Annual Report 2024

PayPoint Group

Accelerating

together

Who we are

The PayPoint Group provides a multichannel payments platform and delivers community services through over 65,000 retailer partner and SME locations.

Our Group serves a diverse range of customers: from leading service organisations like EDF and Monzo; retailers and SMEs from Asda to the best UK independent stores; parcel carriers like Amazon and Royal Mail; to the millions of consumers who pay bills, access cash, make card payments or pick up parcels every day at thousands of locations across the UK.

Our purpose

We deliver innovative payments solutions and services that make people's lives a little easier every day.

Making

people's lives a little easier

Financial highlights

Revenue
£306.4m
+82.7%
(FY23[6]: £167.7m)

Net revenue[1]
£181.0m
+40.4%
(FY23[6]: £128.9m)

Underlying EBITDA[2]
£81.3m
+32.6%
(FY23[6]: £61.3m)

Underlying profit before tax[3]
£61.7m
+21.5%
(FY23[6]: £50.8m)

Net corporate debt[4]
£67.5m
-6.8%
(FY23[6]: £72.4m)

Profit before tax
£48.2m
+13.1%
(FY23[6]: £42.6m)

Diluted underlying earnings per share[5]
62.6p
+3.8%
(FY23[6]: 60.3p)

Diluted earnings per share
48.8p
-1.6%
(FY23: 49.6p)

1 Net revenue is an alternative performance measure. Refer to note 4 to the financial statements for a reconciliation to revenue.
2 Underlying EBITDA (EBITDA excluding adjusting items) is an alternative performance measure. Refer to note 1 for the definition and the Financial review for a reconciliation to profit before tax.
3 Underlying profit before tax (profit before tax excluding adjusting items) is an alternative performance measure. Refer to note 1 to the financial statements for a reconciliation to profit before tax.
4 Net corporate debt (excluding IFRS 16 liabilities) is an alternative performance measure. Refer to note 1 to the financial statements for a reconciliation to cash and cash equivalents.
5 Diluted underlying earnings per share is an alternative performance measure. Refer to notes 1 and 11 to the financial statements.
6 FY23 comparatives contain only a one month contribution from the Love2shop business post-acquisition.

Contents

For more information go to
corporate.paypoint.com

PayPoint Group at a glance

Enabling

a multichannel payments platform and delivering community services through our retailer partner & SME networks.

Our purpose:
We deliver innovative payments and services that make people's lives a little easier every day.

Our divisions:
We operate across four divisions:

Shopping

We provide digital solutions, technology and payment services for SMEs and retailers to deliver vital community services.

How we do it

- Retail services – EPoS, FMCG, Counter Cash, ATMs.
- Card payments.

Who we work with

Read more on page 16

E-commerce

We provide a technology-based delivery platform to deliver best-in-class customer journeys for e-commerce brands and their customers over the 'first and last mile'.

How we do it

- E-commerce – Collect+ (Parcels Pick Up, Drop Off, Send).

Who we work with

Read more on page 20

Payments & Banking

We deliver a channel agnostic payment platform that gives clients and consumers choice.

How we do it

- Digital payments – MultiPay and Open Banking.
- Cash through to digital payments – eMoney.
- Cash payments – bill payments and top-ups.

Who we work with

Read more on page 24

Love2shop

We provide employee and customer rewards and prepaid savings solutions to thousands of consumers and businesses.

How we do it

- Love2shop – the UK's leading digital platform for employee and customer rewards.
- Park Christmas Savings – the UK's biggest Christmas Savings Club.

Who we work with

Read more on page 28

Our approach:

Our purpose

Why we exist
We deliver innovative services that make millions of people's lives a little easier every day.

Our values
How we bring our vision to life

- Ambitious
- Results focused
- Accountable
- Collaborative
- Can do
- Good colleague

Our vision

What we aim to achieve

- First-time delivery of outstanding technology and services to our customers.
- Creating a dynamic place to work for our people.
- Delivering positive outcomes for all our stakeholders.

ESG

Creating long-term value for all our stakeholders

We are committed to delivering sustainable, essential services that have a positive impact on our customers, UK communities and the world we live in.

Read more on page 34

PayPoint Group in numbers

PayPoint sites
29,149

Card payment sites
32,318

Parcel transactions
100.1m

Card payment transaction value
£7.2bn

Retailer partner and SME locations
65,933

PayPoint Trustpilot score
4.9/5

Investment case

Multichannel payments platform and the delivery of community services through our retailer and SME networks.

Multichannel

Clear path to delivering £100m EBITDA by end of FY26

We have delivered a robust financial performance and made further progress towards delivering £100m EBITDA by the end of FY26, across our growth building blocks in digital payments, card payments, parcels, community cash access, retailer services and our Love2shop business.

Leading multichannel payments platform

We continue to diversify our multichannel payments client base and expand the range of digital solutions that we can deliver to support our clients in multiple sectors, across Open Banking, direct debit, cards, cash, Love2shop vouchers/rewards and prepaid solutions.

Enhanced rewards for shareholders with 3-year share buyback programme, commencing with at least £20m over next 12 months, and increasing dividend

Three-year share buyback programme announced, commencing with at least £20 million over the next 12 months, with the potential to increase in years 2 and 3 depending on business performance, market conditions, cash generation and the overall capital needs of the business.

Throughout this period, we will continue to increase dividends at a nominal rate and grow our cover ratio from the current 1.5 to 2.0 times earnings range to over 2.0 times earnings by FY27.

Streamlined organisational structure and cost base to deliver growth

Following a through review, changes were implemented in April 2024 to simplify the structure, enhance cross company collaboration and deliver efficiencies to enable future reinvestment in the business.

Unparalleled retailer & SME networks delivering vital community services

Our expanded proposition helps our SMEs and retailer partners keep pace with changing consumer needs, expectations and demographics. We continue to innovate and increase the range of vital community services provided through our in-store technology to drive retention and deliver more opportunities to earn for our partners, including parcels, local banking and government services.

platform

Our partnerships

Our partnership philosophy across the Group, combined with an intensity and focus on execution, is already unlocking new markets and revenue opportunities for us.

Accelerating

Royal Mail

Strategic partnership with Royal Mail across Collect+ network, the leading Out of Home (OOH) parcel pick up, drop off and send service in the UK.

The multi-year agreement will enable parcel drop off for Royal Mail customers at 5,000 Collect+ stores in communities across the UK by Summer 2024. This partnership will combine the benefits of Royal Mail's online postage options with the convenience of PayPoint's retail partners.

The partnership will support Royal Mail's strategy to expand its OOH reach and local network, providing customers with a range of flexible choices for dropping off parcels and helping to meet growing demand for additional delivery, collection and drop-off options.

This partnership is an important part of Royal Mail's strategy to make our services even more convenient for customers and to give them the widest possible choice of where and when they can send parcels."

Martin Seidenberg
Group Chief Executive of International Distributions Services

Lloyds Bank

Major partnership expansion, which will see Lloyds Bank Cardnet become the main card acquiring partner across the PayPoint Group's extensive network of over 65,000 SME and retailer partners.

The expanded partnership, starting with an initial phase in Q2 FY25, followed by a full launch expected in Q3 FY25, will offer merchants a market-leading banking and card services proposition combining card payments, a 12-month fee-free Lloyds bank business account and a connected competitive commercial card offering.

The enhanced proposition strengthens PayPoint Group's market position, accelerates growth across our merchant estates and delivers better tools, support and experience for its SME and retailer partners.

Our partnership with PayPoint is incredibly important for our next stage of growth and leveraging the significant investment we are making in the Lloyds Bank Cardnet Merchant Services business."

Melinda Roylett
Managing Director, Lloyds Bank Merchant Services

DVLA

PayPoint was awarded the Driver & Vehicle Licensing Agency (DVLA) contract for providing International Driving Permits across its extensive network of retailer partners across the UK in January 2024, with the service going live on 1 April 2024.

The multi-year agreement sees the service move from the Post Office to PayPoint, adding another important central government service to its portfolio and maintaining vital access to this service at the heart of communities across the UK. An International Driving Permit is a permit that allows you to drive in over 140 countries where a UK driving licence alone may not be enough, including the United Arab Emirates, South Africa, Turkey, Brazil and Japan, with c.300,000 permits issued each year.

Citizens Advice Stevenage

PayPoint and Citizens Advice Stevenage partnered to launch a new online customer support product initially implemented in a trial phase from September 2023.

The trial saw Specialist Debt Advisors at Citizens Advice Stevenage help develop and use PayPoint's Financial Information Service (FIS) Customer Support Tool, an Open Banking solution, that has cut the time spent by Debt Advisors gathering and reviewing financial information of individuals seeking help from an average of three weeks per case to just minutes.

PayPoint's FIS tool has enabled our advisors to achieve an almost instant, real-time view of people's financial circumstances, removing barriers to people engaging with debt advice and creating momentum for the people we help to start feeling the benefit."

Charlotte Blizzard-Welch
CEO, Citizens Advice Stevenage

together

Chief Executive's review

Delivering transformation

These results reflect both the resilience of our businesses and the transformation delivered over the past three years as we unlock further opportunities and growth across our four business divisions."

Nick Wiles
Chief Executive

Robust

financial performance with further progress towards delivering £100m EBITDA by the end of FY26.

Partnership philosophy opening up new revenue opportunities

Our partnership philosophy across the Group, combined with an intensity and focus on execution, is already unlocking new markets and revenue opportunities for us. This includes the recently announced partnerships with Royal Mail, Lloyds Bank and DVLA, our success in Open Banking working with Ovo and the Department for Energy Security and Net Zero, and the continued focus on our convenience retail sector relationships, working closely with our retailer partners and the key retail trade associations. This approach underpins our delivery across every business division, in addition to our growth building blocks in digital payments, card payments, parcels, community cash access, retailer services and our Love2shop business.

Streamlined organisational structure and cost base to deliver growth

During H2 FY24, we announced that we had commenced a thorough review to ensure we had the appropriate organisational structure and cost base to underpin our growth ambitions and, in part, mitigate inflationary cost pressures. Like many organisations in the UK, we are trading in a challenging economic climate and facing significant inflationary cost pressures, and need to be proactive in order to mitigate these pressures and maintain a strong business platform. The review concluded in March 2024 and a number of changes were implemented in April 2024 to simplify the structure, enhance cross company collaboration and deliver efficiencies to enable future reinvestment in the business, representing a gross cost saving of circa £4 million for FY25.

Review by Division

Shopping Division

In Retail Services, we have further enhanced our retailer propositions, with positive feedback from our partners and additional value delivered to our retailers through a 21.5% increase in commission paid year on year. In November 2023, our next generation device, PayPoint Mini, was launched and our integrated third-party EPoS solution, PayPoint Connect, is now rolling out across our estate, working in partnership initially with the Retail Data Partnership and iPosG. Our FMCG consumer engagement proposition, PayPoint Engage, has delivered its first seven figure net revenue contribution, delivering campaigns for major consumer brands, leveraging our PayPoint One platform, advertising screens and vouchering capability. In addition, we launched Love2shop physical gift cards for the first time in over 2,600 locations for the Christmas 2023 gifting season, partnering with key multiple retailers, including One Stop, MFG, Henderson's Retail and CJ Lang, with a further rollout to independent retailers underway in the current year.

In Cards, the positive momentum has continued to grow, driven by further improvements to our merchant proposition, including our recently launched Handepay Rewards scheme, a strengthened pricing governance approach and a continued focus on proactive churn management driven by AI and analytics. Our recently announced major partnership expansion with Lloyds Bank will enhance our proposition further, strengthening our market position, accelerating growth across our merchant estates and delivering better tools, support and experience for our SME and retailer partners. The expanded partnership, starting with an initial phase in Q2 FY25, followed by a full launch expected in Q3 FY25 (subject to regulatory approval), will offer merchants a market-leading banking and card services proposition combining card payments, a 12-month fee-free Lloyds bank business account and a connected competitive commercial card offering. Lloyds Bank Cardnet will be investing significantly into their business to enhance product development and data analytics for merchants.

In our building Community Cash Access and Banking network, ATM performance has been disappointing, with net revenue decreasing by 8.2% year on year. Management in this area has been strengthened, with a new hire secured to drive tighter operational management of the estate and to win new estate growth opportunities. Our Counter Cash service, offering withdrawals and balance enquiries over the counter, has grown to 2,150 locations, and we have processed over £430 million of consumer deposits for our neobank clients in the year. We are now actively exploring how we support High Street Bank customers with cash access for consumer and SME deposits and withdrawals across our extensive network.

We have continued to strengthen our retailer partner relationships and service, including a refreshed approach to the 'early life' support provided to our retailer partners to drive adoption of new services, the launch of a new chatbot and automated services for day-to-day queries, more direct communications and our strengthened relationships with the key retail trade associations. Our broader commitment to our retailer partners to deliver further value and opportunities to earn has delivered an increase to a positive NPS score for the first time in six years. As more critical services continue to withdraw from communities and High Streets across the UK, we are more focused than ever on working closely with our retailer and industry partners to evolve our service provision and ensure we can leverage our extensive network to provide vital infrastructure and accessibility to individuals close to where they live.

Chief Executive's review continued

Emerging Opportunities

- FMCG – further growth from our consumer engagement platform, PayPoint Engage.
- Foreign Currency – development of our partnership with eurochange in circa 500 stores.
- Park Christmas Savings – optimisation of our network of Super Agents for recruiting savers.

E-commerce Division

In E-commerce, it has been a landmark year for Collect+, with net revenue of £11.8 million delivered and parcel transactions exceeding 100 million for the first time. This excellent performance has been delivered against the backdrop of an increasingly challenged UK online retail market, with total market parcel volumes down in each year since the recent peak of 2021 and a number of major brands failing in the year. Our partnership with Yodel/Vinted has delivered strong growth in our new Store to Store service, which has been quickly adopted by consumers and our carrier partners. We have also expanded our Amazon network to over 7,000 stores and a further rollout of Zebra printer technology has also been completed in the year, underlining our continuing commitment to invest in improving the consumer experience in store.

Importantly, we have announced new and expanded partnerships with Royal Mail and Yodel, particularly via their relationship with Vinted, reinforcing the quality and attractiveness of our leading Out of Home network and ensuring that we continue to deliver positive volume growth over the current financial year. We have also successfully expanded the Collect+ network into new locations and demographics, including our growing student presence working with 14 of the top universities and student unions.

Emerging Opportunities

- Expanded carrier relationships – broadening range of services offered to each of our carrier partners, leveraging our superior in-store technology and network to drive further volume growth.
- Network expansion – expanding from extensive convenience retail network into new sectors and locations, including student unions, transport hubs and hospitals.
- Print In Store – further rollout of circa 2,000 additional Zebra label printers to widen access to service and support new partnerships, including Royal Mail.

Payments & Banking Division

In Payments & Banking, our integrated digital payments platform, MultiPay, continues to establish itself as a comprehensive payment solution for clients across card processing, Open Banking, direct debit and cash. We have secured further wins in the Housing sector, with Rooftop and Sovereign Network Group, and in the Charity sector with East Anglian Air Ambulance. We are in the process of onboarding Chase and Revolut for consumer deposits into our retailer partner network and expanding our community cash banking solutions across the UK. We were also pleased to have won the DVLA contract for International Driving Permits, which went live on 1 April 2024, marking another key central government service that will be fulfilled via our extensive retailer network.

Our Open Banking services continue to go from strength to strength, supported by our partner, OB Connect, with 25 clients live for our services, including Ovo and AMEX for Confirmation of Payee. In particular, our work with Citizens Advice in Stevenage, and a growing number of Citizens Advice offices nationally, utilising our FIS (Financial Information Service) support tool, is having an important impact on the work they do supporting clients in financial distress – debt caseworkers are now able to get an up to date, accurate and holistic view of someone's finances in minutes, when it used to take weeks or even months. As a result, they can provide advice and information faster, reducing the risk of debts becoming even greater or more serious throughout the advice process. Open Banking payments in the UK grew 90% year on year to 130m payments in 2023 and PayPoint is now one of the leading Payment Initiation Service Providers (PISP) in the UK. This is an important demonstration of how our digital payments solutions are having a strong community impact, which is underpinned by our continuing engagement with key senior stakeholders across the sectors we operate in, including Ofgem, UK Finance, Pay.UK and the Department of Energy Security and Net Zero.

In Cash, legacy energy bill payments net revenue decreased by 10.6% for the full year, with the rate of decline year on year moderating in H2 FY24 to -2.6% versus the sharp fall of -19.2% in H1 FY24. The decreased H1 FY24 performance was driven by several factors, including a shift in consumer topping up behaviour due to the Cost of Living challenges, unseasonably warm weather over the period and the impact of customers still using credit from the Energy Bills Support Scheme (EBSS) up until the end of the half year. In H2, energy sector performance recovered as the EBSS scheme ended, with the rate of decline moderating versus the prior year. In addition, the energy price cap, updated by Ofgem on a quarterly basis, was set at £1,928 for pre-pay customers for January to March 2024, decreasing over the course of FY24 from £4,358 in the same period last year. The impact of this reduction in our consumer energy top up frequency and volumes is not yet clear in the current financial year.

Emerging Opportunities

- New business growth – build a more systematic approach to growing our client base in target sectors of Housing and Charities for our MultiPay platform.
- Strengthening PayPoint and Love2shop collaboration – develop closer alignment between the corporate sales teams, driving revenue opportunities across both client bases and leveraging the Group's comprehensive payments solutions.
- Open Banking growth – further expansion of our Open Banking services to new and existing sectors, leveraging CCS/DPS frameworks and working in partnership with OBConnect and Aperidata, an innovative consumer and business credit reporting and Open Banking platform.
- Government services – expand range of services provided for central and local government, building on the DVLA International Driving Permit service win and the existing DWP Payment Exception Service.

Love2shop Division

In Park Christmas Savings, it was particularly pleasing to see a return to growth in the Christmas 2023 season, with conversion to paid for new customers up 5%, retention rates for direct customers the highest to date at 77%, and agency size maintained at an average of 4.49 savers per agent. In addition, a new closed-loop Mastercard (Purple Card) was launched with 140+ brands, exclusively for Park customers. The 2024 savings season has started positively, with payment rates +5% versus the prior year, cash collected +1% versus the prior year and a reduction in the number of 'nil paid' customers of 21%, driven by a proactive plan to improve conversion and encouraging savers to stay on track with payments, leveraging PayPoint's Pay By Link service for when a payment has been missed. This again reinforces the enduring appeal and vital role this service plays in helping consumers budget for big occasions and avoid debt, with a Trustpilot rating of 4.6/5 and over £2 million of value delivered to savers each year. In our first year, we have established a Park Super Agent network of circa 1,700 PayPoint retailer partners, with a modest number of savers recruited and with plans underway to improve on this early success in the 2025 season.

In Love2shop Business, we experienced a more challenging H2, with billings down year on year due to the broader caution from large businesses, particularly with employee rewards.

We have now taken steps in the year to address this, investing in additional APIs to unlock further sales growth and establishing a restructured corporate sales team to better manage our existing relationships and drive new business, with some early success already evident in Q4 FY24.

There is now a strong pipeline of new business building into the current financial year and much closer alignment with the business development team in PayPoint, driving revenue opportunities within both client bases. On highstreetvouchers.com, a key acquisition channel for B2B sales, we made important changes in Q4 FY24 to the product mix and focus of the site, prioritising corporate sales and digital products, which has resulted in improved margin and profitability for billings generated via this channel and where we will continue to optimise activity into the current financial year.

In addition, we are well-positioned to leverage the technology platform and capabilities of MBL, which was acquired by Love2shop in 2022, to expand the range of products that we offer to our corporate clients and grow gift card management services with more retailers. This will build on the £59.7 million of gift card value processed in FY24 and a strong client base including Greggs, Argos and Pizza Express. A number of major brands were also added in the year to Love2shop as redemption partners, including B&Q, Currys, Adidas, WH Smith, Matalan & Blackwell's and a successful refresh of the Love2shop brand was delivered.

Emerging Opportunities

- Love2shop channel and partnership expansion - delivering further growth through new partnerships, expanded provision of gift card management services and acceleration of Love2shop Business.
- Love2shop Gift Cards – grow sales within multiple retailer network of circa 2,600 stores.
- Park Christmas Savings – expand into delivering white label savings schemes for partners and broaden prepaid savings occasions beyond Christmas.

Update on claims against PayPoint

In FY24, a number of companies in the PayPoint Group, including PayPoint Plc, received two claims relating to issues addressed by commitments accepted by Ofgem in November 2021 as a resolution of Ofgem's concerns raised in its Statement of Objections received by the PayPoint Group in September 2020. The Ofgem resolution did not include any infringement findings.

The first claim was served by Utilita Energy Limited and Utilita Services Limited (subsequently renamed Luxion Sales Limited) ("Utilita") on 16 June 2023. The second claim was served by Global-365 plc and Global Prepaid Solution Limited ("Global 365") on 18 July 2023. PayPoint can confirm that a first Case Management Conference (CMC) was held on 31 October 2023 at the Competition Appeal Tribunal relating to these claims. The focus of the first CMC was to agree disclosure and a timetable for proceedings. PayPoint can also confirm that a second CMC was held on 26 April 2024 to agree further disclosure and the appointment of expert witnesses for all parties. A provisional date for a third CMC was set for 28 October 2024. Both claims have been listed for a joint trial at the Competition Appeal Tribunal starting on 10 June 2025.

The Group's position remains unchanged: it is confident that it will successfully defend the claim by Utilita, which does not provide any clear evidence to support the cause of action or the amount claimed, and also that it will successfully defend the claim by Global 365, which fundamentally misunderstands the energy market and the relationships between the relevant Group companies and the major energy providers, whilst also over-estimating the opportunity available, if any, for the products offered by Global 365. Consequently, no accounting provision has been made for these claims.

The Group will continue to update the market on a quarterly basis as part of its financial reporting cycle.

Outlook And Dividend

The streamlining of our organisational structure and delivery of our FY24 financial performance are important building blocks to achieving our financial targets, including the delivery of £100 million EBITDA by the end of FY26.

In the current year, consumer behaviour across a number of our businesses remains subdued, reflecting continued tighter family budgets and a generally flat economy. Our expectation is that this consumer outlook will improve during the course of the year.

Against this background, our confidence in the prospects for the business is underpinned by the actions we are taking in each of our divisions to accelerate performance and identify new opportunities. In addition, our commitment today to a three-year share buyback programme, commencing with at least £20 million over the next twelve months, will enhance shareholder returns and is reflective of our long-term confidence in the business and our underlying cash flow. The Board has proposed an ordinary final dividend of 19.2p per share, an increase of 3.2% vs the prior year final dividend of 18.6p per share, consistent with our dividend policy and target cover range of 1.5 to 2.0 times earnings excluding exceptional items.

We remain confident in delivering further progress in the current year and achieving our medium-term financial goals.

Nick Wiles

Chief Executive
12 June 2024

Market overview

Key market insights across our four business divisions.

Key market

Shopping

- The UK convenience sector generated over £47.1billion in sales over the last year, and is forecast to grow to over £50.9 billion by 2026. There are 49,388 convenience stores in the UK, a marginal increase year on year of 438 stores[1].
- In 2022, there were over 23 billion debit card payments made in the UK, up from 19.5 billion the previous year. It is forecast that this will grow to 27 billion payments by 2027[2].

Total UK convenience stores

49,388

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E-commerce

- Latest available data from Ofcom showed total UK parcel volumes decreased by 4.8% in 2022-23[3] to 3.8bn. By contrast, Collect+ delivered a record year in FY24, growing parcel transactions by 77.5%.
- According to the ONS, internet sales as a percentage of total retail sales remained flat year on year in 2023 at 26.6%[4].

