(304)
Total exceptional items included in operating profit	2,880	-	(15,600)
Refinancing costs expensed – finance costs	-	-	(459)
Gain on disposal of discontinued operation, net of tax	29,863	-	-
Total exceptional items included in profit or loss	32,743	-	(16,059)

The prior interim reporting period ended 30 September 2020 included £1.0 million of acquisition and disposal costs. These were not presented as exceptional at 30 September 2020 but were reclassified to exceptional items at 31 March 2021 as they were one-off and non-recurring in nature (refer to the accounting policies disclosed in the 31 March 2021 Annual Report).

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

	6 months ended 30 September 2021 £000	6 months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Profit before tax from continuing operations	24,751	16,827	19,443
Exceptional items	(2,880)	-	16,059
Underlying profit before tax from continuing operations	21,871	16,827	35,502

6. Tax

	6 months ended 30 September 2021 £000	6 months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Continuing operations			
Current tax	4,312	3,727	4,576
Deferred tax	243	(60)	(241)
	4,555	3,667	4,335
Discontinued operation			
Current tax	-	551	1,107
Deferred tax	-	5	21
	-	556	1,128
Total	4,555	4,223	5,463

	6 months ended 30 September 2021	6 months ended 30 September 2020	Year ended 31 March 2021
Effective tax rate on continuing operations	18.4%	21.8%	22.3%
Effective tax rate on discontinued operation	0.0%	14.7%	14.9%

The tax charge was £4.6 million (September 2020: £3.7 million on continuing operations) resulting in an effective tax rate of 18.4% (September 2020: 21.8% on continuing operations). This is lower than the UK statutory rate of 19% due to the non-taxable exceptional item in the period. The effective tax rate is lower than the prior period due to the disallowable acquisition and disposal costs in the prior period.

During the period, an increase in the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023 was enacted. Deferred tax has been calculated based on the rate applicable at the date timing differences are expected to reverse.

The effective tax rate on the discontinued operation was 0.0% (September 2020: 14.7%) because the gain on disposal of the discontinued operation was exempt from UK corporation tax under the substantial shareholding exemption.

7. Earnings per share

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

	6 months ended 30 September 2021 £000	6 months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Total profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	50,207	16,392	21,531
Continuing operations			
Profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	20,196	13,160	15,108
Discontinued operation			
Profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	30,011	3,232	6,423
	30 September 2021 Number of Shares Thousands	30 September 2020 Number of Shares Thousands	31 March 2021 Number of Shares Thousands
Weighted average number of ordinary shares in issue (for basic earnings per share)	68,624	68,338	68,406
Potential dilutive ordinary shares:			
Long-term incentive plan	164	177	164
Restricted share awards	406	222	197
Deferred annual bonus scheme	108	62	62
SIP and other	47	40	50
Weighted average number of ordinary shares in issue (for diluted earnings per share)	69,349	68,839	68,879
	6 months ended 30 September 2021	6 months ended 30 September 2020	Year ended 31 March 2021
Earnings per share (pence)			
Basic	73.2	24.0	31.5
Diluted	72.4	23.8	31.3
Earnings per share (pence) – continuing operations			
Basic	29.4	19.3	22.1
Diluted	29.1	19.1	21.9
Earnings per share (pence) – discontinued operation			
Basic	43.7	4.7	9.4
Diluted	43.3	4.7	9.3

8. Dividends

	6 months ended 30 September 2021		6 months ended 30 September 2020	
	£000	pence per share	£000	pence per share
Interim reported dividend is the interim ordinary dividend declared for the current period (non-IFRS measure)	11,686	17.0	10,709	15.6
Interim dividend paid is the final ordinary dividend for the prior year	11,409	16.6	10,676	15.6
Number of shares in issue used for purposes of dividends per share calculations	68,740,399		68,466,044	

An interim dividend of 17.0 pence per share (September 2020: 15.6 pence) has been declared. The total dividend of 17.0 pence per share will be paid in equal instalments of 8.5 pence per share on 30 December 2021 (to shareholders on the register on 3 December 2021) and 7 March 2022 (to shareholders on the register on 4 February 2022). Total dividends of £11.4 million (16.6 pence per share) were paid during the period and comprised of the final ordinary dividend for the year ended 31 March 2021.

9. Goodwill

	30 September 2021 £000
Cost	
At 31 March 2020	11,853
Exchange rate adjustment	(704)
Acquisition of i-movo	6,867
Acquisition of Handepay	35,632
Acquisition of Merchant Rentals	9,052
Balance reclassified as held for sale – Romania	(11,149)
At 31 March 2021	51,551
Acquisition of RSM 2000	5,583
At 30 September 2021	57,134

RSM 2000

On 12 April 2021, PayPoint acquired 100% of the share capital of RSM 2000 Limited for initial cash consideration of £5.9 million and deferred consideration of £1.0 million payable in cash on the first anniversary of completion. The deferred consideration is not contingent on future performance nor remuneration linked i.e. linked to continuing employment of the sellers. The acquisition resulted in a net £4.5 million cash outflow (net of cash acquired).

