

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

**Minutes of a Board meeting held on Wednesday 5<sup>th</sup> October 2022 at 14:00 in  
Wakefield, Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ**

**Present:**

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> )

**In Attendance:**

[Redacted]	[Redacted] Post Office [Redacted]
[Redacted]	[Redacted] Payzone [Redacted]
[Redacted]	[Redacted] Payzone
[Redacted]	[Redacted] Post Office [Redacted]

**Apologies:** N/A

22/27 **WELCOME & CONFLICTS OF INTEREST** **ACTION:**

The Chair welcomed everyone to the meeting and confirmed that the meeting was quorate. No new conflicts of interest were declared.

22/28 **MINUTES**

MJ made a comment regarding a minute made at the [Redacted] item.

Nevertheless, the minutes of the meeting held on 7<sup>th</sup> July 2022 which had been previously circulated, were otherwise approved subject to [Redacted] making a correction in the minutes as suggested by MJ. The minutes would then be signed electronically by the Chair.

22/29 **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:** AG said that Payzone Bill Payments Limits (PZBPL) was still awaiting the outcome budgeted pay raise for staff. PZBPL were keeping a barometer of staff cost of living concerns and these concerns were expressed at the help desk level. All managers had been briefed to keep checking in with their staff.

[Redacted] OW advised that while the employment market was calming down, PZBPL could not rely on this to retain employees. AG said that IT would be a challenging area in terms of finding talent but this was happening everywhere.

**Action 2:** There were no further updates. This action was closed.

**Action 3:** There were no further updates. This action was closed.

**Action 4:** It was suggested that the PZBPL Board should conduct an internal Board evaluation questionnaire with the results to be discussed at the next Board meeting.

**Action 5:** There were no further updates. This action was closed.

**Action 6:** There were no further updates. This action was closed.

**Action 7:** ■ said that PZBPL had completed the cash flow and financial work. Also, PZBPL had been working with the Post Office Limited (POL) Strategic Portfolio Office (SPO) team to ensure that there was PZBPL spend in Anaplan. Furthermore, ■ said that he would be reporting the CAPEX spend and cash flow every quarter to the PZBPL Board and he would also relay this information to ■ (Post Office). Nevertheless, due to the work in respect of PZBPL's integration into POL, this might not be a requirement.



■ joined the meeting at 14:10.

**Action 9:** There was an agreed list of policies which were circulated to the Post Office Risk and Compliance Committee (RCC) and the policies would be completed by December 2022.

**Action 10:** ■

**Action 11:** There were no further updates. This action was closed.

22/30

## **FINANCIAL AND COMMERCIAL UPDATE**

■ introduced this item and highlighted that PZBPL had been trading strong and trading was ahead of the planning in H1 (the first half of the year). Nevertheless, there were a few costs challenges and ■ had done a review on this the previous day. Additionally, PZBPL had incurred extra VAT costs.

■ reiterated that PZBPL had a good H1 which was predominantly driven by energy; PZBPL were 16% up on energy and the AllPay contract was live. ■ also made the following points:

- Resellers were also doing well and PZBPL had done workshops on acquiring business with resellers.
- PZBPL were 16% ahead of plan for device sales.
- PZBPL were slightly behind on water parcels, gifting and telecommunications. These were impacted by macroeconomic factors that were out of PZBPL's control.
- Regarding Drop and Collect, 52 sites were live against the 100 site target at the end of October 2022. There were also 215 retailers in the pipeline with a target of 250 at the end of October 2022.
- The contract between PZBPL and Jisp had gone live.
- Regarding the retail vouchers redemption app, PZBPL had exceeded its target for downloads.

MJ wanted to know what the response to Jisp had been and ██████ stated that the agents liked it because it had added value to the AT150 (PZBPL device) proposition. Furthermore, PZBPL had a few promotions with companies such as with Coca Cola. Additionally, an engagement event was being planned towards the end of the year with retailers. PZBPL were trying to push to 500 sites in Q4. AG added that in the first day there were 300 scans and that there was significant untapped interest and demand. It was anticipated that PZBPL would get a lot of data from this.

Regarding Drop and Collect, OW asked if Royal Mail had agreed to move on from trial. ██████ explained that it was agreed that PZBPL needed to go above 100 sites to move on from trial. More than 100 sites meant that the risk sat within Payzone, and less than 100 sites meant that the risk was shared between PZBPL and Royal Mail.

In reference to the slide deck, OW asked ██████ to explain the discussions about price changes. ██████ explained that PZBPL had been doing a lot of analysis on this and PZBPL were working on getting the device accredited with Elavon. Moreover, there was a time dynamic to see what government was going to do to help businesses with inflation. Also, PZBPL were still looking to remove the £4.99 device in Q4. Additionally, PZBPL were quite stretched with supporting POL nevertheless, this was going to be a big shift and the impact would be felt in the PZBPL business. It was anticipated that the device would obtain accreditation in February 2022. OW said that AG should keep the Board updated on this.