Total UK parcel volumes

3.8bn

Read more on page 20

Payments & Banking

- Open Banking payments in the UK grew 90% year on year to 130m payments in 2023[5]. PayPoint is now one of the leading PISP processors in the UK.
- The energy price cap, updated by Ofgem on a quarterly basis, was set at £1,928 for pre-pay customers for January to March 2024, decreasing from £4,358 in the same period last year[6].

UK Open Banking payments

130m

Read more on page 24

Love2shop

- The enduring appeal of Park Christmas Savings in helping consumers avoid high-cost debt was reinforced with research showing over 56% of consumers having got into debt over Christmas 2023, a rise in households borrowing from unlicensed lenders and a 17% rise in the use of Buy Now Pay Later products over the past year[7].
- Over £3.4bn[8] worth of gift cards were sold in the UK in 2023, with 59% for B2B and 41% for B2C. Gift cards continue to encourage additional spend with retailers, with 43.3% of gift card users spending more than the gift card value.

Total UK Gift Card sales

£3.4bn

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insights

1 ACS Local Shop Report 2023.
2 UK Finance – UK Payments Market Summary 2023.
3 Ofcom Post Monitoring Report 2022-23.
4 https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi.
5 OpenBanking.org Impact Report March 2024.
6 https://www.ofgem.gov.uk/energy-price-cap.
7 Money Expert: Cost of Christmas 2023 – https://www.moneyexpert.com/news/the-cost-of-christmas-2023/; FCA – Deferred Payment Credit Research Oct 2023; abrdn Financial Fairness Trust Research – Dec 2023.
8 KPMG GCVA Market Reports - H1 and H2 2023.

Our business model

Innovating

How we deliver innovative services

Our purpose is to deliver innovative services that make millions of people's lives a little easier every day.

How we create value

Our four business divisions driving growth in the UK.

Connecting millions of consumers with over 65,000 retailer partner and SME locations.

Shopping

Delivering vital community services

We provide digital solutions to help our retailer and SME partners keep pace with changing shopper needs, service expectations and demographics, offering everything a modern business needs, including parcel services, Counter Cash, card and bill payments, home delivery and digital vouchering.

Read more on page 16

E-commerce

Enabling great customer experience

We enable the delivery of best-in-class customer journeys for e-commerce brands over the first and last mile in c.11,000 locations through our Collect+ brand, helping consumers pick up and drop off online shopping or send parcels across the UK.

Read more on page 20

Payments & Banking

Innovating in digital payments

We have continued our diversification to digital payments, helping organisations seamlessly and effectively serve their customers. Our market-leading omnichannel solution – MultiPay – is an integrated solution offering a full suite of digital payments.

Read more on page 24

Love2shop

Providing gifting and rewards for the moments that matter

We provide gifting, employee engagement, consumer incentive and prepaid savings solutions to thousands of consumers and businesses.

Read more on page 28

Our drivers of success

What makes our model work

Unparalleled network of retailer partners and SMEs

- The enlarged PayPoint Group now delivers technology and services to a universe of over 65,000 SME and retailer partner locations across multiple sectors, including food services, convenience retail, garages and hospitality.

Leading multichannel payments platform

- Our comprehensive payments platform gives our clients and their customers choice in how to make and receive payments quickly and conveniently. This includes our channel-agnostic digital payments platform, MultiPay, offering solutions to clients across Open Banking, direct debit, card payments and cash, and our Love2shop voucher, rewards and prepaid savings solutions.

A diverse range of clients and brands

- Our Shopping division serves the best SMEs and retailers in the UK, delivering digital solutions and essential services from large retailers, like Asda, The Co-operative Group and EG Group, to the best independent store owners across the country.
- Our E-commerce division enables the delivery of best-in-class customer journeys for e-commerce brands over the first and last mile, including Amazon, eBay, Yodel, Vinted, FedEx, DPD, DHL, HubBox, Royal Mail, Wish.com and Parcels2Go.
- Our Payments & Banking division delivers digital payment solutions to clients across diverse sectors, including energy, housing, local authorities and a growing portfolio of digital brands such as Amazon, PlayStation, Xbox and Monzo.
- Our Love2shop division provides gifting and rewards solutions for thousands of consumers and employees, working with the biggest retailers and brands, such as M&S, Primark, Aldi and John Lewis.

Cutting-edge technology

- We pride ourselves on delivering innovative technology and services across the Group, whether through PayPoint Mini, helping our convenience retailer partners run their businesses more efficiently; our leading employee engagement and reward solutions for large corporate clients; or our proprietary parcel software solutions that have a singular focus on the delivery of great consumer experiences and confidence in the crucial first and last mile of parcel journeys.

Talented and committed people

- We have a talented, diverse and committed workforce with years of experience from a wide range of industries.

The value we create

Delivered to our stakeholders

Consumers

We serve millions of consumers every day, online and in-store, helping them make payments and send/pick up parcels through our digital payments platforms and extensive retailer partner network.

Transactions per year

735.4m

Retailers and SMEs

We deliver vital community services that enhance the retailer proposition and consumer experience, driving footfall, and new commission opportunities for thousands of SMEs and retailers across the UK.

Retailer and SME locations

65,933

Employees

We create a dynamic and innovative place to work for our employees across the PayPoint Group.

No. of employees

968

Investors

We aim to deliver a sustainable and rewarding business model and superior returns for our investors.

Final dividend declared

19.2p

Local communities

We provide vital services to hundreds of communities across the UK, at over 28,000 locations, with 99.3% of the population living within one mile of a PayPoint location in urban areas.

Population within one mile

99.3%

Our strategy

Shopping

How we deliver

We provide digital solutions, technology and payment services for SMEs and retailers to deliver vital community services.

Retail Services

- PayPoint One, EPoS, Counter Cash, FMCG, ATMs, Business Finance, Home Delivery.

Card payments

- PayPoint, Handepay/Merchant Rentals & RSM 2000.

Highlights

- Service fee net revenue increased by 10.1% to £19.7million, reflecting growth in the number of revenue-generating PayPoint One/Mini sites to 19,297 (31 March 2023: 18,453 sites).
- Card payment net revenue increased by 2.8% to £32.7 million, with further site growth in the EVO estate to 19,682 (31 March 2023: 18,397) and in the Lloyds Cardnet estate to 10,064 (31 March 2023: 9,541).
- UK retail network increased to 29,149 sites (31 March 2023: 28,478), with 70.0% in independent retailer partners and 30.0% in multiple retail groups.

Emerging Opportunities

- FMCG – further growth from our consumer engagement platform, PayPoint Engage.
- Foreign Currency – development of our partnership with eurochange in circa 500 stores.
- Park Christmas Savings – optimisation of our network of Super Agents for recruiting savers.

Delivering

Estate Growth

	31 March 2023	31 March 2024
PayPoint One/Mini	18,453	19,297
Lloyds Cardnet	9,541	10,064
Evo	18,397	19,682
ATM	3,470	3,485
Counter Cash	1,930	2,150

Risks (see pages 60 to 66)

1. Consumer behaviours and Markets
4. Client services
10. Operational Delivery

Divisional Performance

FY23
Net revenue
£62.0m

FY24
Net revenue
£64.4m

+3.9%

Sub-divisional performance

Retail Services

FY23
Net revenue
£30.2m

FY24
Net revenue
£31.7m

+5.2%

Card Payments

FY23
Net revenue
£31.8m

FY24
Net revenue
£32.7m

+2.8%

vital services

Our strategy continued

Shopping continued

Q&A

with Anthony Sappor, Retail Proposition and Partnerships Director

"Our portfolio of services continues to grow, and is now delivering real commission earning opportunities to our retailer partners, with overall commission paid up 21.5% year on year."

Anthony Sappor
Retail Proposition and Partnerships Director

Delivering vital community services through our extensive network

Commission paid to retailer partners

+21.5% YoY

How has PayPoint's technology evolved over the last 12 months?

We launched our new device, PayPoint Mini, in November 2023, delivering faster transaction times and a smaller, mobile device. Feedback has been very positive from our retailer partners and we are now rolling out our integrated solution, PayPoint Connect, partnering with third party EPoS suppliers to widen availability of our services and open up further integrated card payments opportunities within our extensive network.

What have been the big developments in your retailer proposition this year?

Our consumer engagement platform for FMCG brands, PayPoint Engage, has driven campaigns, sales and consumer footfall into more of our stores over the year, with a healthy pipeline of activity continuing into the current financial year. In addition, we will be expanding this service by introducing a terminal-based app that will enable retailers to engage with these brands digitally, earning rewards for stocking certain products and providing insights. In addition, we have trialled a foreign currency service, in partnership with eurochange, and will continue to optimise this over the coming months. Our portfolio of services continues to grow, and is now delivering real commission earning opportunities to our retailer partners, with overall commission paid up 21.5% year on year.

What is the focus for the year ahead?

A big focus is on how we drive further retailer adoption and engagement with all of these vital community services that we have developed. We know that the majority of our retailers have started to see the benefits of these services in their earnings, but there are a lot of our retailer partners who could be making more from the services we deliver. All of our efforts are focused on how we help them unlock these opportunities, with advice and training to identify the right services for their store, customers and location.

Our strategy continued

E-commerce

How we deliver

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.

- Consumer pick up, drop off and send.
- No.1 carrier-agnostic Out Of Home (OOH) network, with best-in-class technology and consumer experience.
- Leadership in consumer data and insights to drive sector innovation.

Highlights

- Record year for Collect+ as parcel transactions grew strongly by 77.5% to 100.1 million (FY23: 56.4 million), including regularly achieving over 2 million parcels processed per week.
- Collect+ network increased to 11,786 (31 March 2023: 10,514), with further expansion to support volume growth.
- Print in Store service now available in over 80% of network across circa 9,100 sites, enabled by the further rollout of Zebra label printers.

Emerging Opportunities

- Expanded carrier relationships – broadening range of services offered to each of our carrier partners, leveraging our superior in-store technology and network to drive further volume growth.
- Network expansion – expanding from extensive convenience retail network into new sectors and locations, including student unions, transport hubs and hospitals.
- Print In Store – further rollout of circa 2,000 additional Zebra label printers to widen access to service and support new partnerships, including Royal Mail.

Enabling

Estate Growth

Collect+ is our technology-based platform to deliver best-in-class customer journeys for e-commerce brands and their customers over the 'first and last mile'.

31 March 2023		31 March 2024
Collect+ sites **10,514**	>	Collect+ sites **11,786**
FY23 Net revenue **£7.3m**	> +61.6%	FY24 Net revenue **£11.8m**
FY23 Parcel transactions **56.4m**	> +77.5%	FY24 Parcel transactions **100.1m**

Risks (see pages 60 to 66)

1. Consumer behaviours and Markets
2. Emerging Technology
3. IT Transformation
10. Operational Delivery

Our partners

amazon, ebay, wish, dpd, YODEL, Parcel2GO.com, DHL, FedEx, HubBox, Royal Mail, Vinted

great journeys

Our strategy continued

E-commerce continued

Q&A
with Nick Williams, Parcel Services Director

> **There will be further expansion beyond our traditional convenience retail stores into new sectors and locations, including student unions, transport hubs and hospitals."**

Nick Williams
Parcel Services Director

Enabling best-in-class e-commerce journeys

Parcel transactions

100.1m

What have been the key factors in the success of parcels over the past 12 months?

Our positive performance has been driven by the same three important areas as the previous year: the investment we have made over the past few years in 'print-in-store' technology which has unlocked significant additional volume, particularly from Vinted; building on the strong relationships we have with our carrier partners; and, of course, our fantastic retailer partners who continue to do such a great job of providing an exemplary service to consumers across the UK every day.

Why do you think the Collect+ proposition is so attractive for your retailer partners?

With more and more people returning to office life post-pandemic, the importance of having a convenient place to pick up and drop off parcels is becoming increasingly significant again – bringing those customers into our retailers' stores and giving them the opportunity to experience the friendliness and efficiency of the convenience store format, as well as the retailer earning a healthy commission from the service, is vital.

What's your focus for the next 12 months?

We will continue to work closely with our carrier partners to expand the range of services that we offer, as well as growing the number of locations to support the additional volume of parcel transactions flowing through our network. There will be further expansion beyond our traditional convenience retail stores into new sectors and locations, including student unions, transport hubs and hospitals.

Our strategy continued

Payments & Banking

How we deliver

Digital – Open Banking and MultiPay digital payments platform.

Cash through to digital – Gifting, gaming and Neobanks.

Cash - Bill payments and top ups.

Highlights

- Continued growth through our MultiPay platform, with underlying net revenue increasing by 29.3% to £5.3 million (FY23: £4.1 million). Total digital net revenue decreased by 12.7% to £13.8 million (FY23: £15.8 million), with the prior year including the one-off benefit of £3.5 million from the Energy Bills Support Scheme.
- Cash through to digital net revenue now stabilised to £6.8 million in the year (FY23: £6.9 million), with a new baseline set for the category and continued growth in banking with over £430 million of deposits processed for neobanks.
- Cash payments net revenue decreased by 2.5% to £32.8 million (FY23: £33.6 million). Legacy energy sector net revenue decreased by 10.6% for the year as a whole, the rate of decline moderating in H2 FY24 to -2.6% versus the sharp fall of -19.2% in H1 FY24.

Emerging Opportunities

- New business growth – build a more systematic approach to growing our client base in target sectors of Housing and Charities for our MultiPay platform.
- Strengthening PayPoint and Love2shop collaboration – develop closer alignment between the corporate sales teams, driving revenue opportunities across both client bases and leveraging the Group's comprehensive payments solutions.
- Open Banking growth – further expansion of our Open Banking services to new and existing sectors, leveraging CCS/DPS frameworks and working in partnership with OBConnect and Aperidata.
- Government services – expand range of services provided for central and local government, building on the DVLA International Driving Permit service win and the existing DWP Payment Exception Service.

Innovating

Divisional Performance

FY23
Net revenue
£56.2m

-4.8%

FY24
Net revenue
£53.5m

We deliver a channel-agnostic payment platform that gives clients and consumers choice.

Risks (see pages 60 to 66)

1. Consumer behaviours and Markets
2. Emerging Technology
3. IT Transformation
10. Operational Delivery

Subdivision Performance

Digital

FY23
Net revenue
£15.8m

-12.7%

FY24
Net revenue
£13.8m

Digital (Exc. EBSS)

FY23
Net revenue
£12.3m

+9.8%

FY24
Net revenue
£13.5m

Subdivision Performance

Cash through to digital

FY23
Net revenue
£6.9m

Flat

FY24
Net revenue
£6.8m

Cash

FY23
Net revenue
£33.6m

-2.5%

FY24
Net revenue
£32.8m

solutions

Our strategy continued

Payments & Banking continued

Q&A

with Jo Toolan, Managing Director, Payments

Open Banking continues to grow, with over 25 clients secured for our Confirmation of Payee service and great work launched in the year with Citizens Advice leveraging our FIS tool.”

Jo Toolan
Managing Director, Payments

Innovating in digital payments solutions

Digital transactions

46.9m

What progress has been made with PayPoint's integrated payments platform over the past 12 months?

Our enhanced capabilities, across Open Banking, cards, cash and Direct Debit, have given us a strong platform to secure a record level of new business this year, with further clients secured in the Housing sector, our first major Charity client in East Anglian Air Ambulance and continued progress in energy, local and central government. We were also delighted to have secured the DVLA contract for International Driving Permits, which launched on 1 April 2024.

What do you think has driven the success here?

Our partnership philosophy with our clients is key here - taking the time to understand their needs, challenges and how we can help address them with our extensive solutions and enhanced platform. Like many parts of the Group, this approach is opening up new opportunities for us, as well as working more closely on developing Group-wide cross-sell opportunities with the Love2shop business.

What's the one big future opportunity that you're working on?

Open Banking continues to grow, with over 25 clients secured for our Confirmation of Payee service and great work launched in the year with Citizens Advice leveraging our FIS tool. Key to this has been working closely with our partners, OB Connect and Aperidata, to mobilise solutions quickly for our expanding client base so that we can accelerate growth in this important area.

Our strategy continued

Love2shop

How we deliver

We provide gifting, employee engagement, consumer incentive and prepaid savings solutions to thousands of consumers and businesses.

Love2shop
The UK's leading digital platform for employee and customer rewards.

Park Christmas Savings
The UK's biggest Christmas Savings Club.

Highlights

- Park Christmas Savings returned to growth, delivering £162.6 million of billings for the Christmas 2023 season, an increase of 1.2% versus the prior year (Christmas 2022: £160.7 million[1]). The Christmas 2024 season has started positively, with payment rates +5% versus the prior year and a reduction in the number of 'nil paid' customers of 21%, driven by a proactive plan to improve conversion and completion of savings targets.
- Love2shop Business experienced a weaker billings performance than expected in H2, with £162.8 million delivered in FY24 (FY23: £170.3 million[1]). This was seen particularly in employee rewards, reflecting the broader caution from large businesses and the overall challenging economic situation. New corporate APIs were launched in November 2023, with the first clients onboarded shortly after, and a restructured corporate sales team now in place.
- MBL, the leading gift card technology platform acquired by Love2shop in June 2022, processed £59.7 million of gift card value in the year (FY23: £43.6 million[1]) for its extensive client base, including Greggs, B&M and Argos.

Emerging Opportunities

- Love2shop channel and partnership expansion - delivering further growth through new partnerships, expanded provision of gift card management services and acceleration of Love2shop Business.
- Love2shop Gift Cards – grow sales within multiple retailer network of circa 2,600 stores.
- Park Christmas Savings – expand into delivering white label savings schemes for partners and broaden prepaid savings occasions beyond Christmas.

Accelerating

Divisional performance

FY23
Net revenue
£3.4m[1]

NM

FY24
Net revenue
£51.3m

Subdivision Performance

Love2shop

FY23
Billings
£170.3m[1]

-4.4%

FY24
Billings
£162.8m

Park Christmas Savings

FY23
Billings
£160.7m[1]

+1.2%

FY24
Billings
£162.6m

1 FY23 comparatives contained only one month contribution from Love2shop business post-acquisition.

growth

Our strategy continued

Love2shop continued

Q&A

with Julian Coghlan, Managing Director, Love2shop and Park Christmas Savings

We have benefitted hugely from being part of the wider Group, with several positive changes delivered to increase momentum and pace across the business to deliver future growth.”

Julian Coghlan
Managing Director, Love2shop and Park Christmas Savings

Accelerating growth in rewards and gifting

Park Christmas Savings Trustpilot score

4.6/5

How do you think Love2shop has evolved over the past 12 months?

Since we joined the Group in February 2023, there has been positive progress across the business, with Park Christmas Savings returning to growth for the first time in six years, a reshaped Love2shop Business team now in place to deliver further corporate sales growth, and Love2shop physical gift cards launched for the first time into the PayPoint network last year.

What do you think has driven the success here?

We have benefitted hugely from being part of the wider Group, with several positive changes delivered to increase momentum and pace across the business to deliver future growth. Similarly, as we have transitioned to a Group operating model, we now have access to a wider pool of expertise and resource to develop our offer, grow our business pipeline and increase the resiliency of our platform, leveraging the broader capabilities of the Group.

What future opportunities are you working on?

Building on the work delivered in the past year, we are well underway with plans to open up further new distribution channels for Love2shop, whether developing further partnerships to broaden our reach, creating white label versions of our key products and services to support our partners, or leveraging the MBL technology platform to expand the range of gift card management services we provide to retailers.

Key performance indicators

The PayPoint Group has identified the following KPIs to measure progress of business performance:

NB. FY23 comparatives contained only one-month contribution from Love2shop post acquisition.

Overall performance

Non-financial

Shareholder returns

Net revenue

(£ million)

£181.0m

+40.4%

FY24	181.0
FY23	128.9
FY22	115.1

Description, purpose and reference: Revenue from continuing operations less commissions paid to retailers and Park Christmas savings agents and costs where the Group is principal for SIM cards and single retailer vouchers. This reflects the benefit attributable to the Group's performance eliminating pass-through costs and is an important measure of the overall success of our strategy.

See Financial Review – page 69

Underlying EBITDA

(£ million)

£81.3m

+32.6%

FY24	81.3
FY23	61.3
FY22	58.2

Description, purpose and reference: This measures our earnings before interest, tax, depreciation and amortisation, net movements in convertible loan notes, and exceptional items. This is an important measure as it is widely used by investors, analysts and other interested parties to evaluate profitability of companies.

See Financial Review – page 70

Underlying profit before tax

(profit before tax excluding adjusting items) (£ million)

£61.7m

+21.5%

FY24	61.7
FY23	50.8
FY22	48.0

Description, purpose and reference: Underlying profit before tax (profit before tax excluding adjusting items), provides a measure of the operational performance of the Group. This reflects the rebalancing of the business towards growth opportunities, the shift away from our legacy cash payments business and is an important measure of the overall success of our strategy.

See Financial Review – page 69

Net corporate debt

(£ million)

£67.5m

(6.8)%

FY24	67.5
FY23	72.4
FY22	43.9

Description, purpose and reference: Net corporate debt represents cash and cash equivalents excluding cash recognised as clients' funds, retailer partners' deposits, and card and voucher deposits, less amounts borrowed under financing facilities (excluding IFRS 16 liabilities). This shows how the Group is utilising its finance facilities to invest in growth, and will be an important measure of how the Group intends to maintain a target leverage ratio of around 1.0 times net debt/EBITDA.

See Financial review – 'Group statement of financial position' on page 74

Employee engagement

(%)

73%

+2pp

FY24	73
FY23	71
FY22	72

Description, purpose and reference: Measures the overall employee engagement, calculated by our survey provider. The survey provides insight into the health of our organisation, enabling the identification of what is important to our people so that appropriate action can be taken.

Diluted underlying earnings per share

(pence)

62.6p

+3.8%

FY24	62.6
FY23	60.3
FY22	55.4

Description, purpose and reference: Diluted underlying earnings per share (earnings from continuing operations excluding adjusting items) divided by the weighted average number of ordinary shares in issue during the year (including potentially dilutive ordinary shares). Earnings per share is a measure of the profit attributable to each share.