The primary reasons for the acquisition were to enhance PayPoint's digital payments capability and enable reach into new sectors, including charities, housing, not-for-profit organisations, events and SMEs in the UK.

An RSM 2000 regulatory licences intangible asset of £0.2 million has been recognised and is being amortised over a useful life of 10 years. An RSM 2000 customer relationship intangible asset of £0.2 million has been recognised and is being amortised over a useful life of 12 years.

In the period since acquisition, RSM 2000 earned revenue of £1.0 million and reported profit before tax of £nil. The result for the period from 1 to 12 April 2021 is not considered material so RSM 2000 has been consolidated from 1 April 2021. Therefore, had the acquisition taken place on the first day of the financial year, revenue and reported profit before tax would be the same as the period since acquisition.

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

	12 April 2021 £'000
Acquired regulatory licences asset	204
Acquired customer relationship asset	236
Software intangible assets	7
Property, plant and equipment	12
Right of use assets	34
Trade and other receivables	168
Cash and cash equivalents	1,402
Trade and other payables	(564)
Lease liabilities	(34)
Current tax liabilities	(18)
Deferred tax liabilities	(85)
Total identifiable net assets acquired at fair value	1,362
Initial cash consideration	5,945
Deferred consideration	1,000
Total consideration	6,945
Goodwill recognised on acquisition	5,583
Acquisition of subsidiary net of cash acquired	(4,543)

The acquired identifiable assets and liabilities have been recognised at their fair values at acquisition date and in accordance with the Group's accounting policies disclosed in the Annual Report for the year ended 31 March 2021:

- The acquired customer relationships have been valued using the multi-period excess earnings method ("MEEM approach") by estimating the total expected income streams from the customer relationship and deducting portions of the cash flow that can be attributed to supporting, or contributory, assets (including workforce). The residual income streams are discounted. No tax amortisation benefit is applied. The key inputs to this method are the customer churn rate, revenue growth rate and discount rate applied to future forecasts of the businesses.
- The acquired licences have been valued using the cost-to-recreate method, representing the cost of the process to attain the licenses. This requires an estimate of all the costs a typical market participant would incur to generate an exact replica of the intangible asset in the context of the acquired business. The cost-to-recreate method takes into account factors including economic and technological obsolescence.
- Trade receivables and trade payables have been assessed at fair value on the basis of the contractual terms and economic conditions existing at the acquisition date, reflecting the best estimate at the acquisition date of contractual cash flows not expected to be collected.

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

Of the £5.6 million goodwill acquired during the period, no goodwill is expected to be deductible for tax purposes. The goodwill is attributable to workforce in place, know-how within the business (operating expertise and detailed knowledge of direct debit processing facilitating enhanced potential to grow digital payments capabilities), new customer relationships and the growth in new sectors that is anticipated to arise post-acquisition (including charities, not-for profit organisations, events, housing and SMEs in the UK), as well as the fair value of expected synergies from combining the operations of PayPoint and RSM 2000 (the ability of PayPoint to offer new customers the full scope of digital payments capabilities post-acquisition).

Prior year acquisitions

There have been no adjustments in the current period to the goodwill and fair values of the identifiable assets purchased and liabilities assumed as presented for the Handepay, Merchant Rentals and i-movo acquisitions in the financial statements for the year ended 31 March 2021 but they remain provisional and subject to adjustment within the measurement period.

10. Investment in Snappy Shopper

On 7 July 2021, PayPoint plc subscribed to 9.35% of the ordinary share capital (13.04% of voting rights) in Snappy Shopper Ltd for a total cash consideration of £6.7 million. The investment will enable PayPoint to take advantage of the growth in consumer demand for local home delivery and its convenience retailer partners to remain at the forefront of retail and consumer trends.

An investment is treated as an associate where the investor has significant influence over the investment. Under IAS 28 significant influence may be evidenced by a number of factors, including representation on the Board of Directors of the investee. PayPoint is considered to have significant influence over Snappy Shopper as the Chief Executive of PayPoint, Nick Wiles, joined their Board as a Non-Executive Director. The investment has therefore been treated as an associate and recognised at its cost of £6.7 million under the equity method. PayPoint's share of Snappy Shopper's result was immaterial for the interim reporting period ended 30 September 2021 and has therefore not been recognised in the condensed consolidated statement of profit or loss or in the condensed consolidated statement of financial position against the carrying value of the investment. The principal place of business for Snappy Shopper Limited is in the United Kingdom.

