

**PAYZONE BILL PAYMENTS LIMITED**  
(the "Company")

**Minutes of a Board meeting held on Thursday 13<sup>th</sup> April 2023 at 14:00 in Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ**

<b>Present:</b>	
Owen Woodley	Group Chief Commercial Officer, Post Office (Chair) <b>(OW)</b>
Andrew Goddard	Managing Director, Payzone <b>(AG)</b>
Max Jacobi	Finance Director – Commercial, Post Office <b>(MJ)</b>
<b>In Attendance:</b>	
██████████	██████████, Post Office ██████████
██████████	██████████ Post Office* ██████████
██████████	██████████ Payzone ██████████
██████████	██████████ Payzone* ██████████
<b>Apologies:</b>	N/A

23/01 **WELCOME & CONFLICTS OF INTEREST**

**ACTION:**

The Chair welcomed everyone to the meeting and confirmed that the meeting was quorate. MJ and ██████ joined the meeting via conference call. No new conflicts of interest were declared.

23/02 **MINUTES**

Regarding the minutes of the meeting held on 19<sup>th</sup> January 2023, which had been circulated previously, ██████ said that she had circulated some comments on the minutes via email. OW said that once ██████ had made the necessary amendments, she should circulate a final version of the minutes to the Board via email before he signs the minutes electronically. ██████

23/03 **MATTERS ARISING AND ACTIONS LIST**

The actions list from the previous Board meeting, which had been circulated previously, was noted. The following updates were provided:

**Action 1 (Minute PZBPLB 21/45 (a)):** Regarding provision for a pay raise for Payzone Bill Payments Limited (PZBPL) staff, this was finalised this week and Payzone would be making an announcement to staff today. OW asked AG to copy him into the announcement. The pay raise would be effective in employees' May 2023 payroll. This action was closed.

**Action 2 (Minute PZBPLB 22/20 (b)):** This action regarding the Board Effectiveness Review was complete and the results of the review was to be discussed in the meeting. This action was closed.

**Action 3 (Minute PZBPLB 22/21(a3)):** AG explained that the KPIs (key performance indicators) were included as part of the pack. There were historical issues relating to the parent company (Post Office Limited (POL)) and the subsidiary's (PZBPL) relationship as well as current issues relating to NBIT (New Branch IT). OW suggested that there needed to be a clear structure for the Board to review and approve these issues for good practice. This action remained open.

**Action 4 (Minute PZBPLB 22/23):**

[REDACTED]

**Action 5 (Minute PZBPLB 22/40(a)(i)):** This action would be discussed at the 'Q4 Performance Review' item and [REDACTED] would give an update in regard to Payzone's cash flow. Part of the financial viability work was about cash flow. This action remained opened.

**Action 6 (Minute PZBPLB 22/40(a)(ii)):** [REDACTED] gave an update on this later in the meeting. It was said that the price change for the Payzone devices had gone very well and the performance had been better than expected. This action was closed.

**Action 7 (Minute PZBPLB 22/40(b)):** There was no further update. This action was closed.

**Action 8 (Minute PZBPLB 22/42 (c)(i)):** There was no further update. This action was closed.

**Action 9 (Minute PZBPLB 22/42(c)(ii)):** An update on the PZBPL Investigation was given in this meeting. This action remained opened.

**Action 10 (Minute PZBPLB 22/42 (d)):** AG explained that there were some contracts that needed to be signed prior to PZBPL's integration with POL. Three out of four contracts had been completed however the POL legal and procurement teams were having discussions about PZBPL's contract with Vodafone. The issue with the Vodafone contract was that Procurement had suggested that the contract term be shortened however, if this was to happen, the IT team's view was that Payzone would not be able to migrate to AWS (Amazon Web Service) any time soon. As such, to shorten the contract would be counterproductive. As such, the commercial answer to this issue differed from the procurement team's view. [REDACTED] commented that [REDACTED] may need external support if this was a material contract. This action remained opened.

23/04

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

23/05 **BUSINESS UPDATE INCORPORATING:**

(a) Q4 Performance Review

■ presented this item and briefly explained that the cash flow work was still in progress. He had been sharing some of the progress with MJ.

■ then gave the Board an update on PZBPL's 2022/23 performance.

PZBPL's performance in 2022/23 was broadly set flat. The year-end figure was £9.74m million with the upsides coming from the installation of 2500 Payzone devices which was 15% up to plan. This was also complemented by the fact that new clients had been onboarded. Furthermore, PZBPL were in the process of completing the price rise work. So far, PZBPL had only received 5% of expected churn. Moreover, conversations with retailers as a result of the price increases for Payzone devices had resulted in some retailers exiting its contract with Payzone however, these exits were low risk because PZBPL had redemption plans in place for its key retailers.

■ continued that there were downsides in telco (telecommunications) and gifting. Furthermore, there were delays to card acceptance. Despite this, Payzone finished above budget.

From a consolidated perspective, POL and PZBPL had finished a full year at £43m which was £16m over budget. This mostly came from upsides in Energy and Payout (EBBS) transactions for which POL had paid out £1bn worth of energy credits to customers.

Moreover, the key achievements this financial year included D&C (drop and collect) being launched in 250 Payzone stores. It was said that PZBPL had a good performance considering the challenges.