See note 11 to the financial information on page 154

ESG

(Tonnes CO_2e)

9.4

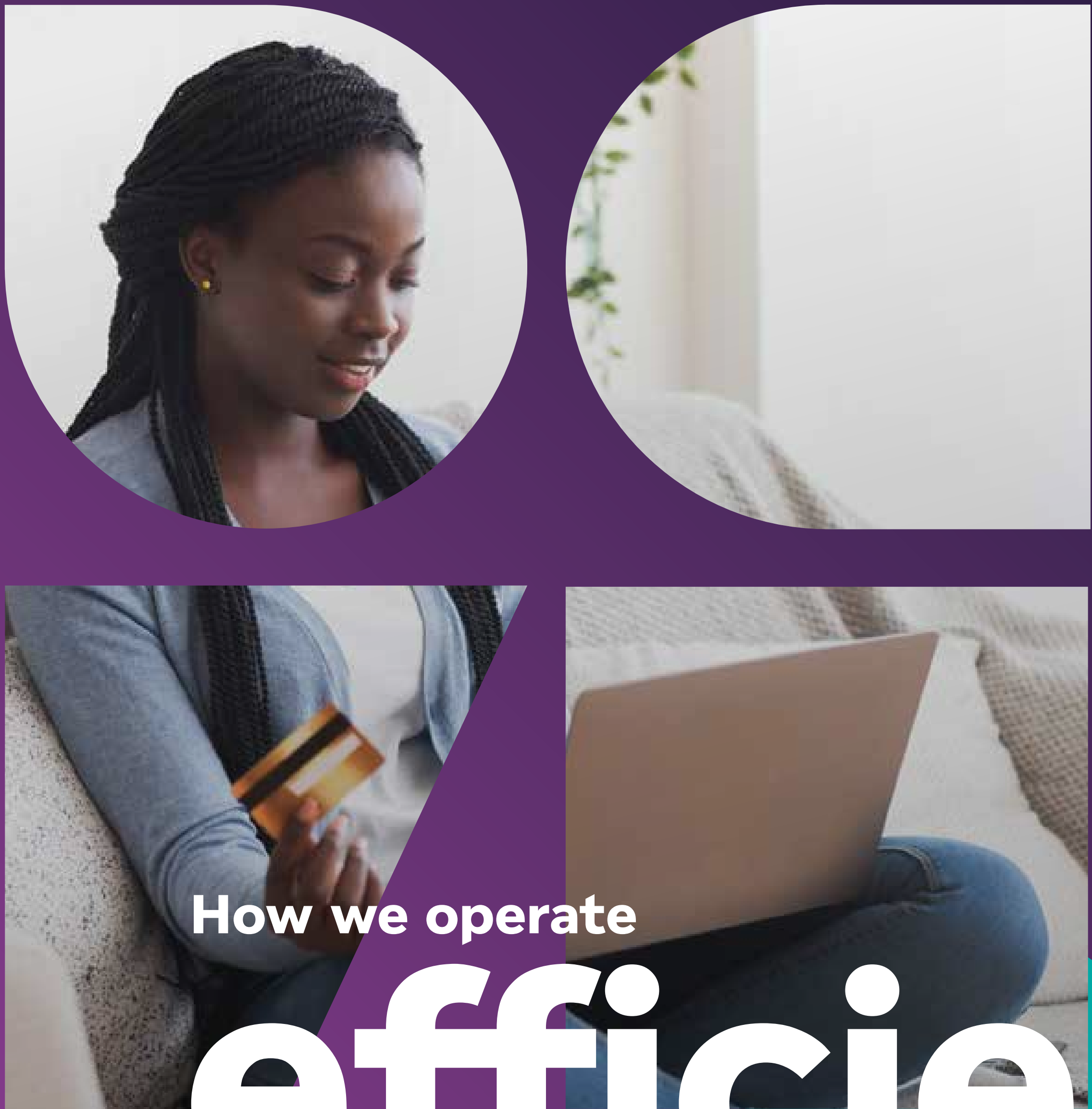
(7.0)%

FY24	9.4
FY23	10.0
FY22	14.3

Description, purpose and reference: Measures the green house gas (GHG) emission for scope 1, 2 and 3 per employee. This is recorded in accordance with the Companies Act 2006 (Strategic Report and Directors Report Regulations 2013).

See page 39 in the Strategic Report

Responsible business



We hold ourselves accountable for delivering positive outcomes for all of our stakeholders through the implementation of a meaningful ESG strategy and measures.

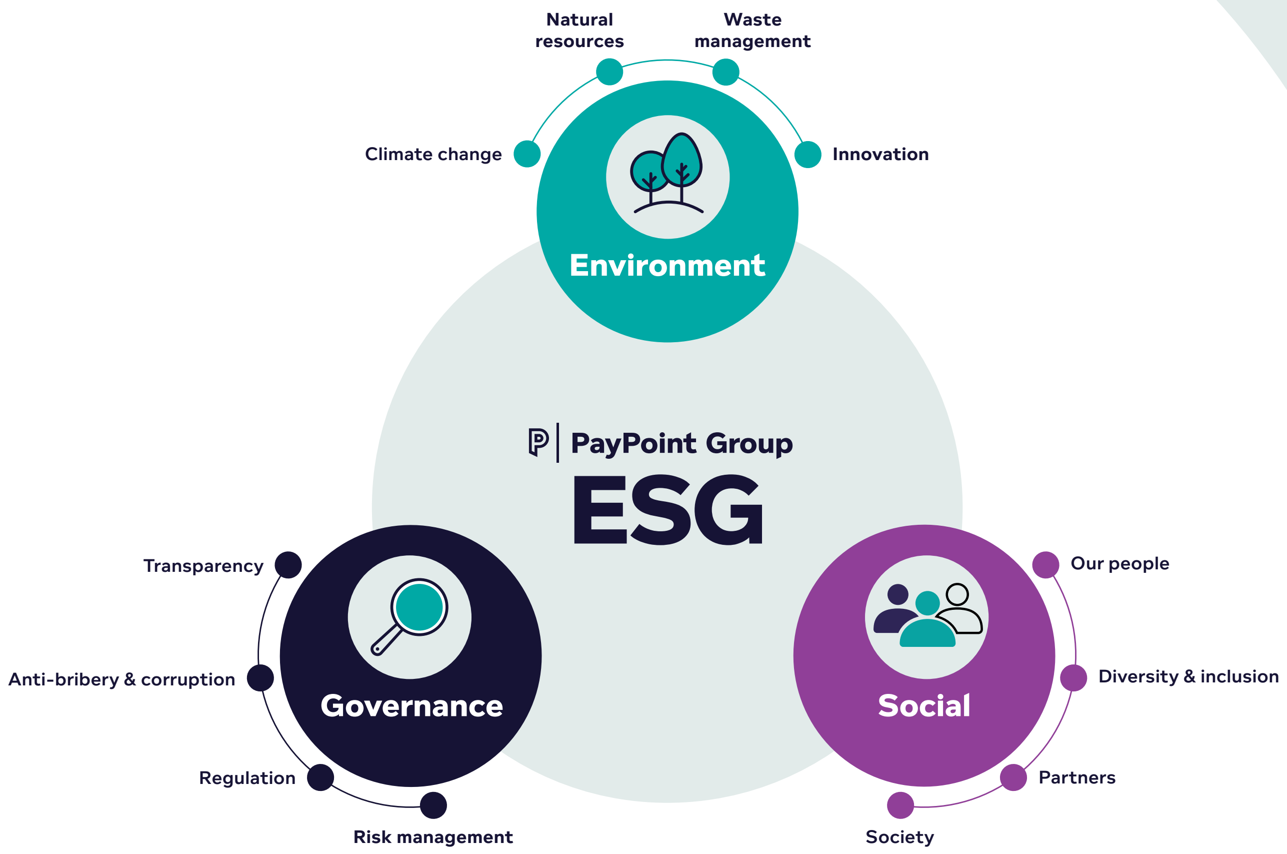
The PayPoint Group has always had ESG at its core, particularly given the diverse range of stakeholders and customers that we serve, as well as the important role that we play at the heart of communities across the UK. Central to this is our purpose of 'making people's lives a little easier' and how we deliver innovative, sustainable services and value for all our stakeholders.

How we operate efficiently &

During the year we made good progress towards delivering the commitments outlined in last year's report including the delivery of a year on year reduction in emissions per fleet car of over 50% and a year on year reduction in average emissions per retailer network terminal of 1% following the launch of PayPoint Mini. PayPoint Mini uses 85% less electricity than its predecessor PayPoint One, and will enable greater reductions in emissions generated by the use of sold products as it rolls out across our estate. Further information regarding our progress along with targets for the current financial year can be found on pages 36 and 37.

The ESG Working Group continues to meet regularly to review progress, consider policies and approaches across the Group, analyse cross-industry best practice, seek feedback from external stakeholders and investors, and recommend workstreams and targets for the business to prioritise for the coming year.

All of our environmental commitments are now aligned with the Task Force on Climate-related Financial Disclosures (TCFD) framework.



responsibly

Responsible business continued

We commit to:

The PayPoint Group is a low impact, low carbon intensive business. We remain committed to improving what we do, including achieving net-zero in our own operations by 2030 and net-zero across our entire value chain by 2040[1].

1 Our goal of achieving net-zero in our own operations by 2030, and across our entire value chain by 2040, will be achieved by eliminating where possible GHG emissions as calculated under GHG Protocol emission factors, and offsetting residual GHG emissions that cannot be eliminated.

1.

Achieve net-zero in our own operations (scope 1 and 2 emissions) by 2030. For us, this means reducing CO_2 emissions as much as possible, and then ensuring that any ongoing emissions are balanced by removals.

By
- Moving to carbon-neutral gas and electricity contracts at contract renewal.
- Retiring diesel company cars, and ordering electric vehicles only by the end of 2025, subject to the required charging infrastructure being in place.
- Assessing options to reduce company car mileage.

Delivered in year
- Carbon neutral gas and renewable electricity procured for Haydock.
- Emissions per fleet car reduced from 119.7g/km in March 2023 to 58.5g/km in March 2024.
- Continued use of Salesforce Maps and territory optimisation dashboard to plan routes efficiently.

24/25 priorities & targets
- Continue to switch to green energy contracts at contract renewal.
- Continue to identify and implement actions to reduce electricity usage in company premises.
- Complete groupwide ISO14001 submission by March 2025.

2.

Achieve a 30% reduction in emissions generated by use of sold products by 2030, compared to 2022.

By
- Replacing PayPoint One devices with alternatives that are more energy efficient.
- Considering energy consumption in product design.
- Encouraging retailer partners to use renewable energy and minimise consumption.

Delivered in year
- PayPoint Mini roll out commenced in November 2023. PayPoint Mini emissions are 85% lower than the PayPoint One.
- 970 PayPoint Mini terminals rolled out to the estate by March 2024, comprising 1% of the total terminal estate.

24/25 priorities & targets
- Deliver a further year on year reduction in average emissions per new retailer network terminal.

3.

Support a reduction in employee commuting emissions by encouraging the transition to electric vehicles.

By
- Charging points to be installed at office locations where feasible.
- Electric car leasing scheme to be considered for introduction.
- Relaunching our cycle-to-work scheme with an enhanced purchase limit.
- Continue hybrid working policy delivered in 2021.

Delivered in year
- Electric/hybrid car leasing scheme rolled out to all entities during the year.
- Cycle to work scheme now available across the Group following roll out to Love2shop in November 2023.
- Environmental considerations built into travel policy.

24/25 priorities & targets
- Continue to promote the use of green modes of transport.
- Incentivise lift sharing for business travel.

4.

Engage and educate our people on ESG matters to drive engagement and build ESG considerations into our every day.

By
- Regular programme of communication and training to be implemented.

Delivered in year
- Diversity and inclusion training completed annually.
- ESG training module developed to be rolled out in FY 2025.
- Volunteering policy developed to be launched in Q1 FY25.

24/25 priorities & targets
- Online training module to be completed by all employees.
- Launch volunteering policy, offering every employee a volunteering opportunity during the year.

5.

Achieve net-zero across our entire value chain by 2040.

By
- Identifying additional actions to reduce emissions as our strategy evolves and we benefit from advancements in technology and the transition to renewable energy more generally.

Delivered in year
- Growth in digital product sales in Love2shop from 11.69% of total sales in FY23 to 12.06% in FY24.
- Overall CO_2 equivalent emissions increased from 7,129 tonnes in FY23 to 9,046 tonnes in FY24, driven by the inclusion of a full year of Love2shop and the purchase and use of terminals as we continue to grow our estate.
- Overall emissions per employee fell by 7%.

24/25 priorities & targets
- Assessment of data centre usage to identify opportunities to reduce emissions.
- Continue to demonstrate progress in transition from board to digital cards in Love2shop.

6.

Continue to develop an inclusive culture.

By
- Embedding of 'Welcoming Everyone' approach to inclusion (see pages 47 and 48).

Delivered in year
- Women in Tech Forum launched across the Group with participants from a variety of departments including IT, Client and Legal. Membership gives access to monthly events and masterclasses as well as a leadership podcast series.
- Pride month celebrated with lunch and learn, quiz night and employees sharing their personal stories.
- Positive results received on diversity questions in Great Place to Work engagement survey.

24/25 priorities & targets
- Continue Women in Tech Forum and support for Pride, International Women's Day and other relevant events.

Responsible business continued

PayPoint is a low-impact, low-carbon-intensive business that aims to reduce its environmental impact by reducing carbon emissions, waste and considering environmental and sustainability issues.

Environment

GHG emissions	Units	Year ended 31 March 2024	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
Scope 1 (fuel combustion)	tonnes CO_2e	67	101	151	60
Scope 2 (purchased electricity)	tonnes CO_2e	13	71	293	320
Total scope 1 & 2	tonnes CO_2e	80	172	444	380
No. of employees for 31 March 2024		968	714	670	519
Total scope 1 & 2 per employee	tonnes CO_2e	0.08	0.24	0.66	0.73
Scope 3[1]	tonnes CO_2e	8,966	6,957	9,104	4,740
Total scope 1,2 & 3 per employee	tonnes CO_2e	9.35	10.00	14.25	9.87

1 Scope 3 emissions includes purchased goods and services, waste generated in operations, business travel, employee commuting and use of sold products.

Climate change

The PayPoint Group is a low impact, low carbon intensive business. We remain committed to improving our environmental impact as demonstrated by the commitments and actions outlined on pages 36 and 37.

Our GHG emissions

In this section we report on all required GHG emissions in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The Streamlined Energy & Carbon Reporting ('SECR') regulations came into effect on 1 April 2019 and we follow the guidelines to comply with these regulations.

We report using a financial-control approach to define our organisational boundary. A range of approaches can be taken to determine the boundaries of an organisation for the purposes of GHG reporting, including financial control, operational control or equity share.

In line with our climate strategy, tonnes CO_2e per employee in our own operations (scope 1 and 2) reduced during the year by a further 67% from 0.24 to 0.08 tonnes CO_2e per employee, demonstrating significant progress towards our target of achieving net-zero in our own operations by 2030.

All gas and electricity used in the Welwyn Garden City and Haydock offices is now carbon-neutral/ renewable. We introduced new hybrid company cars to our car fleet in April 2023, replacing diesel cars and petrol hire cars and have installed electric charging points at our offices in Welwyn Garden City. During the year we also rolled out an electric/ hybrid car leasing scheme to all employees and continue to promote sustainable travel options including cycle to work, car sharing and the use of public transport where viable. Our Salesforce platform optimises the journeys of our field team and we continue to seek options to reduce their CO_2 emissions even further.

Our latest phase 3 Energy Saving Opportunity Scheme assessment was completed in May 2024 (the last assessment was completed in November 2019) and we are using this to identify and implement actions to further reduce energy usage.

Energy consumed for the year ended March 2024 under scope 1 was 319k kWh and under scope 2 was 1,132k kWh.

Scope 3 emissions increased during the year as a result of the inclusion of a full year of data for Love2shop and the purchase and use of additional products as we continue to grow our terminal estate. However, we can demonstrate progress in year with a 1% reduction in average energy usage per retailer network terminal following the introduction of PayPoint Mini and we expect to see a more significant reduction in future years as the roll out continues. Total emissions per employee decreased from 10.00 tonnes to 9.35 tonnes CO_2e.

We remain confident that we are making the progress necessary to achieve our overall objectives of achieving net-zero in our own operations by 2030 and net-zero across our entire value chain by 2040.

Natural resources

Water

We use water for domestic purposes such as washroom facilities. Our current measures to reduce usage include time-controlled taps and dishwashers and reduced-flush toilets.

Waste management

We recycle wherever possible, including paper, cans, plastic, cardboard, computer equipment and PayPoint terminals.

Redundant equipment is recycled by ISO 27001 accredited firms which are certified by the Asset Disposal and Information Security Alliance ('ADISA'). ADISA recycles as much of the equipment as possible. Any parts which are not recyclable are disposed of in line with the Waste Electric and Electronic Equipment Regulations 2013 ('WEEE'). ATMs which have reached the end of their life are disposed of via Cennox. All surrounding materials are segregated into four key material types: metal; circuitry boards; wires; and WEEE. Cennox operates an internal recycling process for all of these materials with the exception of WEEE waste which is collected by their licensed waste carrier.

Innovation

Our innovative digital solutions support a reduction in our environmental impact. Recent examples include:

- Continued growth in our pioneering Counter Cash Service, a 'cashback without purchase' solution that enables cash withdrawals without the need for ATMs. This service is now enabled in 5,680 sites.
- Further expansion of our parcels service which enables carriers to reduce their journeys by delivering multiple parcels to a single store for collection.

Our Green Team of volunteers works with us to identify opportunities and implement sustainability initiatives in our offices. They promote sustainable practice throughout the office including recycling.

Responsible business continued

For our TCFD disclosures, we are reporting in line with the FCA listing rule for premium listed companies LR 9.8.6(8), which requires us to report on a 'comply or explain' basis against the TCFD Recommended Disclosures for the year ended 31 March 2024.

TCFD

We consider our climate-related financial disclosures to be consistent with the TCFD Recommendations and Recommended Disclosures and are therefore consistent with the requirements of Listing Rule 9.8.6(8).

In preparing our disclosures, we have made several judgements, and while we are satisfied that they are consistent with the Recommendations and Recommended Disclosures, we will continue to evaluate our options for future TCFD disclosures.

In addition to developing and embedding our broader ESG strategy across the business, we have complied with the TCFD Recommendations and Recommended Disclosures. Following the acquisition of Love2shop, year-on-year comparatives for GHG emissions are not directly comparable as there was only one month of contribution in the last financial year.

Our disclosures have all been made within the ‘Responsible Business’ section of this Annual report, and locations are detailed in the table below. We have considered all relevant material in the TCFD guidance, including Section C of the Annex (Guidance for all Sectors).

PayPoint supports the TCFD recommendations and is committed to implementing them, providing stakeholders with information on our exposure to climate-related risks and opportunities, helping them make informed decisions.

The TCFD framework is as below:

Governance

Describe the Board’s oversight of climate-related risks and opportunities

The Board sets the Group’s overall strategy and risk appetite incorporating our approach to sustainability, the environment and carbon emissions. The Executive Board recommends and defines actions required to achieve the strategic objectives as set by the Board. This ensures ESG considerations are embedded into our day-to-day strategic decision-making. The ESG Working Group, which includes representatives from the Executive Board, oversees PayPoint’s management of environment, climate and TCFD related matters. The Group also provides formal updates of progress of agreed initiatives, priority actions and targets to the Board at least twice a year, thus enabling the Board to provide appropriate oversight and strategic guidance in embedding the agreed corporate approach into our operational activities. The corporate governance framework on page 85 provides more details.

Describe management’s role in assessing and managing climate-related risks and opportunities

The CEO and the Executive Board have overall accountability for PayPoint’s sustainability, environmental and carbon-emission strategy. The ESG Working Group, which includes representatives from both functional business areas as well as senior management and Executive Board members, meets regularly throughout the year to review and discuss priorities and actions as agreed and set by the Executive Board. The ESG working group will also discuss and debate potential new initiatives as developed and defined by ESG members The Group’s members are informed about climate related issues through reviews of emerging regulations and trends. See the corporate governance framework on page 85 for more details.

Strategy

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term

We have reviewed our business activities and our identified climate related risks and opportunities to support the development of a short-term to long-term plan for the Group. We have defined the short-term to be 0–5 years, the medium-term 5–15 years and the long-term 15–30 years. The risks identified all arise from our business operations within the United Kingdom.

A minority of the bonus award made to Executive Board members, including Executive Directors, may be based on strategic/personal/ESG targets. An ESG target was introduced for the financial year ended March 2024 to reward progress made in the delivery of ESG commitments including climate related commitments.

When risks and opportunities are identified, we assess the impact on our carbon emissions and how these impact our net-zero target by 2040 and also the potential financial impacts. See table on pages 44 to 45.

Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning

Our business is a low-carbon-intensive business, and our absolute carbon emissions and our intensity measure per employee are relatively low. Physical climate related risk is also considered low. Therefore, our assessment of business activities did not identify significant climate related risks, but did identify potential risks and opportunities as the UK moves towards a net-zero target by 2050. Accordingly, climate risk is considered an emerging risk rather than a principal risk as detailed on page 66 of the risk management section. Climate and carbon emissions form part of our financial and strategic planning and decision-making process as follows:

- We continue to review our own energy usage and during the year procured carbon neutral gas and renewable energy electricity for our Haydock premises, having already procured it for our head office in Welwyn Garden City. We have also installed submetering in our offices in Welwyn Garden City to support reduced energy usage.
- We consider climate impact from our working practices and as a result have increased the number of hybrid vehicles within our fleet, installed car charging points where possible and reviewed our hybrid office and field sales working arrangements.
- During the year we have launched a number of climate friendly work schemes, such as the cycle to work scheme and the electric/hybrid card leasing scheme. We have also incorporated a number of initiatives into our business travel policy to encourage a climate friendly approach to business travel.
- We launched the PayPoint Mini terminal in October, which will result in a reduced carbon emission footprint by our retailer network.
- We recognise that income from our energy payments businesses fluctuate with the weather and have, over the last few years, diversified our business to reduce reliance on this sector.

Responsible business continued

Strategy continued

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

As a low-carbon-intensive business, we consider our organisation to be resilient and have assessed two climate-related scenarios in the financial year.

A rise of up to 2°C, which would create some risks and uncertainties for our business, for example we have a number of clients in the energy sector who may be impacted with potential knock-on impacts for PayPoint. However, we consider the risk is low as there would be sufficient time to evolve our business model and activities to mitigate the risks.

The "BAU" scenario as described in the Representative Concentration Pathway 8.5 which would see global mean temperature rise by 2.6 to 4.8°C and the global mean sea level to rise by 0.45 to 0.82 metres by the late-21st century was considered. This scenario is now thought to be unlikely but has been modelled as an extreme eventuality. It could impact about 550 (out of over 29,000) of our retailers in low-lying coastal areas. This would have a small impact on our revenue from terminals. As with the first scenario, some of our clients may be impacted, with knock on impacts for the volume and value of our energy transactions. However, the likelihood is considered low, and we actively monitor changes in this area and include mitigating strategies in our business. Key inputs used to model this scenario were an analysis of the geographical location of our retailer partners, overlaid with a map of areas likely to flood in the event of the aforementioned rise in global temperatures.

Risk management

Describe the organisation's processes for identifying and assessing climate-related risks

In accordance with our current assessment, we still consider climate change as an emerging risk to our business rather an immediate principal risk. Risk management is an integral part of our governance and as part of our governance framework, we identify, assess and seek to mitigate business risks, including climate risks. We identify and assess climate-related risks and opportunities as part of our financial planning processes, business cases and as part of our overall risk identification and management framework. Key inputs into this process are data on our Scope1–3 emissions, and analyses of new services and products, consumer trends and market changes. These are reviewed by the ESG Working Group.

Describe the organisation's processes for managing climate-related risks

We have an established risk management framework in place to help us capture, document and manage risks facing our business and the Audit Committee oversees the effectiveness of risk management throughout the organisation. The Board are updated on climate risks and set targets to reduce carbon emissions in alignment with stated strategic goals. We have modelled the potential impact on our revenue if climate related risks were to crystallise. As described above, we monitor it closely so that we can amend our strategy as necessary. Climate change could also impact our costs, especially our energy usage and the potential cost of offsetting in order to meet targets. We have implemented several measures to reduce our CO_2 emissions as much as possible. The ESG working group continues to monitor this closely and will seek to implement further measures as necessary.

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

Risks presented by climate change have been embedded into our risk management framework and material business cases including an assessment of climate-related risks and opportunities. Annual financial plan and strategic review processes include assessments of the impact that climate transition and physical risks are expected to have on costs and revenue, and scope 1, 2 and 3 carbon emission reduction targets are set by the Board. The ESG working group continue to seek ways to ensure that climate friendly initiatives are considered and embedded in the Group's cultural framework.