11. Discontinued operation

The sale of the Romanian business, PayPoint Services SRL, to Innova Capital completed on 8 April 2021 following regulatory and other customary approvals. 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.

Cash proceeds of £48.3 million were received in April 2021 and were used to repay the majority of the revolving credit facility and reduce net corporate debt. A further £0.3m working capital adjustment was received on 2 November 2021. The gain on sale of the discontinued operation was £29.9 million:

	30 September 2021 £000
Total disposal proceeds received	48,585
Costs of disposal	(1,010)
Carrying amount of net assets sold	(16,067)
Gain on sale before income tax and reclassification of foreign currency translation reserve	31,508
Reclassification of foreign currency translation reserve	(1,645)
Tax charge on discontinued operation	-
Gain on disposal after tax	29,863
Profit up to date of disposal	148
Profit from discontinued operation (attributable to owners of the Company)	30,011

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

The major classes of assets and liabilities comprising the carrying amount of net assets sold (and classified as held for sale in the prior period) were as follows:

	8 April 2021 £000	30 September 2020 £000	31 March 2021 £000
Assets of discontinued operation			
Goodwill	11,149	12,042	11,149
Other intangible assets	455	314	455
Property, plant and equipment	2,242	2,247	2,242
Deferred tax asset	-	11	-
Inventories	124	203	124
Trade and other receivables	20,033	19,198	17,517
Corporate cash	7,814	-	7,814
Clients' funds and retailers' deposits	20,090	16,514	18,052
	61,907	50,529	57,353
Liabilities of discontinued operation			
Trade and other payables	44,928	40,395	39,954
Lease liabilities	707	832	707
Current tax liability	201	287	201
Deferred tax liability	4	-	4
	45,840	41,514	40,866
Net assets of discontinued operation	16,067	9,015	16,487

The net assets of the discontinued operation were assessed to ensure their fair value less costs to sell were greater than their carrying value. The proceeds of the disposal substantially exceeded the carrying amount of the related net assets and accordingly no impairment loss was recognised prior to disposal.

The current period results of the discontinued operation up to the date of disposal and the gain on disposal after tax have been included in the total Group profit for the period as follows:

	Period from 1 to 8 April 2021 £000	6 months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Revenue	1,258	34,472	67,742
Cost of revenue	(998)	(27,333)	(53,126)
Gross profit	260	7,139	14,616
Expenses	(112)	(3,465)	(7,188)
Operating profit	148	3,674	7,428
Finance income	-	184	311
Finance costs	-	(70)	(188)
Profit before tax	148	3,788	7,551
Tax	-	(556)	(1,128)
Gain on disposal after tax	29,863	-	-
Profit from discontinued operation attributable to equity holders of the parent	30,011	3,232	6,423

Net cash flows attributable to discontinued operation

	Period from 1 to 8 April 2021 £000	6 months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Net cash from operations	2,038	4,161	11,018
Net cash used in investing activities	-	(439)	(689)
Net cash used in financing activities – dividends paid to parent company	-	(6,570)	(7,146)
Net cash disposed as part of discontinued operation	(27,904)	-	-
Net (decrease)/increase in cash and cash equivalents	(25,866)	(2,848)	3,183
Cash and cash equivalents at beginning of period	25,866	24,328	24,328
Effect of foreign exchange rate changes	-	361	(1,645)
Cash and cash equivalents at end of period	-	21,841	25,866

12. Trade and other receivables

	30 September 2021 £000	30 September 2020 £000	31 March 2021 £000
Trade receivables	10,880	7,831	10,772
Items in the course of collection ¹	45,820	53,926	47,512
Revenue allowance	(1,323)	(1,312)	(949)
	55,377	60,445	57,335
Other receivables	788	111	152
Net investment in finance lease receivables	3,630	-	4,064
Contract assets - capitalisation of fulfilment costs	1,728	2,324	1,889
Accrued income	3,171	3,935	3,320
Prepayments	3,461	2,828	2,816
Total	68,155	69,643	69,576

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

13. Cash and cash equivalents

Included within cash and cash equivalents of £23.4 million (September 2020: £42.0 million) are balances of £16.2 million (September 2020: £27.2 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 14). Clients' funds held in trust which are not included in cash and cash equivalents amounted to £38.4 million at 30 September 2021 (September 2020: £51.0 million).