OW's thoughts were that the Payout contracts were a temporary and he wanted to know what these contracts said about the opportunities and threats to the business. In response to OW, ■ said that when Payout ended, the customer trends would fall back into pre 2020/21 customer behaviour and cash would begin to decline. POL had shown the value add and the role it could play in supporting vulnerable customers. Additionally, regarding Payout, POL had gone from 40 direct clients to 240 in a month. The consolidated payment services business is looking at its pricing for Payout and trying to grow that into a £5-7m budget line. Furthermore, it was anticipated that there was going to be a lot of flux in the markets over the next year.

In regard to the big decline card acceptance, MJ asked if there was a view on what the trends were in that respect. ■ answered that the decline in card acceptance was mainly due to PZBPL's ability in the market. Dual set up in

locations was not effective and using the AT150 device for card acceptance was a subpar process. The AT150 device is now accredited and was in its pilot stage. There was a progressive marketing plan to launch this in May 2023. This would help to reverse the £400,000 that Payzone lost last year.

#### Consolidated revenue

Payzone were currently in a holding position and waiting on the government as to what EBSS (Energy Bills Support Scheme, Great Britain and Northern Ireland) would look like in the future. It was said that the government would be looking to make a decision around August 2023 and it was expected that the eligible recipients would be much smaller this year.

Regarding slide 11 of the 'Business Update' slide deck, OW asked if the price rises were detailed in the green column and if that reflected the Board's original assumptions. ■ responded that the £1.1m for card and service fees was already in budget. Currently, the price rise work is calculated at approx. £200,000 up lift in revenue. The full change to retailers' billing would not come into play until May 2023.

Furthermore, ■ said that the price of the old device had not increased. Nonetheless, he noted that PayPoint had been increasing the prices of their devices. Having a cheaper device was impacting sales therefore the new device would give PZBPL an opportunity to improve its sales.

On a separate note, a publication had reached out to ■ and AG to outline the plans for Payzone and the company's journey into the future.

Regarding Payzone's cash flows, Payzone was in a better position than it was in October 2022 – approximately £300,000 favourable. PZBPL were ensuring that money was not being spent without reassurance that the PZBPL would be refunded for the costs. However, PZBPL's BAU (business as usual) CAPEX (capital expenditure) was unfavourable. For 2022/23 this was driven by the PLS (Prism Logistic Solutions) contract costs and the P6 chips. However, PZBPL would be reimbursed for the PLS costs.

Moreover, Payzone had paid for the Endava (3<sup>rd</sup> party software development support) costs however those costs would also be reimbursed by POL to Payzone in the 2023/2024 financial year. The latest NBIT cost estimate assumed higher spend on the second device issue. OW wanted to ensure that PZBPL was sticking to the principle and that the company was not doing anything without clear assurance from the parent company (POL). MJ commented that the POL team knew that Payzone would engage the work of Endava PLC and were aware they needed to fund. PD explained that he had a meeting with Endava last week and it was reassured that the spend was within the £1.3m forecast. ■ proposed to have further discussions with MJ about this.



As such, the Board **DISCUSSED** the Q3 Performance Review.

(b) Annual Operating Plan and Budget

The Annual Operating Plan was not discussed at this meeting.

(c) Key Performance Indicators

█ introduced this item and explained that the KPIs (Key Performance Indicators) were undergoing review every week and being presented at management meetings.

OW asked PD to give a definition of a 'reported branch' and AG explained that this meant that they were contracted branches. He also said that they were paying their rental fees.

Moreover, █ regarding helpdesk service levels, Payzone were looking to improve this to reduce inbound calls and increase outbound calls in the 2023/24 financial year. Additionally, Payzone had work in place to reduce the root cause identification. There were approx. 1000 inbound calls per week and 1000 outbound calls per week.

In respect of 'Engineer break fix' levels, this related to the PLS service levels. Furthermore, failed direct debts was at around 0.6% and the debt collection figures were quite high.

OW asked that █ define the KPIs in the next deck. OW also said that it would be useful to see the split between old and new Payzone devices. █

Accordingly, the Board **REVIEWED** the Key Performance Indicators.

23/06

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23/07

**BOARD EFFECTIVENESS REVIEW**

CH presented this item and the paper was taken as read. CH briefly summarised the key findings from the results of the questionnaire and explained the recommendations to address the areas for development. CH also explained that due to the nature of the Payzone Board, for instance, the fact that there are no independent directors or a nominations committee, it was difficult for the Board to be involved in things such as succession planning for example.

The main takeaway from the results was that the Board needed to spend time in meetings discussing PZBPL's company culture.

In regard to the recommendations about the discussions on Payzone's company culture in Board meetings, AG added that Payzone could provide the relevant HR data to supplement these discussions on culture.

Also, OW asked █ to ensure that the timings and dates of when recommendations 2,3,4 should take effect, are clear.

MJ commented that it would be helpful to have director training. █ said that she would discuss opportunities for the PZBPL Board to receive Director training especially in regard director duties and managing conflicts of interest, with the POL legal team. █

Accordingly, Board **NOTED** the Board Effectiveness Review.

23/08 **ANY OTHER BUSINESS**

There was no other business to be discussed at this meeting.

23/09 **NEXT BOARD MEETING**

(a) The Board noted that ■ would schedule an extraordinary meeting to discuss to Lessons Learned Action Plan.

(b) There being no further business the meeting closed at 14:59.

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**Chair**

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**Date**