Metrics and targets

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

The primary metric we have used to assess climate related risks and opportunities across our value chain is tonnes of CO_2 emitted, in line with the GHG emissions disclosures. We use third party sustainability software to accurately calculate carbon emissions based on input metrics collected from across the Group. In addition to carbon emission metrics, we also use monetary metrics in our financial and strategic planning where climate risk and opportunities across our revenue, costs and balance sheet are attributed with a £ figure. We have a stated target to achieve a 30% reduction in emissions generated by use of sold products by 2030, compared to 2022. Good progress has been made in the year, with the launch of our new device, PayPoint Mini, with emissions that are 85% lower than the PayPoint One.

Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (GHG) emissions and the related risks

Scope 1, 2 and 3 carbon emissions are detailed in the table on page 39. Scope 3 material emissions include purchased goods and services covering terminal and IT purchases, waste generated in operations, business travel, employee commuting and use of sold products which is electricity used by our terminals while at retailers and merchants.

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

PayPoint has set two primary targets. Firstly to achieve Net-zero in our own operations b 2030 and secondly to achieve net-zero across our entire value chain by 2040. We have set out a number of commitments that demonstrate how we plan to achieve these targets and specific actions and targets are agreed each year. Further information can be found on pages 36 and 37. The ESG Working Group monitors performance against targets throughout the year and reports performance to the Executive Board and Board.

Strategy

As a responsible business, we consider climate-related risks and opportunities across our organisation and embed these into the strategy set by the Board. We identify risks and opportunities over short-term (0–5 years), medium-term (5–15 years) and long-term (15+years) horizons and incorporate these into our strategy to ensure we operate responsibly and reinforce our commitment to building sustainable growth. These time-frames were selected as they align with our business strategy planning timelines. These timelines differ from those considered in our viability assessment because these are not the most material risks to our viability. Our responsible business strategy is supported by several policies including our Environmental and Sustainability Policy.

Short-term (0–5 years)

In the short-term, we will continue to take a proactive approach in our contribution to climate change and maximising opportunities.

Key risks and opportunities over this time horizon include:

- Increase in climate related regulations and emissions reporting obligations.
- Increased energy prices as we switch to carbon-neutral energy contracts for our offices.
- Substitution of existing products and services with lower emission options.

Medium-term (5–15 years)

Over the medium-term, we are focused on identifying and further managing financial risks associated with climate change as well as monitoring opportunities. We continually assess market trends and investment opportunities to ensure our business model is sustainable into the future.

- Increased manufacturing costs.
- Lost business opportunities if unable to meet customer and partner climate requirements.
- Changes to markets and consumer trends.

Long-term (over 15 years)

For the long-term, we consider various scenarios across physical climate conditions, market trends and government policy to ensure we provide a resilient and sustainable investment choice for the future.

- Shift in market trends and customer behaviour.
- Changes in precipitation patterns and extreme variability in weather patterns.
- Increased concern from shareholders and other stakeholders.
- Rising temperatures.

Responsible business continued

Risk Management

We have conducted a comprehensive assessment of climate-related risks and opportunities, including any potential financial impact. The table below lists our most important risks and opportunities. These do not currently have a material financial impact. However, they are closely monitored by our ESG Working Group and mitigations are implemented as described below.

Risks Transition Risks

Governance and regulatory

Risk: Non-compliance with increased emissions regulations and reporting obligations

Potential impact	Mitigation strategy
Potential impact on costs, such as for energy use or replacement of energy inefficient stock or equipment. Revenue may be impacted by changes in customer demand driven by changes in regulations, and business operations may need to be amended to make them more energy efficient. Staff or consultancy costs may increase as reporting obligations increase.	• Annual review of legislative landscape. • Integration of legislative compliance costs into business plans. • Implementation of reporting structures and procedures to manage compliance risk. • Quarterly review of energy and emissions data. • Review of energy contracts when the existing contracts expire to lower carbon but still cost effective alternatives.

Technology

Risk: Substitution of existing products and services with lower emissions options

Potential impact	Mitigation strategy
Costs to adopt and implement new products and processes.	• Careful management of the roll out of more energy efficient terminals.

Market

Risk: Changes to markets and consumer trends

Potential impact	Mitigation strategy
Some of PayPoint's retailer partners are large forecourt operators and the transition to electric cars may impact these retailers and PayPoint's revenue. Approximately 14% of PayPoint's revenue is from energy clients and the transition to carbon neutral energy may impact these clients.	• Ongoing review of our retailer network with new retailers contracted outside the forecourt sector. • Ongoing review of our client portfolio with new clients contracted outside the energy sector.

Market continued

Risk: Increased manufacturing costs

Potential impact	Mitigation strategy
Increased cost of purchasing terminals and other physical assets.	• Ongoing review of terminal and physical asset requirements. • Transition to smaller terminals and new products like Counter Cash with reduced manufacturing.

Risk: Increased energy prices

Potential impact	Mitigation strategy
Increased operating costs from our own energy usage, and potentially lower demand for our energy related products.	• We keep the amount of office space utilised under close review and close sections of the office where feasible, to reduce heating and cooling requirements. • Ongoing assessment of office gas and electricity usage to identify reduction opportunities. • Ongoing assessment of business travel requirements to minimise car journeys and identify reduction opportunities.

Reputation

Risk: Lost business opportunities if unable to meet customer and partner climate requirements

Potential impact	Mitigation strategy
Reduction in revenue.	• Environmental policy continually assessed and updated to ensure PayPoint meets customer and partner climate requirements.

Risk: Increased concern from shareholders and other stakeholders

Potential impact	Mitigation strategy
Reduction in capital availability.	• Transparency through our annual TCFD disclosures in the Annual Report.

Risks Physical Risks

Weather

Risk: Changes in precipitation patterns and extreme variability in weather patterns

Potential impact	Mitigation strategy
Increased costs from damage to buildings.	• Ongoing improvement of our buildings.

Risk: Rising temperatures

Potential impact	Mitigation strategy
Increased cooling costs.	• Switch to renewable electricity contract at contract renewal. • Assessing air conditioning requirements for our offices.

Opportunities

The table below details the main climate-related opportunities and their potential impact on our business, along with the current status.

Resource efficiency

Opportunity: Recycling

Potential impact	Mitigation strategy
Reduced construction costs.	• We engage with our electrical waste suppliers to ensure there is a high component of reuse and recycling of our retired terminals and IT equipment.

Opportunity: Office space kept under review

Potential impact	Mitigation strategy
Reduced office costs.	• We keep the amount of office space utilised under close review and close sections of the office where feasible to reduce heating and cooling requirements. One floor of one of our head office buildings has been closed for the last year as our warehousing requirements have reduced.

Opportunity: Reduced water consumption

Potential impact	Mitigation strategy
Reduced office costs.	• We keep the amount of water used at our offices under close review and have fitted timed flow taps to ensure taps are not left running.

Opportunity: Terminal economic life

Potential impact	Mitigation strategy
Reduced manufacture, logistics and disposal costs.	• Our terminals have a long economic life and are used for many years, some for over ten years, which reduces manufacturing requirements, transport and disposal costs. • We refurbish all our terminal models to ensure their economic life is maximised.

Energy source

Opportunity: Use of lower-emission energy sources

Potential impact	Mitigation strategy
Increased reputational benefits.	• We have already switched our electricity and gas contracts to carbon neutral contracts for our head office and Haydock office and plan to do the same for other premises as the contracts come up for renewal.

Energy source continued

Opportunity: Use of new technologies

Potential impact	Mitigation strategy
Increased reputational benefits. Reduced office costs.	• We encourage the use of more efficient modes of transport through the installation of Electric Vehicle 'EV' charging stations at our offices where possible. We have increased our car fleet to c30 hybrid cars which has reduced our car fleet CO_2 by over 50%. • We have reused an existing air conditioning system to replace the door cooling system in our server room to reduce emissions. We have also installed a sub-metering solution to identify areas of high energy usage. We will continue to closely review the heating and cooling systems used in our offices. • We have rolled out a territory optimisation dashboard which helps to ensure that field sales journeys are planned efficiently and therefore reduce unnecessary mileage.

Products and services

Opportunity: Development and migration to lower emission products and services

Potential impact	Mitigation strategy
Increased revenue through demand for lower emissions products and services.	• Our new Counter Cash product enables cash withdrawals through card payment terminals which use far less energy than ATMs. This product also reduces the level of ATM manufacturing required in the future. • Our latest terminals are far more energy efficient than older terminals. • Our expanding digital proposition enables transactions without the need for physical terminals which require manufacturing, transporting and disposal which all impact the environment. • Ongoing review of our client portfolio with new clients contracted outside the energy sector.

Data storage

Opportunity: Reduced electricity consumption

Potential impact	Mitigation strategy
Reduced operating costs.	• We have reviewed the amount, type, and storage method of our electronic data. By deleting duplicative or obsolete data, we have reduced our stored electronic data by a third. We are also migrating from our old server file to Microsoft OneDrive and Sharepoint. These measures have contributed to reducing our data centre energy consumption.

Responsible business continued

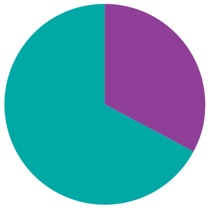
We hold ourselves accountable for delivering positive and inclusive outcomes for society including our people, retailer and client partners, consumers and the wider community.

Social

People and culture

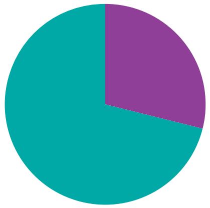
Gender balance as at 31 March 2024

Board



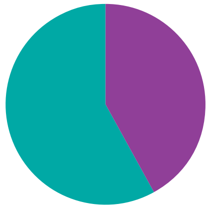
- Female 33%
- Male 67%

Executive Board



- Female 29%
- Male 71%

All employees



- Female 42%
- Male 58%

Our people

We aim to create a dynamic environment for our people where we 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. Following the integration of Love2shop we employed c1,000 people across the Group on 31 March 2024.

Engagement

We participated in the Great Place to Work Survey across the Group for the first time in 2023, a survey that was previously used by Love2shop. Great Place To Work® surveyed over 250,000 employees to determine the top companies recognised as the 2024 UK's Best Workplaces and PayPoint Group was delighted to be named as a Best Workplace within the large category (200–1,000 employees).
We were particularly pleased with the positive feedback received in relation to diversity and inclusion with questions relating to fair treatment in respect of gender, ethnic origin and sexual orientation receiving scores in excess of the Best Workplaces benchmark, reflecting the continued positive impact of our 'Welcoming Everyone' approach.

Our employee forum held two formal meetings during the year to discuss topics including Executive Remuneration, the employee survey and general engagement. The forum is chaired by our Chief People Officer, and Gill Barr, who represents the Board, attends the meetings. The purpose of the employee forum is to give feedback to the Board and Executive Board about how it feels to work in the business, what is working well and ideas for change, to ensure that the employee voice is considered in decision making. The forum also meets informally and provides feedback on and suggestions for employee-related activities and events.

We continue to operate a discretionary all-employee bonus scheme in order to engage all of our people in delivering our objectives for the year. In recognition of the hard work and commitment of all of our people in delivering our performance during the period all eligible employees will receive a bonus of £500.

Promoting mental health and wellbeing

Wellbeing at the PayPoint Group provides resources and opportunities to support our people across four key pillars of wellbeing - social, physical, mental and emotional and financial - enabling them to be their best self and in turn, deliver brilliant results.

We update people regularly with useful resources and awareness events and during the year held a number of very well attended and informative sessions on topics including suicide awareness and domestic violence awareness.

Our Employee Assistance Programme is now available to all employees across the Group, offering support in all areas of wellbeing. We also continue to operate 'My pay my way' with Wagestream, offering further financial wellbeing support to our people.

Developing our people

We continue to be committed to supporting the development of our people through a combination of online courses, apprenticeships, further education and in-house and external courses based on business and individual need. We currently have apprentices studying for a variety of qualifications including Coaching, Team Leading and Data Science. We also run a Management Development Programme for line managers and aspiring line managers across the Group and have recently become members of the Women in Tech Forum, providing a number of women from across the organisation with access to monthly virtual events, monthly masterclasses with dedicated tracks in Engineering and Sales, a leadership podcast series and in-person networking events.

Supporting human rights

PayPoint supports fundamental human rights, such as the right to privacy, safety and to be treated fairly, with dignity and respect. Our employment standard sets out our commitment to good employment practices and the principles to govern the practices adopted in each of our businesses. All employees have a right to safe working conditions, consideration of their welfare, fair terms of employment, reward and treatment, clarity and openness about what is expected. We have a zero-tolerance approach to modern slavery and we are committed to acting ethically and with integrity in all of our business dealings and relationships. PayPoint's statement on modern slavery can be found on our website[1].

Diversity and inclusion

At PayPoint we are committed to building a diverse and inclusive business where all of our people are treated fairly and with respect, and where the contributions of everyone are recognised and valued. This commitment is captured in our vision to create a dynamic place to work, with a positive and inclusive environment where everyone can learn, grow and shine. Everyone who works at the PayPoint Group should feel respected and able to give their best, and we embrace people with different backgrounds and identities, valuing their contribution to achieving our strategic priorities. At the PayPoint Group, we call this 'Welcoming Everyone'.

1 https://www.paypoint.com/modern-slavery-act.

Responsible business continued

We aim to achieve our vision by taking three clear actions:

1. Ensuring that all of our people understand what we mean by diversity, equity and inclusion, are supported with training to develop inclusive behaviours and feel confident to challenge any behaviours that they see in the workplace that are not in alignment with this.
2. Supporting the creation and development of forums for people from under-represented communities, enabling them to discuss shared challenges, help educate and raise awareness in the business of issues relevant to the community and implement appropriate actions to increase equity, inclusion and allyship around the business.
3. Building inclusion into our every day by ensuring that we listen to diverse voices and consider diversity, equity and inclusion with regards to our policies and practises, both internally and externally, including the employee lifecycle, product and service design and marketing.

During the year we rolled out additional diversity and inclusion training to all employees and our LGBTQ+ forum recognised Pride month with a number of events including a lunch and learn session, quiz night, and employees sharing their personal stories. The impact of the work we have done in respect of diversity and inclusion is reflected in feedback received in the Great Place to Work Survey with questions relating to fair treatment in respect of gender, ethnic origin and sexual orientation receiving scores in excess of the Best Workplaces benchmark.

We also continue to work with local schools to support the development of aspirations in young people (socio-economic diversity).

2 https://corporate.paypoint.com/downloads/csr/gender_pay_report_2020.pdf.

3 https://corporate.paypoint.com/downloads/investorcentre/ethical-principles-2020.pdf.

The overall gender balance across all employees within the business on 31 March 2024 was 42% female and 58% male. We recently published our seventh gender pay gap report, which can be found on our website[2].We were pleased to see our gap reduce during the year, however a pay gap persists within the organisation driven by the fact that we have more men than women in higher paid roles such as roles in IT, sales and senior management positions. We have launched the Women in Tech forum in order to help drive more diversity and support women within the business to achieve their full potential.

PayPoint is committed to treating applicants with disabilities equally and supporting people who become disabled during their career with the Company. This includes making reasonable adjustments both to the recruitment process for applicants and to the working environment, including offering appropriate training, in order that disabled employees can achieve their full potential.

Principles

Our success is built on a reputation for high standards in all areas of business which we achieve by working in accordance with our ethical principles. These principles apply throughout the PayPoint Group and are used to define the standards and working practices that we adopt.

They guide our day to-day actions and give our people clarity on acceptable behaviour. Our statements on ethical principles and modern slavery can be found on our website[3]. Our 2024 modern slavery statement will be available on our website in September 2024.

We operate an anti-bribery and corruption policy which was put in place in response to the UK Bribery Act 2010. Further information regarding this can be found on page 99 in the Audit Committee Report.

A strong and supportive proposition for all stakeholders

We provide a broad range of innovative services and technology, connecting millions of consumers with over 65,000 retailer partner and SME locations across multiple sectors.

We provide a leading and differentiated set of services, through highly reliable technology that enables our retailer partners to run their businesses more efficiently as well as generating consumer footfall from their surrounding communities. The breadth of products and services offered by PayPoint is greater than any other provider.

We continue to enhance our retailer partner propositions to help respond to consumer trends and drive additional revenue opportunities. Our next generation device, PayPoint Mini, was launched in November 2023 and our integrated third-party EPoS solution, PayPoint Connect, is now rolling out across our estate. In addition, we launched Love2shop physical gift cards for the first time in over 2,600 locations for the Christmas 2023 gifting season, and were pleased to have won the DVLA contract for International Driving Permits, which went live in our retailer partner network on 1 April 2024.

Our recently announced major partnership expansion with Lloyds Bank will enhance our proposition further, delivering better tools, support and experience for our SME and retailer partners including a market-leading banking and card services proposition combining card payments, a 12-month fee-free Lloyds bank business account and a connected competitive commercial card offering. Lloyds Bank Cardnet will be investing significantly into their business to enhance product development and data analytics for merchants.

We have continued to strengthen our retailer partner relationships and service, including a refreshed approach to the 'early life' support provided to our retailer partners to drive adoption of new services, the launch of a new chatbot and automated services for day-to-day queries, more direct communications and our strengthened relationships with the key retail trade associations. Our broader commitment to our retailer partners to deliver further value and opportunities to earn has delivered an increase to a positive NPS score for the first time in six years.

Enabling clients to provide vital services in the community

We partner with over 500 payments and banking clients in the UK, providing omnichannel payment solutions that enable them to seamlessly and effectively serve their customers. Our contracts with clients contain clear obligations with respect to the services being provided, underpinned by measurable service levels which are set to ensure a high standard of delivery across key elements, including system and service availability, file delivery and funds settlement.

We enable the delivery of best-in-class customer journeys for e-commerce brands over the first and last mile in over 11,000 locations through our Collect+ brand, helping consumers pick up and drop off online shopping or send parcels across the UK. During the year we have announced new and expanded partnerships with Royal Mail, Yodel/Vinted and InPost and have successfully expanded into new locations and demographics including our growing student presence working with 14 of the top universities and student unions.

During the reporting period, we delivered further expansion of our client relationships. In total 70 new client services were delivered for MultiPay and our Open Banking services continued to grow, supported by our partner OB Connect, with 25 clients live for our services including Ovo and AMEX. In particular, our work with Citizens Advice in Stevenage is having an important impact on the work they do supporting clients in financial distress – debt caseworkers are now able to get an up to date, accurate and holistic view of someone's finances in minutes when it used to take weeks or even months. As a result, they can provide advice and information faster, reducing the risk of debts becoming even greater or more serious throughout the advice process. PayPoint is now one of the leading PISP processors in the UK with a strong community impact underpinned by our continuing engagement with key stakeholders across the sectors we operate in, including Ofgem, UK Finance, Pay.UK and the Department of Energy Security and Net Zero.

We continue to operate the Payment Exception Service, delivered for the Department for Work and Pensions, to serve some of the most vulnerable people in the UK, and were pleased to win the DVLA contract for International Driving Permits, which went live on 1 April 2024, marking another key central government service that will be provided in the community via our extensive retailer partner network.

We continue to have a dedicated Client Management team, enhancing our engagement with clients to ensure we are able to align our strategy and roadmaps to the needs of the clients we partner with.

Enabling consumers, including some of the most vulnerable in society, to access the services they need

Open early until late seven days a week, we serve millions of consumers every day, helping them to make and receive payments and access parcel services conveniently through our retailer partner network and omnichannel payments solutions.

Our UK retail network of more than 29,000 stores is bigger than all banks, supermarkets and post offices together, putting us at the heart of communities nationwide. Our cash bill payment solutions enable less privileged people to access services that may otherwise be unavailable to them and our CashOut service enables the rapid dispersal of funds through secure digital channels and is actively used by local authorities and charities to distribute emergency funds. The Payment Exception Service, run for the Department for Work and Pensions via our i-movo business, further underlines the continuing importance of delivering cash payments to those without access to a standard bank account, and our work with the Citizens Advice in Stevenage is having an important impact on the work they do supporting clients in financial distress.

Responsible business continued

The PayPoint Counter Cash service, offering cashback without purchase and balance enquiries over the counter, is now live in over 2,150 stores, providing cash withdrawals at the counter.

Park Christmas Savings is the UK's biggest Christmas savings club, helping over 350,000 families manage the cost of Christmas, by offering a huge range of gift cards and vouchers from some of the biggest high street names.

Our MultiPay platform is designed to provide a simpler and more convenient way for consumers to pay essential bills such as gas, electricity and rent. We are uniquely placed to be able to provide consumers with complete flexibility to choose to pay using whichever method is most convenient for them.

Over 80% of our ATM network is 'voice guidance enabled', enabling people with visual impairments to withdraw cash independently.

As more critical services continue to withdraw from communities and High Streets across the UK, we are more focused than ever on working closely with our retailer and industry partners to evolve our service provision and ensure we can leverage our extensive network to provide vital infrastructure and accessibility to individuals close to where they live.

Supporting the communities where we live and work

We support the communities where our people live and work by providing them with financial support to serve their causes. PayPoint has a Charity Committee made up of volunteers which leads and provides support to fundraising activities carried out by our people for charities which are important to them. In April 2023 we signed a partnership with Children With Cancer to be our national charity partner. In addition the Charity Committee continues to support charities local to our office locations and support our people with their own fundraising efforts.

The Committee organised a number of fundraising events including quiz nights, bake sales, raffles and a book appeal to provide gifts for families facing cancer treatment during the festive season. We were also delighted that 8 runners from across the PayPoint Group ran the London Marathon 2024 in aid of Children with Cancer. In total over £20,000 was donated to local and national charities. In addition, we were pleased to be able to provide advertising services and volunteer support to Children with Cancer, free of charge.

We also continue to offer our network to collect for the BBC's Children in Need telethon free of charge.

Championing the employability of young people

Externally we continue to support young people in our community with a commitment to the local schools community and the continued development of young talent. PayPoint started to work as an enterprise adviser to a local secondary school in 2016, supporting students with the transition from school to the workplace. Our support has since expanded to other schools in the community and in the last year we provided support with careers fairs, mock interviews and 'work ready' workshops. We also hosted an annual Work Experience Week for students from local schools. PayPoint has also signed The Tech She Can Charter which is a PwC initiative designed to encourage more girls to study IT and view it as a career choice.

Purpose, vision & values

In delivering our purpose we hold ourselves accountable for delivering positive outcomes for all our stakeholders through the implementation of a meaningful ESG strategy and measures. Further information can be found in the Responsible Business section on page 34.

We actively engage with our people to bring our values to life in the work that we do. Our values are incorporated into our recruitment and induction processes, and demonstration of the values forms a key element of our performance reviews. People who role model our values are recognised via our values award programme.

Value award winner: Darren Shepherd

Darren is a Team Leader in the Customer Support Team. He was nominated for his positive attitude, passion and willingness to help which enabled the team to continue to offer an excellent service to merchants during a period of change.

Value award winner: Amy Peebles

Amy is Social Media Manager in the Marketing Team. She was nominated for her collaborative approach to delivering Social Media training to colleagues. She put a lot of time and effort into organising a very valuable session which was well received by all attendees.

Responsible business continued

The Executive Board, as PayPoint's team with responsibility for the day-to-day operational management of the Group, is accountable for the ESG strategy to help drive change and a more sustainable future for PayPoint.

Governance

The framework through which PayPoint provides transparency on how it operates its business, which is in line with current regulations, is set out in the Corporate Governance Report on pages 76 to 123 and in the Risk Management Report, on pages 58 to 68. In addition, our anti-bribery and corruption policy is set out in the Audit Committee Report on page 99. The ESG Working Group provides regular updates on progress to the Board. A summary of progress over the past year can be found on pages 36 to 37. Compliance with current mandatory disclosures for our greenhouse gas emissions are detailed on page 43.