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

14. Trade and other payables

	30 September 2021 £000	30 September 2020 £000	31 March 2021 £000
Amounts owed in respect of clients' funds and retailer partners' deposits ¹	16,147	27,160	28,405
Settlement payables ²	45,820	53,926	47,512
Client payables	61,967	81,086	75,917
Trade payables	4,808	4,294	5,925
Other taxes and social security	4,100	6,014	6,439
Other payables	770	474	692
Accruals	10,157	7,015	11,494
Deferred income	539	348	565
Contract liabilities – deferral of setup and development fees	1,101	1,644	1,472
Payable in relation to the Ofgem Statement of Objections	12,500	-	-
Total	95,942	100,875	102,504
Disclosed as:			
Current	95,942	100,875	102,504
Non-current	-	-	-
Total	95,942	100,875	102,504

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.

15. Share capital

	30 September 2021 £000	30 September 2020 £000	31 March 2021 £000
Called up, allotted and fully paid share capital			
68,740,399 (September 2020: 68,466,044) ordinary shares of 1/3p each	229	228	229
Total	229	228	229

16. Share-based payments

The Group's share schemes are described in the Directors' Remuneration Report in the Annual Report for the year ended 31 March 2021 and consist of the Long Term Incentive Plan (LTIP), Deferred Annual Bonus Scheme (DABS) and Restricted Share Awards (RSA) equity-settled share schemes.

45,594 share awards were granted under the DABS scheme in the period (September 2020: 2,532), vesting over three years to 13 August 2024. The DABS do not contain any IFRS 2 performance conditions.

202,781 share awards were granted under the RSA scheme in the period (September 2020: 190,733), vesting over two to five years, between 30 June 2023 and 30 August 2026. The RSAs do not contain any IFRS 2 performance conditions.

The LTIP scheme was replaced with the RSA scheme in the prior financial year and no new share awards are expected to be granted under the old LTIP scheme.

The amount charged to the statement of profit or loss in the year was £0.4 million (September 2020: £0.6 million). A total charge of £1.2 million (September 2020: £0.9 million) previously 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.

17. Deferred consideration liability

	30 September 2021 £000	30 September 2020 £000	31 March 2021 £000
At beginning of period	5,747	-	-
Recognition of discounted deferred, contingent consideration liability on acquisition of i-movo	-	-	5,690
Recognition of deferred consideration liability on acquisition of RSM 2000	1,000	-	-
Revaluation of i-movo deferred, contingent consideration liability	(2,880)	-	-
Discount unwind on deferred consideration	87	-	57
At end of period	3,954	-	5,747
Disclosed as:			
Current	3,954	-	1,462
Non-current	-	-	4,285
Total	3,954	-	5,747

Of the total deferred consideration liability at 30 September 2021, £3.0 million relates to the acquisition of i-movo (30 September 2020: £nil) and £1.0 million relates to the acquisition of RSM 2000 (30 September 2020: £nil).

i-movo

The £3.0 million (30 September 2020: £nil) i-movo deferred, contingent consideration liability is contingent on future performance over the earnout period and is linked to four monthly revenue growth targets on two potential key revenue streams. It is categorised as Level 3 in the fair value hierarchy. The contingent consideration is capped at £6.0 million (£4.0 million cash and £2.0 million shares).

The carrying amount of the deferred, contingent consideration liability of £3.0 million is considered to approximate to its fair value. In the current period there was a £2.9 million fair value gain recognised in the condensed consolidated statement of profit or loss due to the revaluation of part of the previously recognised liability based on the latest forecasts.

The fair value of the expected earnout is updated at each reporting date, determined using a probability-weighted average best estimate of discrete scenarios, based on the latest revenue forecasts which are discounted to present value. The fair value of the discounted deferred, contingent consideration liability is determined using an estimate regarding the future results. Any subsequent revaluations to deferred, contingent consideration as a result of changes in such estimations are recognised in the condensed consolidated statement of profit or loss. The significant unobservable inputs used in the fair value measurement are the discount rate and the forecast future revenue of the acquired business.

RSM 2000

The £1.0 million (30 September 2020: £nil) RSM 2000 deferred consideration liability is payable on the first anniversary of completion. It therefore has not been discounted to present value as the discounting impact would be immaterial. The deferred consideration is not contingent on any factors. It is measured at amortised cost.

18. Provision in relation to the Ofgem Statement of Objections

	30 September 2021 £000	30 September 2020 £000	31 March 2021 £000
At beginning of period	12,500	-	-
Provision reclassified to payable	(12,500)	-	-
Provision recognised in relation to the Ofgem Statement of Objections (current liability)	-	-	12,500
At end of period	-	-	12,500

The £12.5 million (31 March 2021: £12.5 million) provision in relation to the Ofgem Statement of Objections which was recognised as a current liability in the prior year ended 31 March 2021 has been reclassified to a payable in the current period (note 14). On 23 November 2021, Ofgem published a 'Notice of Decision to Accept Binding Commitments', regarding voluntary commitments proposed by PayPoint to Ofgem to address the concerns raised in Ofgem's Statement of Objections received on 29 September 2020. Ofgem has now accepted those commitments as a resolution of its concerns. PayPoint will now implement the commitments with all relevant stakeholders in a timetable agreed with Ofgem.