Regarding POL and PZBPL's consolidated H1 performance, ██████ explained there was 9% upside against budget and against price rises in April 2022. It was anticipated that PZBPL would carry out a 9/10% upside in H2. Moreover, it was said that Santander had started to struggle as they relied a lot on water.

Regarding Payout, 2.2m payouts had been achieved with 7.6m energy rebate letters, hardship letters, support and disability allowance expected to be issued in H2 (second half of the year). PZBPL had a really strong year in the context of products and ██████ said that the PZBPL team had been phenomenal. This was an important piece of work as if something went wrong, this could have impacted the customer and postmasters.

MJ asked why card acceptance was declining year on year. ██████ replied that PZBPL's competitors had well performing well and had bigger field sales teams. Nevertheless, PZBPL planned to have the PayzonePlus+ device accredited.

██████ explained that currently with the card and debit card facility, PZBPL had to use a second device. However, the AT150 device could do everything in one. OW asked if the AT150 could operate as a full blown point of sale device and Andrew said that it could in terms of accepting debit and credit. However, the device was not powerful enough to be an EPOS system.

In response to MJ, AG reiterated that the plan was for the PayzonePlus+ device to gain accreditation in November 2022. By February 2023, PZBPL would have moved customers off the old device.

Moreover, ██████ explained that PZBPL were aligning the sales team and field team and once PZBPL received Barclaycard accreditation, PZBPL could protect the back book.

■ suggested that the Board review PZBPL's balance sheet quarterly along with the KPIs (key performance indicators). Information on commercials, KPIs, CAPEX and cash flow would be the standard for the business update in future Board meetings.

Furthermore, ■ said that here was £1.5m spend on CAPEX and PZBPL had spent around £800,000 YTD (year to date). Also, there had been work done to ensure the IT employees were logging their time properly. ■ was happy with where PZBPL were regarding CAPEX.

MJ asked if PZBPL were getting terminals at a cheaper cost. ■ explained that PZBPL capitalised the installation costs and PZBPL budgeted the right cost of the terminals.

Moreover, ■ highlighted cashflow and said that there was a big piece of work underway which related to strategy, SPM (Strategic Platform Modernisation) and legacy prepay. PZBPL as a legal entity would need to have cash for this work and there was a question of whether PZBPL had enough cash to support NBIT (New Branch IT). OW asked ■ if this would be the case if integration with POL failed. ■ clarified that integration would likely be at the end at 2023/2024 however the question was if PZBPL currently had enough cash. OW presumed that POL would have a problem funding PZBPL from a procurement view on a joint venture, however POL would have no problem funding this on integration.

AG said that a decision needed to be made about buying devices and that the lead time was 9 months. ■ added that if PZBPL wanted to start getting the devices out to Post Office branches then ultimately a decision needed to be made soon.

OW questioned if PZBPL integrated into POL, would PZBPL buy the devices or can POL buy the devices. ■ explained that POL could not buy the devices until PZBPL was legally integrated into POL or some sort of joint venture was agreed. AG added that there would be a procurement challenge if POL bought the devices. OW thought that this needed to be an overt part of the work to determine funding on PZBPL from its parent.

Furthermore, ■ highlighted that in the PZBPL financial viability paper, it was said that by the end of 2023/2024 Payzone would have £1m in the bank. PZBPL had collected £1.5m from debtors therefore PZBPL had a buffer to fund SPM activities. However, these SPM activities did not include:

- The purchase of devices which will require further funding.
- The replacement of Zorin OS

MJ stated that PZBPL needed to be protected within reason and his suggestion was that there needed to be clear written communication with the SPM team and Alisdair Cameron (Group Chief Finance Officer, Post Office).

■ said that there were questions around the devices given that at the end of this calendar year, PZBPL would need more devices. OW stated that he heard that the face of the NBIT device needed to be bigger and that decisions about this needed to be made urgently. AG said that he was trying to make everyone aware of this.

Regarding the supply chain, ■ said that PZBPL were being transparent with suppliers and there were bigger implications around what PZBPL required.



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- 22/34 **RATIFICATION OF XAC CONTRACT**  
The Board **RATIFIED** their approval of the contract between XAC and PZBPL which they had approved via correspondence on 23<sup>rd</sup> July 2022.
- 22/35 **ANY OTHER BUSINESS**  
There was no further business.
- 22/36 **NEXT BOARD MEETING**  
(a) The Board noted that the next Board and strategy meeting would be held on 19<sup>th</sup> January 2022 at 11:00.  
(b) There being no further business, the meeting closed at 14:59.

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**Chair**

**24/01/2023**  
**Date**