PayPoint recognises that driving better corporate behaviours provides improved returns over the longer-term and ESG is therefore a key focus of our Board. We have agreed ESG commitments and metrics which can be found on pages 36 to 37.

Updated disclosures in accordance with TCFD can be found on pages 40 to 45.

PayPoint Plc, and certain of its subsidiaries, are signatories to the Prompt Payment Code, a voluntary code of practice for payment practices whereby signatories undertake to pay 95% of their supplier invoices within 60 days. Our payment practices are reported on a six-monthly basis and details can be found at www.gov.uk/check-when-businesses-pay-invoices. In 2023 we received a Fast Payer Award from Good Business Pays which recognised that PayPoint is a business that pays suppliers in less than 30 days (on average) and also pays over 95% of invoices on time, over a rolling 12 month period.

Finally, the following section sets out our Group Non-Financial and Sustainability Information statement. A description of our business model and strategy, as well as the non-financial KPIs relevant to our business, can be found on pages 14 to 33.

Non-financial and sustainability information statement

The tables below outline where the key content requirements of the non-financial and sustainability information statement can be found within this document (as required by sections 414CA and 414CB of the Companies Act 2006).

Reporting requirement	Where to find further information	Page	Relevant policies if applicable
Environmental matters	Responsible business	38	Environmental
Employees	Responsible business Principal risks Audit Committee Report	47 63 94	Diversity Recruitment and Selection Health and Safety Whistleblowing Code of Ethics
Society and communities	Responsible business	49	Charitable donations
Respect for human rights	Responsible business and https://www.paypoint.com/modern-slavery-act	47	Modern Slavery Statement Human Rights
Anti-bribery and corruption	Audit Committee Report	99	Anti-bribery and Corruption

Companies Act (2006) climate-related financial disclosures

Companies Act climate-related financial disclosure	Location of disclosure	Page
a) a description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities;	TCFD - Governance	41
b) a description of how the company identifies, assesses, and manages climate-related risks and opportunities;	TCFD – Governance	41
c) a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management process;	TCFD – Governance and Strategy	41,42
d) a description of: a. the principal climate-related risks and opportunities arising in connection with the company's operations, and b. the time periods by reference to which those risks and opportunities are assessed;	TCFD – Risk Management	44
e) a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy;	TCFD – Strategy TCFD – Risk Management	43,44
f) an analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios;	TCFD – Strategy	42
g) a description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets; and	TCFD – Metrics and Targets	43
h) a description of the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those key performance indicators are based.	TCFD – Metrics and Targets	43

Responsible business continued

Section 172(1) statement

Board decision-making

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires directors to have regard to, amongst other matters, the:

- Likely consequences of any decisions in the long-term.
- Interests of the company's employees.
- Need to foster the company's business relationships with suppliers, customers and others.
- Impact of the company's operations on the community and environment.
- Desirability of the company maintaining a reputation for high standards of business conduct.
- Need to act fairly as between members of the company.

In discharging our section 172 duties, we have regard to the factors set out above. In addition, we also have regard to other factors which we consider relevant to the decisions being made. Those factors, for example, include the interest and views of our clients; our retailer partners; regulatory bodies; and our relationship with our lenders.

By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision making, we aim to make sure that our decisions are consistent and appropriate in all circumstances.

We delegate authority for day-to-day management of the Company to the Executive Board and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held periodically at which the Directors consider the Company's activities and make decisions. For example, each year we make an assessment of the strength of the Company's balance sheet and future prospects relative to market uncertainties and make decisions about the payment of dividends. For the year ended 31 March 2024, we are recommending a final dividend of 19.2 pence per share.

How we consider our stakeholders

Engaging regularly with our stakeholders is fundamental to the way we do business, enabling us to consider their needs, concerns and the potential impact on stakeholders when making decisions in the Boardroom.

Employees are consulted via the Employee Forum and in the last year Gill Barr, Non Executive Director and Rakesh Sharma, SID and Chair of the Remuneration Committee, have met with the forum to discuss topics including executive remuneration and the results of the employee survey. Further information about how the Company engages with all of its stakeholders can be found on pages 55 to 57 of this report.

The Strategic Report was approved by the Board of Directors and signed on its behalf by:

Nick Wiles

Chief Executive
12 June 2024

Engaging

with our stakeholders

By understanding our stakeholders we can consider their needs, concerns and the potential impact on stakeholders when making decisions in the Boardroom.

Our stakeholders	How we engage	Key topics discussed	How the Board engages/is kept informed	Key outcomes in 2024
People We have a talented, diverse and committed workforce with experience from a wide range of industries.	Our employee forum is a communication platform attended by employee representatives elected by their colleagues. In addition, we hold regular staff briefings and functions hold their own team meetings and engagement forums (see page 47 for more information on how we engage with our people).	The employee forum discusses the issues raised by the engagement survey and any business-related issues. Key topics discussed included Executive Remuneration, the engagement survey and general engagement.	Gill Barr, the Board representative for the Employee Forum, facilitates the flow of communication between the forum and the Board. During the year Rakesh Sharma attended the forum to discuss Executive Remuneration and Simon Coles, CTO, attended to discuss IT strategy. The Chief People Officer updates the Board on results of engagement surveys and people matters generally in a formal presentation to the Board each January and as required throughout the year.	The forum provided regular feedback to the Chief People Officer regarding employee sentiment and key questions during the organisational review in March 2024.
Shareholders We aim to deliver a sustainable and rewarding business model.	Through our investor relations programme, our Annual Report and Accounts and our annual general meeting, we ensure shareholder views are brought into our Boardroom and considered in our decision-making.	Financial performance, strategy and business model, dividend policy and ESG.	The Chief Executive updates the Board on any shareholder feedback received and on investor sentiment following each roadshow. The approach to ongoing shareholder engagement is agreed by the Board. All members of the Board are available for questions by the shareholders at the annual general meeting and Giles Kerr has held several investor meetings.	We have made significant steps to materially enhance our platform and capabilities to deliver sustainable, profitable growth and enhanced rewards for shareholders. A final dividend of 19.2 pence per share has been declared for approval by shareholders and share buyback programme announced.

Responsible business continued

Our stakeholders	How we engage	Key topics discussed	How the Board engages/is kept informed	Key outcomes in 2024
Convenience retailer partners Our retailer partners offer their consumers one or more PayPoint services. Ranging from independent retailer partners with one store to large multiple retailer partners.	An Account Management team develops our relationships with multiple retailer partners, whilst our Retail Services Hub and Retail Relationship Management team supports independent retailer partners. In addition we actively engage with trade bodies including the Association of Convenience Stores 'ACS', Scottish Grocers Federation 'SGF' and National Federation of Retail Newsagents 'The Fed'.	Performance reviews, market trends and insights, sharing best practice, new clients and product development.	The Executive Board keeps the Board informed of our relationships with convenience retailer partners throughout the year.	Enhancements to the retailer proposition include the launch of our next generation device, PayPoint Mini and our integrated third party EPoS solution, creation of Park Super Agent Network and the launch of Love2shop physical gift cards. Service enhancements include refreshed 'early life' support and the launch of a new chatbot and automated services for day to day queries.
SMEs We provide card payments services for over 30,000 SMEs across various sectors.	Our field team is always available to support and engage with business owners across all the sectors we serve. We use a range of channels and methods to communicate with and seek feedback from new and existing customers including social media, customer referrals and case studies.	Performance, support, pricing and service enhancements.	Updates on enhancements to current and future services for SMEs are provided to the Board by the Executive Board.	Proposition enhanced with launch of Handepay Rewards Scheme. Major partnership expansion with Lloyds Bank announced that will offer merchants a market leading banking and card services proposition.
Consumers We serve millions of consumers every day, helping them to make payments and collect parcels conveniently through our retailer partner network and omnichannel payments solutions.	Our communication platforms provide the environment for us to engage with consumers. Through our Retail Services Hub we inform, update and quickly resolve issues with consumers at first-point-of-contact where possible. Feedback, queries and data gathered from surveys are all collated to improve the consumer experience.	Services and partnerships, performance, network expansions, product portfolio, systems and support on customer complaints.	The Executive Board provides updates to the Board on the levels of transactions, performance and overall services provided to our consumers.	Continued evolution of retailer proposition in response to consumer needs including Park Christmas Savings, International Driving Permits, Love2shop physical gift cards and continued growth in Counter Cash. Our Open Banking services are being used to support consumers in financial distress.

Our stakeholders	How we engage	Key topics discussed	How the Board engages/is kept informed	Key outcomes in 2024
Clients Our client base operates across a broad and diverse range of sectors including commercial, not-for-profit and the public sector. They are critical to our business. Understanding their needs and requirements is essential to retention and development.	Dedicated Account Managers have client review meetings throughout the year to discuss performance and future innovations. We also have daily operational contact where required to resolve business as usual queries. For the larger strategic accounts, we hold a mixture of operational, tactical, and strategic meetings throughout the year.	Service and performance versus key performance indicators, business challenges where we may be able to provide support, short and long-term strategic goals to drive alignment, and PayPoint service evolution to enhance our clients' own service performance to their end users.	The Executive Board provides updates to the Board when required.	Our integrated digital payments platform, MultiPay, provides a comprehensive payment solution for clients across card processing, Open Banking, direct debit in cash securing further wins in the housing and charity sectors. Open Banking services launched with 25 clients during the period including Ovo, AMEX and Citizens Advice. Over 70 new client services went live in the year.
Local communities Our network and activities place us at the heart of local communities.	We support fundraising events by providing financial support to causes that are important to employees. We act as an enterprise adviser to a local secondary school, supporting the transition between school and the workplace.	Our Charity Committee agrees which charities we should support.	The Chief People Officer updates the Board via a formal presentation once a year.	Page 50 details our charitable work and support provided for young people in the community.
Regulators	We maintain open channels of communication with our regulators, including discharging our reporting and notification requirements under the relevant legislation and regulations that apply to the Group businesses. In addition, we actively support the regulators by providing responses to consultations and surveys.	The FRC wrote to the Company during the year to provide feedback on its review of the audit undertaken by KPMG LLP and a review by the Corporate Reporting Review team on the annual report and accounts for the year ended 31 March 2023. We provided a response to the FCA Access to Cash Consultation in December 2023 and PayPoint Payment Services Limited participated in an FCA survey on the Consumer Duty in January 2024.	The Board and its Committee receives updates on any engagement activities with the Group's regulators such as the Financial Conduct Authority and the Financial Reporting Council. For more information see page 94 of the Audit Committee report.	The observations made by the FRC were given full consideration by management. Additional disclosures have been included in this annual report where relevant to do so.

Risk management

Robust approach to managing risk

Strategy
Strategic and operational benefits of proactively managing risk are achieved when Enterprise Risk Management is aligned with the strategic and operational goals of the organisation, and our process and governance structure achieves this. Risks are assessed through PayPoint's risk management and internal control framework which is designed to identify and manage risk. Processes apply throughout the Group and are designed to mitigate rather than eliminate risk, and provide assurance to stakeholders regarding PayPoint's ability to deliver its objectives and manage risks. The Board is responsible for overseeing risk management and approves levels of acceptable risk. The Board is also responsible for maintaining an appropriate internal control environment to manage risk effectively. The Audit Committee supports the Board in reviewing the effectiveness of risk management and internal controls and performs an annual assessment. The results of this year's assessment are detailed on page 96 of the Audit Committee section.

Risk appetite
PayPoint's risk appetite is set by the Board and these statements of appetite align to the level of risk considered acceptable in achieving strategic objectives, increasing financial returns and adhering with statutory requirements. The Board and the Executive Board have key roles in ensuring the risk management and internal control framework maintains risk within the appetite set. Internal controls are embedded across the Group's core processes including policies and procedures, delegated authorities, PayPoint values and training.

Risk identification and management
The risk management process assesses strategic, financial, IT, regulatory and operational risk across all areas of the business. PayPoint's risk framework includes a bottom-up risk assessment managed through risk and control registers, and a top-down risk assessment and horizon scanning process to identify emerging risks. Functional and entity risk and control registers are maintained and form an important component of our governance framework. Risks and controls are determined by senior management with objective oversight from the Head of Risk, Compliance and Internal Audit. Risk and control registers contain risk descriptions, assessment of materiality, probability, mitigating controls, residual risk and risk owners.

At least annually, risks identified through the top down and bottom up risk assessment process are agreed with Executive Board members to determine 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 Board
Oversees risk management, sets the risk appetite and maintains a control environment to effectively manage risk.

Executive Board
Monitors key risks facing the business and agrees internal controls.

The Audit Committee
Oversees the risk framework and monitors assurance activity and internal control effectiveness.

Management
Responsible for identifying and managing risks and ensuring the effective operation of internal controls.

Risk & Internal Audit
Manages the risk framework and assesses internal control effectiveness.

1. Risk identification
Identifying risks which may impede achieving objectives.

2. Inherent risk assessment
Assessing the level of inherent risk.

3. Control assessment
Assessing the existence and strength of controls to mitigate risks.

4. Residual risk assessment
Assessing the level of residual risk after mitigation from controls.

5. Risk reporting
Reporting the status of the most significant risks to the Executive Board and Audit Committee.

6. Monitoring and review
Monitoring of risks and controls by the Executive Board and Audit Committee who advise the Board.

Principal risks and uncertainties

Mitigating risk effectively

Continuous development and review, whilst maintaining a dynamic and effective risk management process, is vital to support the business in achievement of its strategy and business objectives. Risk management continues to be an essential part of PayPoint's Corporate Governance.

Changes to principal risks

New risks and disclosures

The integration of Love2shop into the wider PayPoint Group has continued over the financial year, including the roll-out of PayPoint's risk management framework into Love2shop. Our risk appetite remains the same as last year.

It is defined as:

Risk appetite	Impact on profit before tax
Low	Under £2 million
Medium	Under £5 million
High	Over £5 million

Changing risks

Competition & Markets – Recognising the increase importance of consumer behaviours and their impact on our business model, this risk has been relabelled as "Consumer Behaviours and Markets" to reflect the composition of this risk more fully. The appetite for this risk has been assigned as "high" to reflect the relationship between this risk and value creation/reward.

Operating Model – This risk has now been renamed as "Client Services" to reflect clients becoming increasingly demanding in terms of need and service expectations, along with the compliance requirements accompanying those services.

Emerging Risks

ESG and Climate Risk remains an emerging risk. Whilst we recognise the impact climate change is having globally, we continue to be a low-carbon producing company and, as such, these risks do not pose an immediate risk to our operations. We have embedded a strategy of reducing our carbon emissions, with a goal of becoming fully net-zero by 2040 (2030 for our own operations). Details of how we plan to achieve this are set out on pages 36 and 37.

In 2022, we implemented The Task Force on Climate-related Financial Disclosures (TCFD) which provides companies with a framework to improve reporting on climate-related risks and opportunities. Risks caused by climate change have been embedded into our enterprise risk management framework including our financial planning processes, business case development and our overall risk identification and management processes as detailed on page 59.

The table on pages 61 to 66 sets out our principal and emerging risks and includes: details of the potential impact; mitigation strategies; status of each risk; risk appetite; and exposure trend. They do not comprise all risks faced by the Group and are not set out in order of priority.

Principal risks

Market Risks

	Potential Impact	Mitigation Strategies	Status	Risk Trend & Appetite
1. Consumer Behaviours and Markets	PayPoint's markets and competitors continue to evolve. The decline in legacy business cash usage is expected to continue prompting the need for further business diversification. The current economic climate, of continually rising prices and lower spend levels by consumers, has continued from the previous financial year. The impact in particular markets, such as the Cards market, has been noticeable with transaction process volumes remaining subdued.	The Executive Board closely monitors consumer trends and spending behaviour, regularly re-assessing our markets, competitor activity, along with any opportunities to further de-risk its legacy business. We continue to develop our service offerings and to adapt to changes in consumer needs and behaviours, including strategic acquisitions or investments, where appropriate.	Risk is increasing as cost of living pressures have continued in the year causing changes in consumer activities, particularly in spending behaviours. This, along with the continued decline in cash legacy business has impacted income streams for certain parts of the business.	**Trend =** Increased **Appetite = High**

	Potential Impact	Mitigation Strategies	Status	Risk Trend & Appetite
2. Emerging Technology	As our markets continue to evolve, so does the technology supporting the service provision. Pressures to deliver new and innovative products remain and failure to keep pace with this technological change is a risk for the Group.	We continually review technological developments (including the evolution of AI) to understand how new technologies can be used to support and enhance our service offerings. The Executive Board closely monitors emerging technologies and the impact they may have on the Group. We also develop and implement our own innovative technology, where appropriate.	Risk is stable as Group acquisitions, investments and partnerships have helped to mitigate risks associated with emerging technologies. The ongoing programme of re-platforming our digital proposition will facilitate the further expansion of our presence in digital payment markets. We continue to roll out the new, updated version of our retailer terminal – the PayPoint Mini.	**Trend =** Stable **Appetite = Medium**

Change in status and trend

Increased Stable Decreased

Principal risks and uncertainties continued

Principal risks

Strategic Risks

	Potential Impact	Mitigation Strategies	Status	Risk Trend & Appetite
3. IT Transformation	Several significant IT projects are in our 3-year plan and the delivery of these projects will be key to delivering our business strategy and growth aspirations, along with platform resilience.	The Executive Board is accountable for the management and delivery of these projects, with oversight from the Group Board.	Risk is increasing as several of these projects have been mobilised after the FY24 year end and will be delivered over the course of the next 2 – 3 years.	**Trend =** ↑ **Appetite =** **Medium**

Business Risks

	Potential Impact	Mitigation Strategies	Status	Risk Trend & Appetite
4. Client Services	Clients' expectations in terms of service level standards and compliance are increasing as the business diversifies into new products/channels (such as community banking). Client retention and the exposure to clients developing in house solutions as an alternative to our services remains an ongoing risk, along with customer concentration risk, such as in Parcels.	PayPoint builds and carefully manages strategic relationships with key clients, retailers, redemption partners and suppliers. We continually seek to improve and diversify services through new initiatives, products and technology and our involvement in new and innovative markets.	Risk is increasing. We continue to renew contracts and onboard new retailers, clients, merchants and redemption partners in line with expectations. We have built on our services and continue to encourage our clients to diversify and utilise more than one of our service provisions. Working with our clients to continue to understand their requirements and how best we can meet our clients needs remains a priority for the Group.	**Trend =** ↑ **Appetite =** **Medium**

Change in status and trend

Increased Stable Decreased

Business Risks continued

	Potential Impact	Mitigation Strategies	Status	Risk Trend & Appetite
5. Legal and Regulatory	PayPoint is required to comply with numerous contractual, legal, and continuously evolving regulatory requirements. Failure to anticipate and meet obligations may result in fines, penalties, prosecution and reputational damage. Increased levels of regulatory supervision, the implementation of consumer duty and the addition of new service offerings, such as open banking and PISP, have all increased the complexity of the regulatory environment in which we operate.	Our Legal and Compliance teams work closely with the business on all legal and regulatory matters and adopt strategies to ensure PayPoint is appropriately protected and complies with regulatory requirements. The teams advise on all key contracts and legal matters and oversee regulatory compliance, 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.	Risk is stable. We continue to manage new legal and regulatory exposures through our risk management framework and this framework has been rolled out across our Love2shop business following its acquisition in 2023. As referenced in note 31, the two claims served on a number of companies in the Group in relation to the matters addressed by commitments made to Ofgem in 2021 in resolution of Ofgem's competition concerns are still ongoing. The Group's position remains unchanged and we are confident that we will successfully defend these claims.	**Trend =** Increased **Appetite =** Low

	Potential Impact	Mitigation Strategies	Status	Risk Trend & Appetite
6. People	Failure to retain and attract key talent impacts many areas of our business. A key element of the 3 year plan is revenue growth, and we need to be confident we can attract/retain those individuals who are instrumental in driving top line growth, along with individuals who will support the operational transformation of our business. Key person dependencies, at both executive and senior management levels, have been noted as a key risk.	The Executive Board continues to monitor this risk, with oversight from the Remuneration Committee. We continue to invest in our people, with a clear focus on retaining talent and key person dependency. PayPoint's purpose, vision and values, are defined and embedded within the business, our expected behaviours and our review and monitoring processes. An employee forum comprising employees from across the business engages directly with the Executive Board on employee matters.	Risk is increasing. The delivery of £100m EBITDA requires significant revenue growth over FY25 and FY26 and a key element of this is retaining and attracting key talent to support delivery of this growth. Employee engagement surveys remain positive and key actions around cost-of-living support, better employee interaction and flexible working have been implemented.	**Trend =** Increased **Appetite =** Low

Change in status and trend

Increased Stable Decreased

Principal risks and uncertainties continued

Principal risks

Operational Risks

	Potential Impact	Mitigation Strategies	Status	Risk Trend & Appetite
7. Cyber Security	Cyber security risk continues to grow due to the growing volume and ever-increasing sophistication of the nature of these attacks and our expanding digital footprint. Such attacks may significantly impact service delivery and data protection causing harm to PayPoint, our customers and stakeholders. As the geographical instability has continued and increased over the last year, cyber-crime and its potential impact on our Group continues to increase as do our efforts to mitigate the likelihood of such an attack and in monitoring activities for potential instances of attack.	Recognising the importance and potential impact this risk poses to our business, the Executive Board regularly assesses PayPoint's cyber security and data protection framework, and the Cyber Security and IT Sub-Committee of the Audit Committee maintains 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 have implemented tools to assist in quick identification of potential threats. We operate a robust incident response framework to address potential and actual breaches in our estate or within our supply chain. We engage with stakeholders, including suppliers on cyber-crime and proactively manage adherence with data protection requirements.	Risk is increasing because of the growing volume and sophistication of cyber-attacks, coupled with our expanding digital footprint. We continue to enhance our architecture, systems, processes and cyber monitoring and response capabilities. We regularly engage third parties to assess and assist on our cyber defences and strengthen our controls and have implemented strong monitoring capability across the Group.	**Trend =** ↑ **Appetite =** Low

	Potential Impact	Mitigation Strategies	Status	Risk Trend & Appetite
8. Business Interruption	Failure to provide a stable infrastructure environment or to promptly recover failed services following an incident can lead to loss of service provision, and financial and reputational loss. Interruptions may be caused by system failures, cyber-attack, failure by a third party or failure of an internal process. Recovery of the service can be hampered by lack of appropriate resilience levels.	PayPoint's has developed a comprehensive and robust business continuity framework. This is reviewed by the Executive Board and the Cyber Security and IT sub-Committee of the Audit Committee maintains oversight of the framework and its implementation. Business continuity, disaster recovery and major incident response plans are maintained 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. Risk from supplier failure is managed through contractual arrangements, alternative supplier arrangements and business continuity plans.	Risk is increasing. System disruption is an inherent business risk. However, we recognise that the acquisition of Love2shop, our IT transformation projects and our expansion into different products contribute to an increasing complexity of our operations. Better staff training and retention has enhanced our ability to detect and recover from service issues.	**Trend =** ↑ **Appetite =** Low

Change in status and trend

↑ Increased — Stable ↓ Decreased

Operational Risks continued

	Potential Impact	Mitigation Strategies	Status	Risk Trend & Appetite
9. Credit and Liquidity/ Treasury Management	The Group has significant exposures to large clients/ retailers, redemption partners and other counterparties. We process high volumes of payments which are dependent upon effective operational controls. The Group also operates a number of debt/banking covenants and interest expenses which must be carefully managed. Cashflow management plays an increasingly important role in the Group's operations.	PayPoint has effective credit and operational processes and controls. Retailers and counterparties are subject to ongoing credit reviews, and effective debt management processes are implemented. Settlement systems and controls are continually assessed and enhanced with new technology. 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. Residual risk associated with potential default of gift card providers is mitigated through insurance.	Risk is stable. Cost of living pressures may impact our client and retail estate. However, we have robust monitoring and an increase in support payment processing in place to reduce default rates and impacts. The risk profile of our business operations remains stable. We continue to review and enhance our operational processes and controls, and relationships with our funding partners. We successfully refinanced to support the acquisition of Love2shop and our cash generation remains robust. We also successfully refinanced our facility in June 2024. Liquidity targets as planned for the year have been met.	**Trend =** **Appetite =** Low

	Potential Impact	Mitigation Strategies	Status	Risk Trend & Appetite
10. Operational Delivery	Delivery of key initiatives and strategic objectives, including sales and service delivery growth, is key to achieving the desired success levels anticipated for the group. Successful planning, forecasting and successful execution of all business function areas are key to ensuring operational delivery. Supply chain management is also a key factor in delivering our operational targets. Failure to manage this risk would hamper our business performance, impact our stakeholders, and lead to regulatory or legal sanctions.	The Executive Board has overall responsibility for delivering key initiatives implementing a robust control framework. The Executive Board have implemented a robust and effective reporting suite to ensure management of BAU activity is supported by timely and accurate business analysis. We continue to develop our Business Intelligence and Management information reporting capabilities to enhance, support and develop our management functions. Our project management methodology ensures projects are prioritised and governed effectively. Our existing processes are continuously reviewed to make sure they are efficient and well controlled.	Risk is stable. We continue to focus on effective integration of Love2shop into our business. We continue to develop new services and enhance existing capabilities.	**Trend =** **Appetite =** Low

Change in status and trend

Increased Stable Decreased

Principal risks and uncertainties continued

Principal risks

Emerging Risks

	Potential Impact	Mitigation Strategies	Status	Risk Trend & Appetite
11. ESG and Climate	We continue to focus on environmental, social and governance matters and recognise that our business needs to be environmentally responsible to create shared value for all stakeholders. PayPoint continues to seek ways to reduce carbon emissions and its environmental impact. We continue to closely monitor the impacts on our business to ensure our revenue streams remain sustainable.	The CEO and the Executive Board have overall accountability for PayPoint's climate and social responsibility agendas, and they recommend strategy to the Board. PayPoint aligns its business with reducing carbon emissions, and continually assesses its approach to environmental risk and social responsibility, which are embedded 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.	Our ESG working group has implemented various measures as we embed low carbon strategies into our working practices and business strategy. The roll out of the PayPoint Mini, our new terminal, supports reduction of our carbon footprint through production of lower emissions. We continue the move toward electric cars for our company fleet, helping our field team to travel in more environmentally friendly ways. We run an employee forum and have implemented various measures as a result, such as cost of living support.	**Trend =** Stable **Appetite =** Medium

Change in status and trend

Increased Stable Decreased

Viability statement

In accordance with the 2018 UK Corporate Governance Code, The Directors have assessed the viability of the Group over a three-year period, taking account of the Group's current financial and trading position, the principal risks and uncertainties (as set out on pages 61 to 66) and the strategic plans that are reviewed at least annually by the Board.