19. 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 2021, 30 September 2020 and 31 March 2021.

20. Notes to the condensed consolidated statement of cash flows

	6 months ended 30 September 2021 £000	6 months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Profit before tax from continuing operations	24,751	16,827	19,443
Profit before tax from discontinued operation	30,011	3,788	7,551
Adjustments for:			
Depreciation of property, plant and equipment	2,285	2,478	4,913
Amortisation of intangible assets	3,286	2,403	5,980
Revaluation of deferred, contingent consideration liability	(2,880)		
Discount unwind of deferred consideration liability	87	-	57
Gain on disposal of discontinued operation	(30,011)	-	-
VAT credits	-	-	(54)
Exceptional item – non-cash provision	-	-	12,500
Loss on disposal of fixed assets	-	-	54
Net finance costs	939	568	1,208
Share-based payment charge	358	610	1,066
Cash-settled share-based remuneration	-	-	(151)
Operating cashflows before movements in corporate working capital	28,826	26,674	52,567
Movement in inventories	(108)	(30)	(11)
Movement in trade and other receivables	(703)	(549)	699
Movement in net investment in finance lease receivables	543	-	593
Movement in contract assets	161	641	972
Movement in contract liabilities	(371)	(322)	(529)
Movement in payables	(5,202)	3,638	(765)
Movement in lease liabilities	(2)	19	22
Cash generated by operations	23,144	30,071	53,548
Corporation tax paid	(3,896)	(4,191)	(8,422)
Finance costs paid	(951)	(765)	(1,540)
Cash generated from operating activities (corporate)	18,297	25,115	43,586
Movement in clients' cash and retailer partners' deposits ¹	(10,221)	7,678	11,852
Net cash inflow from operating activities	8,076	32,793	55,438

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.

21. Related parties

Snappy Shopper is a related party as an associate of PayPoint plc. In the period since the investment in the associate was made, related party transactions consisted of £3k revenue, with £3k of outstanding balances (accrued income) at 30 September 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board considers these to be the most significant risks and uncertainties faced by the Group.

Strategy

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

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

Risk appetite

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

Risk identification and management

The risk management process assesses strategic and operational risk across all areas of the business and functional risk registers are maintained which form an important component of our governance framework. Risks are identified by senior management and Executive Board members for each functional area and discussed with The Head of Risk and Internal Audit. Risks identified are documented in functional risk registers which contain a risk description, assessment of materiality, probability, mitigating controls, residual risk and risk owners.

In addition to bottom-up functional risk identification, the risk framework also encompasses top-down assessment processes and horizon scanning to identify emerging risks trends and technologies as well as identifying and preparing for new legislation and regulation. At least annually, risks are assessed and agreed with Executive Board members and form the basis of principal and emerging risks. The Audit Committee receives and reviews information on the risk framework and principal and emerging risks and advises the Board on risks.

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

	Risk & Trend	Potential Impact	Mitigation Strategies	Status
Principal Risks				
1	<p>Competition and Markets</p> <p>Unchanged</p>	<p>PayPoint's markets, and the competition in those markets, continue to evolve and failure to deliver effective strategies to respond to market changes and competition will reduce market share, revenue and profits. Covid-19 has adversely impacted some of our markets and may continue to do so if further lockdowns occur. The decline in cash usage and other changes in consumer trends adversely impact some markets, and competition from direct competitors and new and alternative payment solutions also impact margins.</p>	<p>The Executive Board regularly reviews markets, competitor activity, trading opportunities and potential acquisitions and the Board oversee and challenge strategic direction. We closely monitor consumer and technological trends and engage with clients, retailers and other stakeholders to improve our proposition in existing markets. We continually develop products, services and technology to adapt to changes in consumer trends, and make acquisitions to expand into new and growing markets such as card and online payments as consumers move away from cash.</p>	<p>Risk is considered stable as acquisitions during the year of Handepay and Merchant Rentals, i-movo and RSM 2000 expand and strengthen our card and digital payment businesses as well as diversify our business into new markets. We continue to closely monitor competition and no key clients or retailers were lost to competitors during the year. However, competition is placing downward pressure on margins in our bill payments market.</p>
2	<p>Operating Model</p> <p>Unchanged</p>	<p>Our core business relies on an appropriate mix of clients and retailers and failure to maintain attractive client and retailer propositions with relevant products and technology, may cause attrition adversely impacting our business model. Other business areas such as card payments may also rely on key partner relationships and it is important strong relationships are maintained and alternative partners are contracted where possible, to ensure a resilient operating model.</p>	<p>PayPoint builds strategic relationships with key clients and retailers and we continually seek to improve service levels through new initiatives, products and technology and we monitor performance through regular retailer engagement and other surveys. New clients, retailers and merchants are routinely onboarded, many on long-term contracts, ensuring a stable model and balanced and diversified portfolio. Where products rely on key partners including our ATM and card payment businesses, we invest in our relationships and processes to maintain effective partnerships and we seek to embed contingency where possible.</p>	<p>Risk is considered stable as we continue to focus on retailer engagement and enhance our proposition. We continue to renew contracts and onboard new retailers, clients and merchants in line with expectations. Our acquisition of Handepay and Merchant Rentals increases our card acquirer partnerships and we are expanding our relationship with LINK through the launch of the new PayPoint Counter Cash initiative.</p>
3	<p>Transformation & Acquisition Integration</p> <p>Unchanged</p>	<p>Failure to integrate acquisitions and effectively manage significant change will impede business performance and our ability to achieve strategic goals. Our business relies on continued innovation and implementations and failure to effectively manage our transition from cash to digital will ultimately reduce revenue. Continued system infrastructure improvements are essential in providing resilient and effective services, and a lack of investment or poor implementation will impact business performance. Additionally, we sold PayPoint Romania, for which we still provide IT services, and we need to effectively separate these services in line with the sale agreement.</p>	<p>The Executive Board assess transformation as part of the strategic planning process, including acquisition opportunities, and the Board oversee and challenge strategic direction. PayPoint is committed to its transition from cash to digital, whilst continuing to innovate and invest in our legacy products. The Executive Board oversee all major projects to ensure effective governance, and implementation and steering groups were implemented to oversee integration of our recent acquisitions. Product and infrastructure reviews are conducted to identify improvements and architecture, systems and products are routinely upgraded.</p>	<p>Risk is considered stable as recent acquisitions significantly rebalance our business away from cash to digital channels. Acquisition integration is on track with the acquired companies integrated into PayPoint's Executive functions and re-platforming of our online payment products is underway, including the development of an enhanced direct debit payment platform. We are reviewing our legacy architecture and numerous infrastructure improvement programmes are underway and the separation of Romania IT infrastructure is on track.</p>
4	<p>Emerging Technology</p> <p>Increased</p>	<p>New and emerging technologies are changing the way consumers pay for goods and services impacting our products and markets. For many years cash was the principal payment method for topping up gas and electricity</p>	<p>We continually develop products with the latest technology, evolving them to take advantage of new and expanding markets created by the UK's digital transformation. The Executive Board closely monitors emerging</p>	<p>Risk is increasing as new technology such as SMET2 gas and electric smart meters are eroding legacy bill payments and mobile top up markets. However, our recent acquisitions have accelerated our ability to mitigate the impact of</p>