Assessment period

The Directors have determined that the Group's strategic planning period of three years remains an appropriate timeframe over which to assess viability. This broadly aligns to average client renewal terms, new client prospecting and onboarding cycles and the development-through-to-maturity evolution of new products and service lines. The current financing facilities are in place until June 2028, broadly in line with this period.

Assessment of prospects

The Directors assess the Group's prospects through the annual strategy day, held this year in November 2023, and review of the Group's three-year Plan, which was most recently in March 2024. The planning process forecasts the Group's financial performance that include cash flows, allowing the Directors to assess both the Group's liquidity and adequacy of funding. In its assessment of the Group's prospects, the Directors have considered the following:

The Group's strategy and how it addresses changing economic environments in context of our clients, parcel partnerships, merchants and retailer requirements

In each of our business divisions, we evolve our proposition to specifically address the requirements of our clients and merchants. In our Shopping division, our partnership with Lloyds Bank will provide a market-leading banking and card services proposition. In the e-Commerce division, the new partnerships with Royal Mail and Yodel/Vinted, together with new locations in Student unions creates additional convenience for online shoppers. In Payments and Banking, we are expanding our community cash banking solutions across the UK providing much needed access to cash for consumers. In Love2shop, we have added the 'Essentials' product to key government procurement frameworks and integrated this product into our PayPoint OpenPay service enabling consumers choice of cash or vouchers.

The Group's inherent resilience to risk

The Group has an inherent resilience to risk from its diversified proposition across many sectors. This means there are substantial opportunities to continue to provide more key services across all our customers (Retailers, SMEs, Clients, prepay savers and Parcel partnerships). This will ensure we are more integral to all of our customers. The business remains highly cash generative, enabling continued investment in key areas of growth to support the Group's longer-term viability.

Expectations of the future economic environment

The economic environment remains uncertain. Higher inflation and cost of borrowing have and continue to impact consumer behaviours and confidence. The diversity and necessity of our proposition ensures the business can adapt to ongoing and unexpected changes. A good example of this is the Yodel/Vinted partnership which supports many value seeking consumers with purchases in the previously loved clothing market.

The Group's financial position

As at 31 May 2024 the Group had £66.2 million of net debt, split £11.6 million cash and £77.8 million utilised facilities. Compared to the total facility of £135m means the Group has substantial headroom of £68.8m. This level of liquidity is sufficient for all viability scenarios.

Assessment of viability

To assess our viability, we modelled different scenarios by considering the potential impact of the principal risks (as shown in the table on pages 61 to 66). Risks are broadly unchanged, the additional investments required to realise our integration and plan targets are included in the plan financial projections. We have reassessed the group's scenarios to reflect the progress made in delivering our strategy. All ten principal risks were used in our modelling. They were chosen because they combine to represent plausible scenarios covering a range of different operational and financial impacts on the business.

In total, three severe but plausible individual scenarios have been modelled, with a fourth reverse stress test scenario. These scenarios and the assumptions within are detailed in the table below. Theoretically all these scenarios, with differing causes could occur together, with varying levels of impact. However, we have not included a combined scenario of scenarios A to C.

None of the separate scenarios modelled was found to impact the long-term viability of the Group over the assessment period. In assessing each of the scenarios, we have taken account of the mitigating actions available to us, including, but not limited to reducing discretionary operating spend, reducing non-committed capital expenditure, repricing our products and services, freezing recruitment, reducing variable incentives and temporary suspension of dividend payments.

Conclusion

Having assessed the Group's current position, potential impacts of principal risks, managing adverse conditions in the past, potential mitigating actions and prospects of the Group, the Directors confirm they have a reasonable expectation that the Group will be able to continue in operation, remain solvent and meet its liabilities as they fall due over the three-year assessment period.

Viability statement continued

Scenario modelled	Linked to principal risk	Assumptions
Scenario A A sharp economic decline in the economy and our markets causes material divergence on planned product growth rates or accelerated declines.	Risk (1) Competition and markets Risk (2) Emerging technology Risk (4) Operating model Risk (10) Operational delivery	**Transactions/merchants/estate** Areas of growth have been reduced or held flat and in areas of decline have been assumed to continue or accelerate those declines. **Margins, revenue rates per transaction/merchants or estate** Margins and rates have been held in line with planned levels. **Costs** No cost savings assumed however bonus would not be paid. All of the above are assumed to impact for FY24/25 with a slow recovery in FY25/26 back to planned levels in FY26/27. **Dividends and Share Buy-Back** Dividends are unchanged as per the dividend policy. Share buy-back is maintained.
Scenario B Our transformation and integration projects do not deliver the planned growth.	Risk (3) Transformation Risk (6) People	**Revenue Growth** Planned transformational revenue growth rates are assumed to halve over the life of the plan. **Costs** Costs, linked to transformational revenue growth are assumed to increase by 5% p.a. above planned levels to achieve transformational execution and cover retention issues or unforeseen skills gaps. **Dividends and Share Buy-Back** Dividends are unchanged as per the dividend policy. Share buy-back is maintained.
Scenario C A one-off event, such as a legal, regulatory, cyber security or a significant credit loss event.	Risk (5) Regulatory and legal (grouping all the one-off hits together) Risk (7) Cyber security Risk (8) Business interruption Risk (9) Credit and liquidity/ Treasury Management	**Revenue** No impact is assumed as PayPoint would adjust to change or correct any breach so that level of business could continue. **Costs** It is assumed that an average of all possible maximum fines, £26.9m, is incurred in FY24/25 but no other associated costs together with a credit risk of £12.1m totalling £39m. **Dividends and Share Buy-Back** No interim dividend would be paid in FY2526, the year impacted. Otherwise, dividends are unchanged as per the dividend policy. Share buy-back is maintained.
Scenario D Two reverse stress tests scenario were undertaken. The first: adopting the principles of Scenarios A and B where a continuously monthly impact has been modelled to understand when our funding limits would be breached. The second: adopting the principles of Scenario C to determine the quantum of a one-off impact to breach covenants or exceed funding availability.	Risk (1) Competition and markets Risk (2) Emerging technology Risk (3) Transformation Risk (4) Operating model Risk (6) People Risk (10) Operational delivery	For the first scenario, no dividends paid across the three years, other than the final dividend in respect of FY24. The share-buyback is assumed to continue. For the second scenario, In this reverse stress test, it is assumed no dividends are paid in the year of the event and therefore from a cash perspective, we save c.£13m in FY26 and FY27. For both tests, the share buyback is assumed and therefore remains a management 'lever'.

Financial review

The Group has delivered a robust financial performance in FY24, with underlying EBITDA of £81.3 million, up 32.6% vs FY23 following a full year contribution from Love2shop."

Rob Harding
Chief Financial Officer
12 June 2024

Further progress

towards delivering £100m EBITDA by the end of FY26.

£m	Year ended 31 March 2024	Year ended 31 March 2023	Change %
PayPoint segment	**169.8**	160.1	6.0%
Love2shop segment	**136.6**	7.6	n/m
Total revenue	**306.4**	167.7	82.7%
PayPoint segment	**129.7**	125.5	3.3%
Love2shop segment	**51.3**	3.4	n/m
Total net revenue[1]	**181.0**	128.9	40.4%
PayPoint segment	**(79.2)**	(75.2)	5.3%
Love2shop segment	**(40.1)**	(2.9)	n/m
Total costs (excluding adjusting items)	**(119.3)**	(78.1)	52.8%
PayPoint segment	**50.5**	50.3	0.4%
Love2shop segment	**11.2**	0.5	n/m
Underlying profit before tax[2]	**61.7**	50.8	21.5%
Adjusting items:			
Amortisation of intangible assets arising on acquisition	**(8.1)**	(2.6)	n/m
Net movement in convertible loan notes	**(0.2)**	–	–
Exceptional items	**(5.2)**	(5.6)	7.1%
Profit before tax	**48.2**	42.6	13.1%
Underlying EBITDA[3]	**81.3**	61.3	32.6%
Net corporate debt[4]	**(67.5)**	(72.4)	6.8%

1 Net revenue is an alternative performance measure. Refer to note 4 to the financial information for a reconciliation to revenue.
2 Underlying profit before tax is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation.
3 Underlying EBITDA is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation.
4 Net corporate debt (excluding IFRS 16 liabilities) is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to cash and cash equivalents.

Total revenue increased by £138.7 million (82.7%) to £306.4 million (2023: £167.7 million). Net revenue increased by £52.1 million (40.4%) to £181.0 million (2023: £128.9 million), with the Love2shop (L2s) segment contributing an increase of £47.9 million with a full year of revenue compared to one month in the previous year. Revenue from the PayPoint segment increased by £9.7 million to £169.8 million (2023: £160.1 million), predominately driven by the growth in e-commerce with parcel transactions exceeding 100 million in the year, partially offset by the cash payments decline in Payments & Banking.

Total costs increased by £41.2 million to £119.3 million (2023: £78.1 million). The increase in costs was driven by the £37.2 million additional costs from a full year of L2s compared to one month in the previous year, together with increases in transactional costs of revenue and depreciation of terminals and devices used to drive revenue in the business.

Financial review continued

Exceptional costs of £5.2 million, which are one-off, non-recurring and do not reflect current operational performance, consisted of £2.0 million restructuring costs, £2.1 million in relation to legal fees incurred as a result of the Group's defence of claims served against it and £1.1m in relation to costs associated with refinancing for the Group. The underlying profit before tax for the Group increased by £10.9 million (21.5%) to £61.7 million (2023: £50.8 million). This result includes 12 months of contribution from L2s leading to an increase of £10.7 million in underlying profit before tax.

Profit before tax of £48.2 million (2023: £42.6 million) increased by £5.6 million (13.1%). The increase reflects a full year of profit contribution from the L2s segment compared to the prior year which only included one month.

EBITDA/Underlying EBITDA (£m)	Year ended 31 March 2024	Year ended 31 March 2023
Profit before tax	**48.2**	42.6
Add back:		
Net interest expense	**7.0**	2.6
Depreciation & Amortisation – including amortisation of intangible assets arising on acquisition	**20.7**	10.5
EBITDA (£m)	**75.9**	55.7
Exceptional items and net movement in convertible loan notes	**5.4**	5.6
Underlying EBITDA (£m)	**81.3**	61.3

Underlying EBITDA increased by £20.0 million to £81.3 million (2023: £61.3 million), which comprises £17.8 million for the L2s segment and £63.5 million for the PayPoint segment.

Cash generation reduced by £2.5 million to £57.9 million (2023: £60.4 million), delivered from profit before tax of £48.2 million (2023: £42.6 million). There was a net working capital outflow of £11.8 million, of this £3.2 million related to payment of costs accrued for the Appreciate acquisition at the prior year end, £3.7million for the extension of payment terms with a key customer, £3.0 million following an exceptionally high year of non redemption income releases in L2s and £2.8 million resulting from the timing of redemption and expiry of various types of L2s products.

Net corporate debt decreased by £4.9 million to £67.5 million (2022: £72.4 million) following cash generation of £57.9 million partially offset by tax, capital expenditure and dividends. At 31 March 2024 loans and borrowings were £93.9 million (2023: £94.4 million).

PayPoint Segment

£m	Year ended 31 March 2024	Year ended 31 March 2023	Change %
Revenue	**169.7**	160.1	6.0%
Shopping	**64.4**	62.0	3.9%
E-commerce	**11.8**	7.3	61.6%
Payments & Banking	**53.5**	56.2	(4.8)%
Net revenue	**129.7**	125.5	3.3%
Other costs of revenue	**(16.9)**	(17.6)	(4.0)%
Depreciation and amortisation (costs of revenue)	**(9.7)**	(7.2)	34.7%
Depreciation and amortisation (administrative expenses) excluding amortisation of intangible assets arising on acquisition	**(0.4)**	(0.4)	–
Other administrative costs – excluding exceptional items	**(49.3)**	(47.7)	3.4%
Net finance costs – excluding exceptional costs	**(2.9)**	(2.3)	26.1%
Total costs	**(79.2)**	(75.2)	5.3%
Underlying profit before tax (excluding adjusting items)	**50.5**	50.3	0.4%

Shopping net revenue increased by £2.4 million (3.9%) to £64.4 million (2023: £62.0 million). Service fees net revenue increased by £1.8 million (10.1%) driven by the implementation of the annual RPI increase and additional PayPoint sites. Cards net revenue increased by £0.9 million (2.8%), with site growth delivered in the Handepay EVO and PayPoint Lloyds Cardnet estates. ATM and Counter Cash net revenue decreased by £0.6 million (6.4%) due to a reduction in transactions driven by the continuing trend of reduced demand for cash across the economy. FMCG voucher revenue increased by £0.5 million (75.4%) to £1.1 million (2023: £0.6 million) following further campaigns run in the year.

E-commerce net revenue increased by £4.5 million (61.6%) to £11.8 million (2023: £7.3 million), driven by strong growth in total transactions which increased by 77.5%. This was due to our strength in clothing/fashion categories, the investment in the in-store experience with Zebra label printers over the past 18 months and the continued expansion from new services and carrier partners.

Payments & Banking net revenue decreased by £2.7 million (4.8%) to £53.5 million (2023: £56.2 million). Cash bill payments and top ups revenue decreased by £2.2 million (7.3%) to £27.8 million (2023: £30.0 million) driven by a 12.2% reduction in transactions following the reduced usage of cash and the continued switch to digital payments. Digital net revenue decreased by £2.0 million (12.7%) to £13.8 million (2023: £15.8 million) as a result of the EBSS scheme which benefited the previous year by £3.0 million. This was partially offset by an increase in interest income received on client balances resulting from the increase in interest rates.

The cost of commission to retailers increased by £7.4 million (21.5%) to £41.8 million (2023: £34.4 million). This increase in payment to our retailer partners reflects an increase in the number of transactions processed as well as more with higher commission rates per transaction.

Total costs (excluding adjusting items) increased by £4.0 million (5.3%) to £79.2 million (2023: £75.2 million), primarily as a result of further investment in our people and field sales team to support growth in sales.

Sector Analysis

Shopping

Shopping consists of services PayPoint provides to retailer partners, which form part of PayPoint's network, and SME partners. Services include providing the PayPoint One platform (which has a basic till application), EPoS, card payments, terminal leasing, ATMs, Counter Cash and FMCG vouchering.

Net revenue (£m)	Year ended 31 March 2024	Year ended 31 March 2023	Change %
Service fees	**19.7**	17.9	10.1%
Card payments	**32.7**	31.8	2.8%
ATMs and Counter Cash	**8.8**	9.4	(6.4)%
Other shopping	**3.2**	2.9	10.3%
Total net revenue (£m)	**64.4**	62.0	3.9%

Net revenue increased by £2.4 million (3.9%) to £64.4 million (2023: £62.0 million) primarily due to the growth in service fees and Handepay/Merchant Rentals card payments. The net revenue of each of our key products is separately addressed below.

Service fees from terminals	Year ended 31 March 2024	Year ended 31 March 2023	Change %
Net Revenue (£m)	**19.7**	17.9	10.1%
PayPoint terminal sites (No.)			
PayPoint One Terminals	**18,428**	18,453	(0.1)%
PayPoint Mini	**869**	–	–
Total PayPoint One/Mini	**19,297**	18,453	4.6%
Legacy (T2)	**17**	142	(88.0)%
PPoS	**9,164**	9,174	(0.1)%
PayPoint One – non-revenue generating	**671**	709	(5.4)%
Total terminal sites in PayPoint network	**29,149**	28,478	2.4%
PayPoint One average weekly service fee per site (£)	**19.1**	17.8	7.3%

As at 31 March 2024, PayPoint had a live terminal in 29,149 UK sites, an increase of 2.4% primarily as a result of new PayPoint mini sales.

Service fees: This is a core growth area and consists of service fees from PayPoint One, PayPoint mini and our legacy terminals. Service fee net revenue increased by £1.8 million (10.1%) to £19.7 million driven by the additional revenue generating sites compared to the prior year.

The PayPoint One average weekly service fee per site increased by 7.3% to £19.1, following an annual RPI increase.

Card Payments and leases	Year ended 31 March 2024	Re-presented[1] Year ended 31 March 2023	Change %
Net Revenue (£m)			
Card payments – Acquiring	**23.3**	23.5	(0.9)%
Card payments – Rentals	**8.8**	7.8	12.8%
Card payments – Lending and other	**0.6**	0.5	20.0%
Services in Live sites (No.)			
Card payments – Handepay – EVO	**19,682**	18,397	7.0%
Card payments – Handepay – Worldpay	**2,572**	3,839	(33.0)%
Card payments – PayPoint	**10,064**	9,541	5.5%
Card terminals – Merchant Rentals	**49,844**	47,085	5.9%
Transaction value (Millions)			
Card payments – Handepay	**4,612**	4,421	4.3%
Card payments – PayPoint	**2,561**	2,457	4.2%

1 Card payment and leases analysis has been re-presented to better aggregate revenue streams and key KPIs.

Card payments: Card payments acquiring services generated £23.3 million net revenue in the year, a reduction of £0.2 million from the previous year (2023: £23.5 million). Transaction values overall have increased by 4.3% to £7,173 million (2023 £6,878 million) and Handepay new site sales increased in the year supported by the one-month proposition, but sites have been impacted by higher churn, particularly in our Worldpay back book in this very competitive market.

Card payment rentals have increased by £1.0 million (2023: £7.8 million) mainly as a result of a change in the sales mix of operating leases compared to finance leases. Operating leases also have associated costs included in the profit and loss account.

Financial review continued

ATMs and Counter Cash	Year ended 31 March 2024	Year ended 31 March 2023	Change %
Net Revenue (£m)	**8.8**	9.4	(6.4)%
Services in Live sites (No.)	**9,599**	9,150	4.9%
Active sites (No.)	**5,635**	5,400	4.4%
Transactions (Millions)	**28.5**	30.1	(5.3)%

ATMs and Counter Cash: Net revenue reduced by £0.6 million (6.4%) to £8.8 million (2023: £9.4 million) as transactions reduced by 5.3% to 28.5 million. This is attributable to the continued reduced demand for cash across the economy. Although our new product, Counter Cash, continues to grow. ATM and Counter Cash active sites increased 4.4% to 5,635 mainly as a result of the continued roll out of Counter Cash sites and PayPoint continued to optimise its ATM network by relocating existing machines to better performing locations.

Other: Other shopping services increased by £0.3 million (10.3%) to £3.2 million (2023: £2.9 million) this includes FMCG voucher campaigns which have increased by 75.4%.

E-commerce

Parcels	Year ended 31 March 2024	Year ended 31 March 2023	Change %
Net Revenue (£m)	**11.8**	7.3	61.6%
Services in Live sites (No.)	**11,786**	10,514	12.1%
Transactions (Millions)	**100.1**	56.4	77.5%

E-commerce net revenue increased by £4.5 million (61.6%) to £11.8 million following a record year for Collect+ as parcel transactions grew strongly by 77.5% to 100.1 million. This was driven by our strength in clothing/fashion categories and the investment in the in-store experience with Zebra label printers over the past 18 months. There has been continued expansion from new services, Yodel store to store and Amazon returns, and new carrier partnerships with Royal Mail. Parcel sites increased by 12.1% to 11,786 sites.

Payments & Banking

Net revenue (£m)	Year ended 31 March 2024	Re-presented[1] Year ended 31 March 2023	Change %
Cash – bill payments & top ups	**27.8**	30.0	(7.3)%
Digital	**13.8**	15.8	(12.7)%
Cash through to digital	**6.8**	6.9	(1.4)%
Other payments and banking	**5.1**	3.5	45.7%
Total net revenue (£m)	**53.5**	56.2	(4.8)%

Payments & Banking divisional net revenue decreased by 4.8% to £53.5 million mainly as a result of the Energy Bills Support Scheme impacting the previous year, fewer cash bill payments and top up transactions and margin erosion, this has been partially offset by continued growth in digital transactions and higher interest received on customer balances.

Cash – bill payments & top ups	Year ended 31 March 2024	Re-presented[1] Year ended 31 March 2023	Change %
Net revenue (£m)	**27.8**	30.0	(7.3)%
Transactions (millions)	**145.2**	165.4	(12.2)%
Transaction value (£m)	**4,062**	4,483	(9.4)%
Average transaction value (£)	**28.0**	27.1	3.3%
Net revenue per transaction (pence)	**19.1**	18.1	5.5%

1 Payments & Banking analysis has been re-presented to better aggregate revenue streams and key KPIs.

Cash – bill payments & top ups net revenue decreased by £2.2 million (7.3%) to £27.8 million. The year on year decrease in energy transactions was 6.8%, however the Government's EBSS reduced the number of top ups in H2 FY23, and without this impact on the prior year, the rate of decrease in energy transactions and net revenue year on year would have been greater.