		<p>however this is changing and PayPoint therefore needs to evolve its proposition to capitalise on new technology and payment methods. New disruptive fintech products, and large tech companies who are increasingly advancing into payment solutions, have the potential to significantly impact our business. Covid-19 has accelerated global digital transformation and there is risk to our business if our digital transformation fails to keep pace, and we do not exploit new technologies and markets to evolve our proposition.</p>	<p>technologies, and the impact they may have on PayPoint, and mitigating strategies are implemented where possible. Emerging technology is a key component of our acquisition strategy with acquisitions focussed on digital products.</p>	<p>emerging technologies and we are already re-platforming RSM 2000's online payment product which will better enable us to expand our presence in digital payment markets. We are engaged in various government schemes involving new technology as well as other technological product advances. We also continually assess our terminal estate to maximise the benefit to retailer partners.</p>
5	<p>Legal and Regulatory</p> <p>Unchanged</p>	<p>PayPoint is required to comply with numerous contractual, legal and regulatory requirements and failure to meet obligations may result in fines, penalties, prosecution, financial loss and reputational damage. Recent acquisitions have increased the number of regulated entities and as regulatory landscapes evolve, there is a risk that changes may adversely impact our business. On 23 November 2021, Ofgem published a 'Notice of Decision to Accept Binding Commitments', regarding voluntary commitments proposed by PayPoint to Ofgem to address the concerns raised in Ofgem's Statement of Objections received on 29 September 2020. Ofgem, the energy regulator, has now accepted those commitments as a resolution of its concerns. PayPoint will now implement the commitments with all relevant stakeholders in a timetable agreed with Ofgem</p>	<p>Our Legal and Regulatory Compliance teams work closely with management on all legal and regulatory matters and adopt strategies to ensure PayPoint is appropriately protected and complies with regulatory requirements. They engage on all key contracts and legal matters and oversee regulatory compliance programmes, monitoring and reporting. Emerging regulations are incorporated into strategic planning and we engage with regulators to ensure our frameworks are appropriate to support new products and initiatives. External counsel is engaged where required and we respond promptly and comprehensively to all regulatory enquiries.</p>	<p>Risk is considered stable as integration of the recently acquired regulated companies is on track. On 23 November 2021, Ofgem published a 'Notice of Decision to Accept Binding Commitments', regarding voluntary commitments proposed by PayPoint to Ofgem to address the concerns raised in Ofgem's Statement of Objections received on 29 September 2020. Ofgem, the energy regulator, has now accepted those commitments as a resolution of its concerns. PayPoint will now implement the commitments with all relevant stakeholders in a timetable agreed with Ofgem. No other significant legal or regulatory matters occurred during the half year.</p>
6	<p>Cyber Security and Data Protection</p> <p>Increased</p>	<p>Cyberattacks on systems and networks may significantly impact service delivery and data protection causing harm to PayPoint, our customers and other stakeholders. Covid-19 resulted in a global increase in criminals exploiting vulnerabilities, and recent acquisitions have increased the number of IT environments, products and systems we need to protect. Although PayPoint has multiple cyber security systems, capabilities and controls, organisations have experienced increased ransomware attacks and attacks are a constant threat. Failure to safeguard systems, networks and data and comply with data protection requirements may result in significant financial loss and reputational damage.</p>	<p>The Executive Board assess PayPoint's cyber security and data protection framework and processes and the Cyber Security and IT sub-committee of the Audit Committee maintain oversight. Our IT security framework is comprehensive with multiple security systems and controls deployed across the group. We are ISO27001 and PCI DSS Level 1 certified and systems are constantly monitored for attacks with response plans implemented and tested. Employees receive regular cyber security training, and awareness is promoted through phishing simulations and other initiatives. We engage with stakeholders on cyber-crime and proactively manage adherence with data protection requirements.</p>	<p>Cyber security continues to be a key focus and risk is considered to be increasing because of the external threat. However, PayPoint has not experienced a material change in cyber threat or experienced any material attacks or data breaches. Group security standards and systems have been applied to acquisition IT environments and we are enhancing our Security Operations Centre cyber monitoring and response capabilities. We regularly engage third parties to assess our cyber defences and we strengthen controls for recommendations made.</p>
7	<p>Business Interruption</p> <p>Unchanged</p>	<p>Clients, retailers and consumers rely on our systems being resilient with continued service delivery, and failure to promptly recover services may result in financial loss and reputational harm. Transforming our infrastructure as we transition our business from cash to digital,</p>	<p>The Executive Board reviews PayPoint's business continuity framework and the Cyber Security and IT sub-committee of the Audit Committee maintains oversight. Business continuity, disaster recovery and major incident response plans are maintained</p>	<p>Risk is considered stable as we continue to enhance our infrastructure and processes and strengthen our continuity controls. No material interruption incidents occurred during the</p>

		increases the risk of disruptive events and change must be carefully managed to avoid business interruption. Our infrastructure and service delivery is supported by multiple suppliers and poor supplier performance or supplier failure may adversely impact our business.	and tested with failover capabilities across third party data centres and the cloud. Systems are routinely upgraded with numerous change management processes deployed and resilience embedded where possible. Supplier failure can disrupt PayPoint's service delivery and risk is managed through contractual arrangements, alternative supplier arrangements and business continuity plans.	the half year and we have not experienced any supplier related disruption.
8	Credit and Operational Unchanged	Material credit exposures exist with large retailers and other counterparties, and failure of a large retailer or counterparty could result in significant financial loss. PayPoint processes large volumes of payments and is exposed to risk of direct or indirect loss from failed or inadequate processes. Effective operational controls are essential to ensure funds are settled securely and timely, and inadequate or failed controls could result in fraud, liquidity risk, contractual breaches or other financial loss.	PayPoint has effective credit and operational processes and controls. Retailers and counterparties are subject to ongoing credit assessments and effective debt management processes are implemented. Settlement processes and controls are continually assessed and enhanced with new systems and technology implemented. We have effective governance with oversight committees, delegated authorities and policies for key processes. Segregation of duties and approvals are implemented for all areas where fraud or material error may occur.	Risk is considered stable as there were no material credit losses, frauds or processing errors during the half year and credit exposures have not materially changed. We continue to enhance our governance, controls and systems and we assessed operational processes and controls for recent acquisitions, enhancing processes where necessary.
9	People and Culture Unchanged	Failure to attract and retain key talent, and appropriately integrate acquisition employees, may impact service levels and delivery of strategic objectives. An inability to maintain a strong culture of ethical behaviours and employee wellbeing creates risk to our business, people customers and other stakeholders. As we move to new hybrid way of working with increased home working, it is important our people are well supported to ensure strong service delivery and achievement of strategic objectives.	The Executive Board clearly define and advocate PayPoint's purpose, vision and values. An Employee Forum comprising employees from across the business engages directly with the Board on employee matters. We continue to invest in, and support our people, particularly through Covid-19 where numerous steps have been taken to ensure employee wellbeing. We have well established processes for talent management and people development and there is continued focus on culture and ethics.	The UK recruitment market is extremely competitive at present impacting recruitment and retention. PayPoint's staff turnover has increased during the half year however risk is considered stable as vacancies continue to be recruited and retention plans were implemented. Acquisition integration is progressing well and an employee engagement survey conducted during the half year was positive. We continue to follow government guidance on Covid-19 working practices and have implemented numerous initiatives to protect our people and ensure their wellbeing. The Employee Forum continues to play an active role in employee engagement.
Emerging Risks				
1	ESG and Climate	There is increased focus on environmental, social and governance matters and we need to ensure our business is environmentally responsible and creates shared value for all stakeholders to protect our brand and ensure sustainability. Climate risk is increasingly becoming a key priority for governments and organisations, and PayPoint needs to play its part in reducing carbon emissions and its impact on the environment. Approximately 16% of our revenue is derived from energy and fuel markets and as the UK transitions to net zero carbon emission economy by 2050, we need to closely monitor the impacts on our business to ensure our revenue streams are sustainable. We anticipate climate	The Executive Board sets PayPoint's climate and social responsibility agendas and recommends strategy to the Board. We aim to align our business model with reducing carbon emissions and we continually assess our approach to environmental risk and social responsibility, which are becoming integral in our decision-making processes. We have multiple policies and processes governing our social responsibility strategy and we continually assess and evolve our strategy and working practices to ensure the best outcomes for stakeholders and the environment.	In readiness for the new Task Force on Climate-related Financial Disclosures (TCFD), we have comprehensively assessed and calculated carbon emissions from our value chain. Additionally, we are in the process of assessing the impact of a 1.5°C increase in global temperatures on the business risks and opportunities. We have implemented our ESG strategy and have already taken steps to reduce our environmental impact through a change in working patterns, use of office space and via new product launches.

		considerations to impact all areas of business going forward including terminal manufacture, use and disposal as well as office space and travel.		
2	Government policy	Changes in government policy cannot be reliably predicted and may lead to adverse impacts on our proposition and markets. Material policy changes may structurally impact our markets and it is important we plan for possible policy outcomes where impacts are identified to ensure our ability to respond, adapt and take advantage of changes where they may arise.	The Board monitors government policy changes impacting products and markets, and incorporates changes into strategic decisions where feasible. PayPoint is a member of industry bodies who consult with government policy makers to help them make informed decisions. We engage with key government stakeholders including HM Treasury and Department for Environment, Food and Rural Affairs on matters impacting PayPoint's markets and continually assess our approach to engagement.	As government policy grows in importance to our business, we are increasing our focus on government engagement. A government policy area impacting our markets is the Payment Systems Regulator Market review into the supply of card acquiring services and we are closely monitoring developments from the review and modelling the impact of possible outcomes on our business.

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 as contained in UK-adopted IFRS;
- (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 2021 which comprises the condensed consolidated statement of profit or loss, condensed consolidated statement of 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 2021 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK 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 latest annual financial statements of the group were prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards. 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 for use in the UK.

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.

James Tracey
for and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

24 November 2021

ABOUT PAYPOINT GROUP

For tens of thousands of businesses and millions of consumers, we deliver innovative technology and services that make life a little easier.

The PayPoint Group serves a diverse range of organisations, from SME and convenience retailer partners, to local authorities, multinational service providers and e-commerce brands. Our products are split across three core business divisions:

- In Shopping, we enhance retailer propositions and customer experiences through EPoS services via PayPoint One, card payment technology, ATMs and home delivery technology partnerships in over 60,000 SME and retailer partner locations across multiple sectors. Our retail network of over 28,000 convenience stores is larger than all the banks, supermarkets and Post Offices put together
- In E-commerce, we deliver best-in-class customer journeys through Collect+, a tech-based delivery solution that allows parcels to be sent, picked up and dropped off at thousands of local stores
- In Payments and Banking, we help companies and their customers make and receive payments quickly and conveniently. This includes our digital payments platform, MultiPay, an eMoney offering that enables cash through to digital transactions and cash solutions providing vital consumer access across our extensive retail network

Together, these solutions enable the PayPoint Group to create long-term value for all stakeholders, including customers, communities and the world we live in.

DIRECTORS & KEY CONTACTS

Directors

Nick Wiles (Chief Executive)
 Alan Dale (Finance Director)
 Giles Kerr (Chairman)*
 Gill Barr*
 Rakesh Sharma (Senior Independent Director)*
 Ben Wishart*
 Rosie Shapland*
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