Digital	Year ended 31 March 2024	Re-presented[1] Year ended 31 March 2023	Change %
Net revenue (£m)	**13.8**	15.8	(12.7)%
Transactions (millions)	**46.9**	52.3	(10.3)%
Transaction value (£m)	**962.7**	1,307.6	(26.3)%
Average transaction value (£)	**20.5**	25.0	(18.0)%
Net revenue per transaction (pence)	**29.4**	30.4	(3.3)%

1 Payments & Banking analysis has been re-presented to better aggregate revenue streams and key KPIs.

Digital (MultiPay, Cash Out, COP and Direct Debits) net revenue decreased by £2.0 million (12.7%) to £13.8 million and digital transactions decreased by 5.4 million (10.3%) to 46.9 million. MultiPay net revenue increased by £1.2 million to £5.3 million (2023: £4.1 million) with transactions growing by 2.5 million to 36.1 million. The DWP Payment Exception Service contributed £3.9 million net revenue in the year (2023: £4.4 million) following the expected decrease in customers. Cashout revenue decreased by £2.9 million (49.1%) to £3.0 million (2023: £5.9 million), with the prior year including the one-off benefit of £3.5 million from the Energy Bills Support Scheme.

Cash through to digital	Year ended 31 March 2024	Year ended 31 March 2023	Change %
Net revenue (£m)	**6.8**	6.9	(1.4)%
Transactions (millions)	**8.2**	8.5	(3.5)%
Transaction value (£m)	**545.0**	496.3	9.8%
Average transaction value (£)	**66.3**	58.1	14.1%
Net revenue per transaction (pence)	**82.7**	81.2	1.8%

Cash through to digital (eMoney) net revenue decreased by £0.1 million (1.4%) to £6.8 million (2023: £6.9 million) and transactions decreased by 0.3 million (3.5%) to 8.2 million (2023: 8.5 million) with volumes returning to pre-Covid-19 levels and a new baseline set for the category. eMoney transactions derive a substantially higher fee per transaction than traditional top-up transactions as they are more complex to process.

Other payments & banking net revenue includes interest income from client balances, SIM sales and other ad-hoc items which contributed £5.1 million (2023: £3.5 million) net revenue. The year on year increase is driven by the impact of increased interest rates on our client cash balances.

Love2shop Segment

£m	Year ended 31 March 2024	One month in the Year ended 31 March 2023
Billings	**359.3**	14.8
Revenue	**136.6**	7.6
Net revenue	**51.3**	3.4
Other costs of revenue	**(7.0)**	(0.6)
Depreciation and amortisation (administrative expenses) excluding amortisation on intangible assets arising on acquisition	**(2.5)**	(0.2)
Other administrative costs	**(26.5)**	(1.8)
Net finance costs	**(4.1)**	(0.3)
Total costs	**(40.1)**	(2.9)
Underlying profit before tax (excluding adjusting items)	**11.2**	0.5

L2s has generated £359.3 million of total billings in the year. The primary focus of the business is the sale of multi-retailer redemption products. Revenue from these products is largely service fee received from retail partners when the products are spent, non-redemption income when the product expires, and interest income earned on prepaid funds. L2s also sells cards and vouchers that can only be redeemed at a single retailer, effectively acting as a reseller. For these products, L2s acts as the principal, and revenue is recognised at the full value of billings at the time of dispatch. Net revenue however is stated after deducting the costs for the single retailer product, reflecting the actual income generated from the sale. Net revenue for the year was £51.3 million with the previous period only including one month of contribution following the acquisition.

The business is seasonal in nature, and profit is primarily generated in the second half of the financial year, which represents the peak trading period for L2s corporate business and the dispatch of Park Christmas Savings prepaid products around Christmas.

Financial review continued

Profit before tax and Taxation

The income tax charge of £12.5 million (2023: £7.9 million) on profit before tax of £48.2 million (2023: £42.6 million) represents an effective tax rate of 25.9% (2023: 18.5%). This is higher than the UK statutory rate of 25% mainly due to adjustments in respect of share based payments. The effective tax rate is higher than the prior year primarily as a result of the UK statutory rate of tax increasing from 19% to 25%.

Group statement of financial position

Net assets of £121.2 million (2023: £111.7 million) increased by £9.5 million reflecting the growth in retained earnings. Current assets increased by £44.7 million to £296.6 million (2023: £251.9 million) due to an increase in the balance for items in the course of collection, an equal but opposite increase in the settlement payables is included in current liabilities. Non-current assets of £222.5 million (2023: £228.1 million) decreased by £5.6 million due to amortisation of intangible assets partially offset by additional investment in terminals.

Total liabilities increased by £29.7 million to £398.0 million (2023: £368.3 million) due to an increase in the settlement payables, as noted above.

Net corporate debt was £67.5 million (2023: £72.4 million) and has decreased by £4.9 million from the previous year. Positive cash generation from trading has been offset by working capital requirements in the year along with tax payments, capital expenditure and dividend requirements. Total loans and borrowings (excluding IFRS16 lease liabilities) were £93.9 million at the year end, reducing by £0.5 million from 31 March 2023. These consisted of a £36.0 million amortising term loan, £57.5 million drawdown of the £90.0 million revolving credit facility and £0.4 million of accrued interest (2023: £46.5 million drawdown from the revolving credit facility, £46.8 million of amortising term loans and £1.1 million of asset financing balances and accrued interest).

Group Cash Flow and Liquidity

The following table summarises the cash flow and net debt movements during the year.

£m	Year ended 31 March 2024	Year ended 31 March 2023	Change %
Profit before tax	**48.2**	42.6	13.1%
Non cash other exceptional items	**0.2**	1.3	(84.6)%
Depreciation and amortisation	**20.7**	10.5	97.1%
Share-based payments and other items	**0.6**	2.4	(75.0)%
Working capital changes (corporate)	**(11.8)**	3.6	n/m
Cash generation	**57.9**	60.4	(4.1)%
Taxation payments	**(8.4)**	(6.2)	35.5%
Capital expenditure	**(16.2)**	(13.0)	24.6%
Acquisitions and disposals of strategic investments and acquisitions	**(0.1)**	(44.4)	n/m
Leases paid	**(1.0)**	(0.2)	n/m
Dividends paid	**(27.3)**	(25.1)	8.8%
Net increase/(decrease) in net corporate debt	**4.9**	(28.5)	n/m
Net corporate debt at the beginning of the year	**(72.4)**	(43.9)	64.9%
Net corporate debt at the end of year	**(67.5)**	(72.4)	(6.8)%
Comprising:			
Corporate cash less overdraft	**26.4**	22.0	
Loans and borrowings	**(93.9)**	(94.4)	

Cash generation reduced £2.5 million to £57.9 million (2023: £60.4 million) delivered from profit before tax of £48.2 million (2023: £42.6 million). There was a net working capital outflow of £11.8 million, of this £3.2 million related to payment of costs accrued for the Appreciate acquisition at the prior year end, £3.7m for the extension of payment terms with a key customer, £3.0 million following an exceptionally high year of non redemption income releases in L2s and £2.8 million resulting from the timing of redemption and expiry of various types of L2s products.

Taxation payments on account of £8.4 million (2023: £6.2 million) were higher compared to the prior period, with the increase in the corporation tax rate from 19% to 25%. Dividend payments were higher compared to the prior period following an increased interim and final ordinary dividend per share from the prior year ended 31 March 2023.

Capital expenditure of £16.2 million (2023: £13.0 million) was £3.2 million higher than the prior year. Capital expenditure primarily consists of PayPoint One and card terminals, terminal development, the enhancement to the Direct Debit platform and IT hardware. The increase in capital expenditure is primarily the result of the inclusion of L2s, which accounts for £2.2 million of the £3.2 million.

Dividends

We have declared an increase of 3.2% in the final dividend to 19.2 pence per share (2023: 18.6 pence per share) payable in equal instalments of 9.6 pence per share (2023: 9.3 pence per share) on 6 August 2024 and 27 September 2024 to shareholders on the register on 5 July 2024 and 30 August 2024 respectively. The final dividend is subject to the approval of shareholders at the annual general meeting on 1 August 2024.

The final dividend will result in £14.0 million (2023: £13.5 million) being paid to shareholders from the standalone statement of financial position of the Company which, as at 31 March 2024, had approximately £102.2 million (2023: £44.2 million) of distributable reserves.

Capital Allocation

The Board's immediate priority is to continue to preserve PayPoint's balance sheet strength. The Group maintains a capital structure appropriate for current and prospective trading over the medium term that allows a healthy mix of returns to shareholders and cash for investments. The Group's capital allocation priorities have been updated as follows:

- investment in the business through small investments and capital expenditure in innovation to drive future revenue streams and improve the resilience and efficiency of our operations;
- progressive ordinary dividends targeting a growth of our earnings cover ratio from the current 1.5 to 2.0 times range to over 2.0 times by FY27;
- a 3 year share buyback programme returning at least £20 million over the next 12 months, with the potential to increase in years 2 and 3 depending on business performance, market conditions, cash generation and the overall capital needs of the business; and
- targeting an appropriate leverage ratio of around 1.0 times net debt/EBITDA.

Going Concern

The financial statements have been prepared on a going concern basis having regard to the identified principal risks and uncertainties and the viability statement on page 67. Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group including dividends.

Rob Harding

Chief Financial Officer
12 June 2024

Introduction to the Corporate Governance report from the Chair

This year the Board has overseen the successful integration of the Love2shop business, as well as the Executive's continued delivery of our strategic plans to achieve £100m EBITDA by the end of FY26."

Giles Kerr

Chair

Dear Shareholders,

I am pleased to introduce the governance section of this year's Annual Report. This section gives more detail on the governance framework we have in place and how this supports effective decision making and the Board's oversight of the delivery of our strategic plans. Effective governance and the Board's strong leadership has provided structure and stability to the business during the year so that we are now well placed to deliver on our ambitions.

Board composition

This year there have been two new appointments which have strengthened the Board and will support our ability to deliver the Group's long-term strategic ambitions.

Board changes during the year

- Rob Harding joined as Chief Financial Officer on 1 August 2023, replacing Alan Dale who retired as a Director in September 2023.
- Lan Tu joined as an independent Non-Executive Director in March 2024, bringing valuable payment services experience.

Following the successful integration of the Love2shop business into PayPoint, Guy Parsons has confirmed his intention to retire from the Board at this year's Annual General Meeting. In addition, Gill Barr will also be retiring from the Board at the Annual General Meeting having completed nine years' service.

In addition to the Board changes outlined above, Ben Wishart has agreed to succeed Rakesh Sharma as Chair of the Remuneration Committee, with effect from the conclusion of the Annual General Meeting. Ben has over 12 months experience as a member of the Remuneration Committee as required by the UK Corporate Governance Code. Rakesh will continue to serve as the Senior Independent Director, as well as a member of the Remuneration Committee, Nomination Committee, Audit Committee and the Cyber Security and Information Technology Sub-Committee.

The composition of the Board, including diversity in its widest sense, is constantly kept under review by both the Board and Nomination Committee, to ensure that the right skills and experience are present on the Board. In addition, we continue to consider the size of the Board to ensure that it is reflective of the size of the organisation and to create an effective working relationship with management to support the delivery of our strategy.

Having consulted with shareholders and following a recommendation by the Nomination Committee, the Board has invited me to stand for re-election at the 2024 Annual General Meeting and to continue to lead the Board for a limited time, which I am delighted to accept. This will be my second three-year term as Chair, having first been appointed as Chair in May 2020.

This is consistent with Provision 19 of the UK Corporate Governance Code, which provides for the extension of the normal nine year limit for a limited period to facilitate the effective succession planning and the development of a diverse Board. The Board is supportive of the rationale for doing so, which includes facilitating the effective and orderly succession planning for the role of the Chair and providing stability in leadership to support with the delivery of our strategy. Further details on this recommendation are set out on page 92 of the Nomination Committee report. These reasons were shared with major shareholders in a recent consultation and I am pleased to report that my proposed extension of term was well supported.

We are pleased to present our Board diversity and inclusion statement in accordance with the FCA Listing Rule requirements (LR 9.8.6R(9)). Our statement is set out on page 84. In addition, the prescribed diversity data for the Board and Executive Board, as required under LR 9.8.6R (10) and LR 14.3.33R(2), are set out in the tables on page 84.

The Board is committed to improving diversity at all levels of the business to ensure we continue to support and enhance our people culture, in particular taking into consideration the ambitions set out in the FTSE Women Leaders Review and the Parker Review as part of our succession planning.

Returning value to shareholders

With the strength of business performance during the year, and with the Board's confidence underpinned by our sustained strong cash flow and good progress towards delivery of continued growth and achievement of our financial targets, the Board has carefully considered opportunities to engage in a share buyback programme to further enhance shareholder returns. We are pleased to announce our commitment to a progressive share buyback programme of at least £20 million over the next twelve months, which will enhance shareholder returns. In addition, the Board has proposed a final dividend of 19.2 pence per share to be approved by shareholders at the Annual General Meeting.

2024 Annual General Meeting (AGM)

The Company's AGM will be held at PayPoint's registered office on 1 August 2024 at 12noon where you will have the opportunity to meet the Board. The matters to be approved by shareholders are set out in our Notice of Annual General Meeting which will be posted to shareholders in July 2024.

Stakeholder Engagement

The Board is committed to taking account of the needs and views of our wider stakeholders when making decisions for the long-term success of the business.

On pages 55 to 57 we set out how we engage with different stakeholder groups, and how their needs and views were taken into account in our Board decision-making.

Corporate Governance statement

Corporate Governance Code

The Company's statement of compliance with the UK Corporate Governance Code 2018 (the 'Code') can be found on page 77. I'm pleased to report that during the year the Company complied with all applicable principles and provisions of the Code.

The Board has noted changes to the Code requirements being introduced for financial years commencing on or after 1 January 2025 and will be making preparations to ensure it continues to apply the new Code's principles and comply with the Code's provisions, as appropriate.

Conclusion

I would like to finish by offering my sincere thanks to my fellow directors for their significant contributions over the past year to the success of the Group and to Nick Wiles and his Executive team for their skilled and continued transformative management of the business. I would also like to record the Board's appreciation of Gill Barr for her extended period of service, of Rakesh Sharma for his leadership of the Remuneration Committee over the past seven years, and of Guy Parsons for his considerable help with the integration of Love2shop.

If you wish to discuss any aspect of our governance arrangements, please contact me via our Company Secretary by email CompanySecretary@paypoint.com.

Giles Kerr

Chair
12 June 2024

For the year ended 31 March 2024, the Board considers that the company has complied with all applicable principles and provisions of the UK Corporate Governance Code 2018 (the 'Code'). This governance report and the strategic report set out how PayPoint has applied the principles of the Code throughout the year.

The Board supports the value that good corporate governance brings to achieving the long-term sustainable success of the company and continues to assess its approach to governance and the application of the Code. The Board is responsible for ensuring that the Group has in place appropriate frameworks to comply with the Code's requirements.

During the year ahead, the Board and its Committees will assess any changes required in response to the new UK Corporate Governance Code published by the FRC in January 2024, which will apply to PayPoint's financial year beginning on 1 April 2025.

Further information on the Code can be found on the Financial Reporting Council's website at www.frc.org.uk

Principles of the Code	More information
Board Leadership and Company Purpose	Pages 82, 83
Division of Responsibilities	Pages 86, 87
Composition, Succession and Evaluation	Page 92
Audit, Risk and Internal Control	Page 94
Remuneration	Page 100

Board of Directors

Giles Kerr
Chair

Appointed to the Board in November 2015 as an Independent Non-Executive Director and Chair of the Audit Committee. Assumed the role of Senior Independent Director in May 2017 and became Chair of the Board in May 2020.

Career
Giles' former roles include chief financial officer at the University of Oxford, group finance director at Amersham plc and national partner at Arthur Andersen & Co. Former non-executive director roles include BTG plc, Victrex plc, Elan Corporation Inc and Abcam plc.

Board skills and experience
Giles brings extensive knowledge and experience in corporate finance, accounting and risk management.

Other principal roles
Non-executive director and member of the audit, remuneration and nomination committees of Halma plc.

Committee memberships
Chair of the Nomination Committee and a member of the Remuneration Committee.

Nick Wiles
Chief Executive

Appointed to the Board in October 2009, becoming Chair in May 2015, Executive Chair in December 2019 and Chief Executive in May 2020.

Career
Nick retired as Chairman of Nomura in 2012 after more than 25 years in investment management and banking. His career started as an analyst and fund manager at Mercury Asset Management before moving to Cazenove, where he spent the majority of his career and was a partner prior to incorporation and becoming a vice chair of JP Morgan Cazenove. He was previously a non-executive director of Strutt & Parker and Picton Property Income Ltd and senior independent director at Primary Health Properties plc, prior to its merger with MedX plc.

Board skills and experience
Nick brings executive director experience in investment banking, corporate finance, equity markets, investor sentiment and relations.

Committee memberships
Member of the Market Disclosure Committee.

Rob Harding
Chief Financial Officer

Appointed as Chief Financial Officer in August 2023 and appointed to the Board in September 2023.

Career
Rob is a qualified chartered accountant with more than 25 years' experience across financial services with Co-Op Insurance, Swinton Insurance and Aviva plc, professional services with Arthur Andersen and Ernst & Young and chief financial officer at De La Rue Plc.

Board skills and experience
Rob is a chartered accountant and brings extensive experience in professional and financial services, working with multinational companies on strategic change initiatives and efficiency programmes. Having served as a Chief Risk Officer, Rob also brings a deep understanding of risk management and working in a challenging regulatory environment.

Committee memberships
Member of the Market Disclosure Committee.

Rakesh Sharma OBE FREng CPhys
Senior Independent Director

Appointed to the Board in May 2017. becoming Senior Independent Director in May 2020.

Career
Rakesh was chief executive of Ultra Electronics Holdings Plc, having held several senior positions and managed businesses and divisions across the company's wide portfolio, including in the B2B fintech sector.

Board skills and experience
Rakesh brings executive management and cultural change experience to the Board. His long association in the global security sector brings skills in cyber security and information technology.

Other principal roles
Chair of Kromek Group plc; Chair of Horizon Technologies Consultants Limited; Lay member at The University of Nottingham; Non-executive director of Moneysupermarket.com Group plc.; Director of the Sidney Stringer Multi Academy Trust and Partner of Sharma Capital Partners Ltd.

Committee memberships
Chair of the Remuneration Committee and a member of the Audit, Nomination Committees and Cyber Security & Information Technology Sub-Committee.

Ben Wishart
Independent Non-Executive Director

Appointed to the Board in November 2019.

Career
Ben has previously served as chief information officer (C.I.O) of Morrisons plc and Whitbread plc and has held various senior information technology roles at Tesco plc. He is currently global CIO of Ahold Delhaize.

Board skills and experience
Ben brings a deep understanding of technology to the Board. He has proven leadership and governance skills on technology matters within a global business.

Other principal roles
Global CIO Ahold Delhaize.

Committee memberships
Member of the Audit, Nomination and Remuneration Committees. Chair of the Cyber Security & Information Technology Sub-Committee.

Rosie Shapland
Independent Non-Executive Director

Appointed to the Board in October 2020.

Career
Rosie is a chartered accountant and was a former audit partner at PwC. She has over 30 years of audit experience across multiple sectors.

Board skills and experience
Rosie brings extensive knowledge of accounting, financial reporting, risk management and governance.

Other principal roles
Senior independent director and audit committee chair of Foxtons Group plc and Workspace Group Plc.

Committee memberships
Chair of the Audit Committee and a member of the Remuneration and Nomination Committees.

Gill Barr
Independent Non-Executive Director

Appointed to the Board in June 2015.

Career
Gill has held senior strategy, marketing and business development positions at the Co-operative Group, John Lewis, Kingfisher, Mastercard and KPMG. She was previously senior independent director at N Brown Group plc and non-executive director of Morgan Sindall plc, McCarthy & Stone plc and until 2024 Wincanton PLC.

Board skills and experience
Gill brings her extensive experience as a retailer and offers a strategic perspective on drivers of growth. As a Non-Executive Director she is able to provide remuneration expertise owing to her roles as chair of the remuneration committees of the companies detailed below.

Other principal roles
Non-executive director of DFS Furniture plc.

Committee memberships
Member of the Audit, Nomination and Remuneration Committees. Board representative for the employee forum.

Guy Parsons
Independent Non-Executive Director

Appointed to the Board in March 2023.

Career
Guy was formerly executive chair of Appreciate Group. Guy held senior sales, marketing and operations roles at Accor UK and Whitbread plc, before first becoming CEO of Travelodge and then easyHotel plc. He was previously chair of online sofa retailer, Snug, and a non-executive director of Yorkshire Building Society.

Board skills and experience
Guy brings extensive knowledge of leadership, strategy, management, sales and marketing.

Other principal roles
Trustee of Goodenough College and chair of Goodenough Ventures Ltd.

Committee memberships
Member of the Audit, Remuneration and Nomination Committees.

Lan Tu
Independent Non-Executive Director

Appointed to the Board in March 2024.

Career
Lan was formerly chief executive officer until 2021 of Virgin Money Investments, a joint venture between Standard Life Aberdeen and Virgin Money. She also held several senior executive positions in Standard Life, American Express and McKinsey & Co.

Board skills and experience
Lan brings experience in business leadership at scale, and an executive background in the payments industry and has broad experience as an executive and non-executive director, in board and committee roles.

Other principal roles
Senior independent director at Shawbrook Group plc and a director of its subsidiary, Shawbrook Bank; Independent non-executive director and chair of the remuneration committee of WNS (Holdings) Limited and vice-chair of the College Council at King's College London University.

Committee memberships
A member of the Audit, Remuneration and Nomination Committees and Cyber Security & Information Technology Sub-Committee.

Other Directors serving during the year
During the year Alan Dale served as Finance Director and was an Executive Director of the Company until the conclusion of the Company's annual general meeting on 7 September 2023.

Company Secretary
Indigo Corporate Secretary, part of the specialist corporate governance consultancy, Indigo: Independent Governance, is appointed as Company Secretary to the Board. Indigo is represented at all Company Board and Committee meetings by Julia Herd, ACG, who is a Chartered Governance Professional with significant experience of supporting the governance of listed companies.

Executive Board

Nick Wiles
Chief Executive

Rob Harding
Chief Financial Officer

Mark Latham
Managing Director, Card Services

Jo Toolan
Managing Director, Payments

Nick Williams
Parcels Services Director

Julian Coghlan
Managing Director, Love2shop & Park Savings

Ben Ford
Customer Experience Director

Anna Holness
Sales & Customer Life Cycle Director

For the Executive Board biographies go to corporate.paypoint.com/our-company/team

Anthony Sappor
Retail Proposition and Partnerships Director

Chris Paul
Corporate Finance Director

Simon Coles
Chief Technology Officer

Tanya Murphy
General Counsel

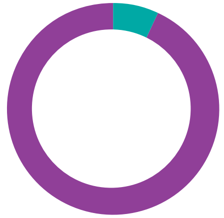
Steve O'Neill
Chief Marketing and Corporate Affairs Officer

Katy Wilde
Chief People Officer

Executive Board diversity

Gender

- Female **29%**
- Male **71%**



Ethnicity

- Ethnic minority British **7%**
- White British **93%**

Corporate Governance Report

Membership and attendance at scheduled Board meetings held during the year

The table below shows Directors' attendance at scheduled Board meetings held during the year.

Current members	Role	Attendance at scheduled meetings during the year: Eligible to attend	Attended
Executive Directors			
Nick Wiles	Chief Executive	6	6
Rob Harding[1]	Chief Financial Officer	3	3
Alan Dale[2]	Finance Director	3	3
Non-Executive Directors			
Giles Kerr	Chairman	6	6
Gill Barr	Independent Non-Executive Director	6	6
Guy Parsons	Independent Non-Executive Director	6	6
Rosie Shapland	Independent Non-Executive Director	6	6
Rakesh Sharma	Senior Independent Director	6	6
Ben Wishart	Independent Non-Executive Director	6	6
Lan Tu[3]	Independent Non-Executive Director	1	1

1 Rob Harding attended three Board meetings during the financial year, being those held since his appointment on 7 September 2023.

2 Alan Dale stood down from the Board and relevant Committees on 7 September 2023.

3 Lan Tu attended one Board meeting during the financial year, being those held since her appointment on 15 March 2024.

In addition to the six scheduled meetings, the Board met a further five times during the year to give consideration to, and to approve, ad hoc matters in accordance with the schedule of matters reserved to the Board.

Board composition

At the date of this report, the Board comprised nine Directors: the Chair; the Chief Executive; the Chief Financial Officer; the Senior Independent Director; and five Independent Non-Executive Directors. The Non-Executive Directors have a broad range of skills and experience bringing balance and diversity to the Board. The biographies, skills and competencies of each of our Directors are set out on pages 78 to 79.

The size and composition of the Board is subject to ongoing review and a key consideration for any new Board appointment will be the breadth of knowledge and experience the new Director could bring as well as other diversity factors.

The terms and conditions of appointment of the Non-Executive Directors and the Executive Directors' service contracts are available for inspection at the Company's registered office during normal business hours and at the annual general meeting. In accordance with the provisions of the UK Corporate Governance Code, all Directors will submit themselves for election or re-election at each annual general meeting. The Board's recommendations in respect of the election/re-election of each Director, which have been informed by the recommendations of the nominations committee, can be found in the Notice of Annual General Meeting.

Tenure of Board

Under 12 months	2
1 to 3 years	2
4+ years	5

The Directors have disclosed all their significant external commitments. These have been considered by the Board which is satisfied that all the Directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

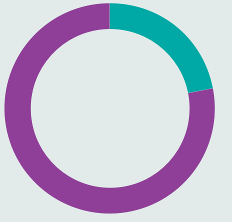
Independence statement

The Board considers its Non-Executive Directors to be independent. The Chair was considered independent on appointment. The Board has determined that each is independent in character and judgement and is free from any business or other relationship which could affect the exercise of his/her judgement.

Board diversity

Gender

Female	**33%**
Male	**67%**



Ethnicity

Ethnic minority British	**22%**
White British	**78%**

Directors' Remuneration

Details of how the provisions of the Code have been applied in respect of Directors' remuneration are set out in the Remuneration Committee Report on pages 100 to 119.

Engagement with stakeholders

In its decision-making, the Board has regard to each Director's duty to promote the success of the Company, taking account of the interests of the Company's stakeholders. In particular it seeks to foster strong relationships with colleagues, shareholders, convenience retailer partners, SMEs, consumers, clients and local communities and therefore takes account of the likely effect of the principal decisions taken during the financial year on these stakeholders. For more information see pages 55 to 57.

Engagement with, and feedback from, our people across the business is vital. This year the employee forum continued to provide feedback on executive remuneration, the results from the employee engagement survey and general engagement. Gill Barr, our Board representative for the employee forum, feeds back issues raised by the members of the forum for consideration by the Board. During the year the Senior Independent Director attended a meeting of the employee forum to discuss remuneration.

Shareholder relations

The Directors consider that the annual report and accounts play an important role in providing shareholders with an evaluation of the Company's position and prospects. The Board aims to achieve clear reporting of its financial performance to all shareholders.

The PayPoint website provides comprehensive information for current and potential shareholders and the annual general meeting is a good forum for interaction between the Board and shareholders. In addition, the Company maintains a full investor relations programme, including formal roadshows following the full and half-year results and regular one-to-one meetings with current and potential institutional investors.

The Board acknowledges the importance of an open dialogue with its institutional shareholders and welcomes engagement from all investors. Meetings are held with investors throughout the year both at their offices and in the form of site visits to PayPoint's operations. The Senior Independent Director is available to address any unresolved shareholder concerns.

The Board has proposed resolutions at the forthcoming annual general meeting that will enable it to offer opportunities for retail shareholders to participate in any future non-pre-emptive share placings.

Conflicts of interest

In accordance with the Companies Act 2006 and the Articles of Association, Directors are required to report actual or potential conflicts of interest to the Board for consideration and, if appropriate, authorisation. If such conflicts exist, Directors recuse themselves from consideration of the relevant matter. Under the Articles of Association, the Board has authority to approve any conflicts or potential conflicts of interest that are declared by individual Directors prior to and during appointment. Conditions may be attached to such approvals and Directors will generally not be entitled to participate in discussions or vote on matters in which they have or may have a significant conflict of interest.

A register of interests is maintained by the Company Secretary. No material conflicts were reported by the Directors during the year. For further information see the Nomination Committee report on page 92.

Whistleblowing

The Company's Whistleblowing Policy is reviewed annually by the Audit Committee and any changes are recommended to the Board for approval. Colleagues and others are encouraged to speak up openly and raise any concerns to their line manager in the first instance. In cases where employees feel they need to speak elsewhere, the Whistleblowing Officer, Chief People Officer, Senior Independent Director and General Counsel are additional points of contact. Should colleagues or third parties feel the need to raise concerns which cannot be resolved through the normal channels, the Company offers a third-party anonymous point of contact, Protect, where concerns can be raised in confidence. Information about the whistleblowing service is widely publicised and referred to in policies and training provided to all colleagues. The Whistleblowing Policy was reviewed by the Audit Committee and approved by the Board in November 2023. There have been no instances of whistleblowing reported during the year.

Culture

The Board is responsible for setting the Company's culture, values and standards and their ongoing review. The Executive Board defines and advocates PayPoint's purpose, vision and values and ensures there is continuous focus on culture, ethics and diversity. Our Code of Business Conduct defines the behaviours expected by colleagues and is supported by other Group policies and mandatory training. The Board is committed to embedding a 'Welcoming Everyone' approach to inclusion and has celebrated various events during the year from Pride month to International Women's Day. The Board receives updates from the Non-Executive Director representative for the employee forum, as well as feedback from the Chief People Officer and CEO, regularly on employee matters.

Consumer Duty Regulations

In line with the introduction of the new Consumer Duty regulations by the FCA, a consumer duty champion has been appointed for each of the Group's regulated entities and each entity has implemented detailed policies and procedures which outline our commitment to the new requirements and our approach to meeting the obligations and the spirit of the new Consumer Duty requirements.

Corporate Governance Report continued

Diversity Statement in accordance with LR 9.8.6

Board Diversity

As at 31 March 2024[1] the Board comprises four male Non-Executive Directors (including the Chair of the Board), three female Non-Executive Directors and two male Executive Directors. Although female representation on the Board has increased during the year following the appointment of Lan Tu, the Board has not yet met the Listing Rules gender diversity targets. In addition, none of the four leadership roles specified in the Listing Rules are currently held by a woman. The Board has two Directors from a minority ethnic background and therefore meets this Listing Rules diversity target.

The composition of the Board is kept under review by the Nomination Committee to ensure that the Board has an appropriate balance of skills, knowledge and experience to support the business. Diversity is a vital part of the continued assessment and the Board recognises the benefits of diversity among its members. The Board has adopted a Board Diversity, Equality and Inclusion Policy, which sets out the Board's commitment to making progress towards achieving the FCA targets in the longer term.

Business Diversity

In line with our colleague Diversity, Equality and Inclusion Policy, the Board remains committed to improving gender diversity at all levels. Members of the Executive Board[2] comprise four female and ten male members, representing a gender split of 29% female and 71% male. The senior leadership team (direct reports to the Executive Board) have a gender split of 51% female and 49% male. The gender split for all colleagues is 58% female and 42% male.

In accordance with Listing Rule 9.8.6R(10), the prescribed numerical data on the ethnic background and the gender identity of the Board and the Executive Board is set out in the tables below. For the purposes of making these disclosures, the Company has collected this data by asking each Director or officer of the Company to confirm their gender identity and ethnic background directly and entering the responses onto the Company's HR system.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID & Chair)	Number in executive management	Percentage of executive management
Men	6	67%	4	10	71%
Women	3	33%	0	4	29%

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID & Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	7	78%	3	13	93%
Asian/Asian British	2	22%	1	–	–
Black/African/Caribbean/Black British	–	–	–	1	7%

1 31 March 2024 is the Company's chosen reference date for the purposes of reporting against Listing Rule 9.8.6R(9).

2 Executive Board means 'senior management' for the purposes of the UK Corporate Governance Code 2018 (Provision 26) and excludes the Company Secretary.

Corporate Governance Framework

The Board provides effective leadership to the Group within a wider corporate governance framework with clearly defined roles and responsibilities as illustrated below. The governance framework supports the Board's strategic decision-making and scrutiny of performance, risk management, and progress towards objectives. It ensures there is appropriate accountability for delivery of the Company's strategic aims, taking due account of the interests of shareholders as well as our wider stakeholders.

The Board

The Board is collectively responsible for the long-term success of the Group and is accountable to the Company's shareholders. The Board provides effective leadership by setting the Group's strategic goals and overseeing the efficient implementation of these aims in order to achieve sustainable growth. It monitors operational and financial performance against agreed objectives, whilst ensuring that the appropriate controls and systems exist to manage risk. The Board ensures that the necessary financial resources and people are available within the business to achieve the strategic goals the Board has set. The Nomination, Audit and Remuneration Committees support the Board in carrying out its responsibilities. The Board has approved a schedule of 'the Matters Reserved to the Board', being those decisions that will not be delegated and full details of which can be found on the Company's website www.corporate.paypoint.com.

Audit Committee

The key role of the Committee is to assist the board in fulfilling its oversight responsibilities by reviewing and monitoring the integrity of the Company's financial reporting to shareholders, the system of internal controls and risk management, the internal and external audit process and auditors, and the processes for compliance with laws, regulations and ethical codes of practice. Read more on page 94.

Nomination Committee

The key role of the Nomination Committee is to ensure there is a formal procedure for appointment to the Board, ensure composition is regularly reviewed, ensure plans are in place for orderly and diverse succession for the Board and executive team and to work with other board committees to ensure the appropriate remuneration package is offered to the Board. Read more on page 92.

Remuneration Committee

The role of the Committee is to ensure that remuneration policy and practices of the Company are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements; and executive remuneration is aligned to Company purpose and values and linked to delivery of the Company's long-term strategy. Read more on page 100.

Market Disclosure Committee

The Market Disclosure Committee oversees the disclosure of information by the Company to ensure that it meets its obligations under the Market Abuse Regulations and the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules. Its members are the Chief Executive, the Chief Financial Officer, Company Secretary and the General Counsel.

Cyber Security & Information Technology Sub-Committee

The Cyber Security & Information Technology Sub-Committee is a sub-committee of the Audit Committee. The role of the Committee is to oversee Group cyber-security and IT matters.

Executive Board

The Executive Board is led by the Chief Executive and comprises: the Chief Financial Officer, the Chief People Officer, the Customer Experience Director, the Managing Director of Card Services, the General Counsel, the Chief Technology Officer, the Sales & Customer Life Cycle Director, the Client Services Director, the Chief Marketing and Corporate Affairs Officer, the Corporate Finance Director, the Retail Propositions and Partnerships Director, the Parcel Services Director and the Managing Director of Love2shop and Park Christmas Savings. The Executive Board is responsible for the day-to-day operational management of the Group and supports the Chief Executive in implementing the Group's strategic aims. The Board oversees the activities of the Executive Board.

Regulated entities within the Group

The Group has five regulated entities as detailed below. The Managing Directors of each of these regulated entities report to the Chief Executive:

- PayPoint Payment Services Limited[1] (FRN: 608277)
- Handepay Limited[2] (FRN: 673564)
- Merchant Rentals Limited[3] (frn: 720500)
- RSM 2000 Limited[4] (frn: 729928 & 715057)
- Park Card Services Limited[5] (frn: 900016#0

1 This an authorised payment institution regulated by the FCA with permission to provide regulated payment services (including certain CashOut services) under the Payment Services Regulations 2017.

2 This is an authorised Consumer Credit (Consumer Hire) company regulated by the FCA with credit broking permissions under the Consumer Credit Act. This is a Limited Permission Consumer Credit firm.

3 This is an authorised Consumer Credit (Consumer Hire) company regulated by the FCA with permission to enter into Regulated Consumer Hire Agreements as owner and to exercise or have the right to exercise the owner's rights and duties under regulated Consumer Hire Agreement permissions. This is a Limited Permission Consumer Credit firm.

4 This is an authorised payment institution regulated by the FCA with permission to provide regulated payment services under the Payment Services Regulations 2017 and is also an authorised Consumer Credit company regulated by the FCA with permissions for credit broking, debt collecting, debt administration, entering into Regulated Consumer Hire Agreements as owner and exercising or having the right to exercise the owner's rights and duties under a regulated Consumer Hire Agreement. This is a Full Permission Consumer Credit Firm.

5 This is an Authorised Electronic Money Institution regulated by the FCA with permissions to issue electronic money (e-money) and provide payment services.

ESG Working Group

The Board of Directors retains oversight on all issues of ESG including setting strategy and meaningful targets, reporting on TCFD and engagement with key stakeholders.

The Executive Board has overall day-to-day management responsibility for ESG matters and hears progress reports from the ESG Working Group (a working party of the Executive Board comprising the Chief People Officer, the Head of Risk and Internal Audit, the Chief Marketing and Corporate Affairs Officer, the Head of Financial Control and others to progress ESG matters and TCFD reporting through regular meetings). The Group met throughout 2023–24 and progressed various aspects of TCFD reporting and ESG matters that were considered and approved by the Executive Board and Board. The ESG Working Group monitors performance against targets throughout the year and reports performance to the Executive Board and Board.

Division of roles and responsibilities

There is clear and effective division of roles and responsibilities of the Board as shown opposite:

Board leadership

Chair – Giles Kerr

Giles Kerr is responsible for the effective leadership, operation and governance of the Board and its Committees. He ensures that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives. His current responsibilities include:

- setting the Board's agenda and ensuring the Board receives accurate, timely and clear information on all matters reserved to its decision and on the Group's performance and operations;
- ensuring compliance with the Board's approved procedures;
- arranging informal meetings of the Directors, including meetings of the Non-Executive Directors at which the Executive Directors are not present, as required to ensure that sufficient and timely consideration is given to complex, contentious or sensitive issues;
- chairing the Nomination Committee, and, in that role, initiating change and succession planning to retain and build an effective and complementary Board, and to facilitate the appointment of effective and suitable members and Chairs of Board Committees;
- ensuring effective dialogue with shareholders, led by the Chief Executive, sharing feedback so that members of the Board develop an understanding of the views of major investors; and
- promoting the highest standards of integrity, probity and corporate governance at Board level and throughout the Group.

Running the business

Chief Executive – Nick Wiles

Nick Wiles is responsible for managing the Group's business and for proposing and developing the Group's strategy and overall commercial objectives. He leads the Executive Board, the members of which are set out on pages 80 to 81. His other main responsibilities include:

- providing input to the Board's agenda and ensuring that the Executive Board gives appropriate priority to providing timely reports to the Board containing clear and accurate information;
- implementing the agreed strategy with the support of the Executive Board;
- ensuring that the Chair is alerted to forthcoming complex, contentious or sensitive issues affecting the Group;
- providing information and advice to the Chair and Nominations Committee in respect of succession planning for membership of the Executive Board;
- leading investor dialogue activities; and
- acting as director of various subsidiaries of the Group.

Chief Financial Officer – Rob Harding

Rob Harding is responsible for all financial reporting, tax, treasury and financial control aspects of the Group. As a member of the Executive Board, he also provides support to the Chief Executive in the development and implementation of the strategy, and in the wider activities of the Group as required. Rob is also a chair and director of various subsidiaries of the Group and acts as Consumer Duty Champion.

Executive Board

The Executive Board comprises the MD of each division and the heads of each enabling function and are identified on pages 80 to 81. The Board's approved Delegation of Authorities sets out the Executive Board's responsibilities which include:

- preparing the annual business plan and reforecasts in conjunction with the Chief Executive Officer and Chief Financial Officer;
- approving the entering into of significant contracts consistent with the limits set out in the delegation of authority;
- management of divisional/functional headcount and employment costs, in line with the approved financial plan and in conjunction with Finance and HR partners; and
- assessing employee performance and awarding bonuses in accordance with scheme rules and in conjunction with the Chief People Officer.

Constructive challenge and independent oversight

Senior Independent Director – Rakesh Sharma

Rakesh Sharma supports the Chair in his role by acting as a sounding board for the Chair and a trusted intermediary for other Directors. His other main responsibilities include:

- chairing the Nomination Committee when it is considering succession to the role of Chair of the Board;
- Chairing the Remuneration Committee;
- meeting with the Non-Executive Directors at least once a year to appraise the Chair's performance and on such other occasions as are deemed appropriate;
- being available to shareholders if they have concerns where contact through the normal channels of the Chief Executive, Chief Financial Officer or Chair has failed to resolve or for which such contact is inappropriate; and
- having sufficient contact with major shareholders to obtain a balanced understanding of their issues and concerns.

Independent Non-Executive Directors – Gill Barr, Rosie Shapland, Ben Wishart, Guy Parsons and Lan Tu

The Independent Non-Executive Directors bring a strong independent element to the Board and provide constructive challenge and support on strategic and governance matters. They are expected to attend all scheduled Board and Committee meetings, and to devote such time as is necessary for the proper performance of their duties.

During the year, the Chair held meetings with the Non-Executive Directors without the presence of the Executive Directors. There were no unresolved concerns about the running of the business.

Board support

Company Secretary – Indigo Corporate Secretary Limited

Indigo Corporate Secretary Limited was appointed as Company Secretary to the Board and all its Committees in December 2023. Julia Herd, ACG, on behalf of Indigo, provides advice and assistance to the Board to ensure good governance practices, compliance with company law, Listing Rules, Disclosure Guidance and Transparency Rules and the Market Abuse Regulations, and the smooth running of the Board and its Committees. Her other responsibilities include:

- supporting the Board and Committee Chairs in setting the agendas and ensuring appropriate information is made available to the Board members in a timely fashion;
- arranging the induction of new Directors and coordinating training requirements for the Non-Executive Directors as required;
- organising an annual internal Board and Committee evaluation or facilitating an external review as appropriate;
- membership of the Market Disclosure Committee of the Board; and
- acting as secretary to the subsidiaries.

Board activities

The Board and its Committees meet regularly throughout the year with meetings scheduled around key dates in the Company's corporate calendar, and when necessary to consider key corporate transactions or events.

A Board strategy session was also held in September 2023.

The Board is updated on progress against the strategic plan and any new initiatives to grow and develop the PayPoint Group.

The Chair sets the agenda for each Board meeting and ensures that adequate time is available for discussion of all agenda items. He ensures informed decisions are reached in an effective manner by facilitating open discussion and debate of agenda items by Board members. The Non-Executive Directors meet ahead of each Board meeting to discuss the business of the meeting and any related issues. Consultations with management and with external advisers are held when necessary to aid the Board's decision-making process. The table that follows shows the key areas of Board activity during the year ended 31 March 2024.

Strategy and business review

- One scheduled strategy session followed by progress reviews throughout the year.
- Regular business and performance updates across all divisions.
- Received regular updates on the integration of Love2shop.

Internal control and risk management

- Assessed the IT infrastructure and cyber risks generally and specifically.
- Assessed the effectiveness of the internal controls and risk management process within the Group.
- Approved the renewal of insurance policies for the Group.
- Carried out a robust assessment of the nature and extent of emerging and principal risks and uncertainties facing the Group and how these risks could affect the business, financial condition or operations of the Group.

Financial

- Approved half-year and full-year financial statements and quarterly trading updates.
- Approved interim dividends and recommended the final dividend to be paid to shareholders during the financial year ended 31 March 2024.
- Reviewed management presentations to analysts for the full and half-year results.
- Considered and approved the three-year plan for the financial years ending 31 March 2025–27.
- Reviewed Group forecasts and scrutinised the built-in risks and opportunities.
- Received monthly management accounts.
- Received management reports.

Governance

- Approved the appointment of the Chief Financial Officer and Non-Executive Director.
- Approved the fees for the Non-Executive Directors.
- Approved the 2023 Notice of Annual General Meeting.
- Reviewed and approved the Board policy on Diversity, Equality and Inclusion.
- Reviewed investor feedback from the full and half-year roadshows.
- Approved the Modern Slavery Statement.
- Reviewed the progress of the ESG Working Group.
- Considered the feedback received from the employee fora when making decisions regarding working patterns, engagement surveys and ESG.
- Discussed feedback from the external effectiveness review.
- Carried out a performance evaluation of the Board and its Committees.
- Approved revisions to the terms of reference of the Audit, Remuneration and Nomination Committees and the Cyber Security and IT Sub-Committee.
- Approved revisions to various policies and the Board's delegated authority in accordance with the Matters Reserved for the Board.
- Considered shareholder analysis summary reports.

People

- Approved the organisation restructure.
- Reviewed the Group health and safety reports.
- Discussed the annual people update delivered by the Chief People Officer.
- Received regular updates on employee forum matters from Gill Barr, Non-Executive Director, the appointed Board representative for the employee forum.
- Discussed the composition of the Executive Board and reviewed succession planning.

Induction and training

On joining the Board, all new Directors receive a full, formal and tailored induction. Meetings are held with each member of the Executive Board and other senior management in the business and external advisers as appropriate. The induction includes the provision of relevant current and historical information about the Company together with applicable business policies. In addition as part of their induction new Directors are provided with a number of retail site visits with Sales teams to better acquaint themselves with PayPoint products and services and to receive first hand customer feedback. The Company Secretary assists in the induction of new Directors and undertakes a review with new Directors post induction to consider any initiatives which would improve the process.

This year's induction programmes included:

- meetings and introductions with the Board of Directors, Executive Board and senior management;
- operational management and Group services presentations;
- introductions with colleagues across the Company;
- overview of customer service journey and listening to calls in the Retail Service Hub; and
- a day in the field to see PayPoint, Collect+ and Handepay activity in stores.

Training and support

Directors are provided with clear and accurate information on matters to be considered at the Board and its Committee meetings. This information is provided in a timely manner to ensure an appropriate level of review by each Director ahead of the meetings.

In the course of the year, the Board is briefed on any significant changes in the law, regulations, governance, best practice or developments within PayPoint which affect their roles both on the Board and on the Board Committees. Experts and advisers are brought in as necessary to present to the Board or its Committees on technical subject matters.

The Non-Executive Directors are provided with schedules of relevant training by external providers which they are encouraged to attend at their convenience.

Members of the Executive Board receive training on site from external providers. During the period data management, cyber risk, IT and outsourcing and payments training was provided. In addition a cyber security exercise was undertaken by an external provider.

The Directors have access to the Company Secretary as well as members of the Executive Board and senior management, and they can also seek independent professional advice if this is deemed necessary for the proper performance of their duties.

Performance evaluation of the PayPoint Board and its Committees

In accordance with the Code, the Board and its Committees undertake an external evaluation every three years, with internal evaluations being undertaken in the intervening years. This year's annual Board effectiveness review was facilitated externally by Fidelio Partners Board Development & Executive Search Ltd ('Fidelio'), an independent specialist consultancy. A competitive tender process was undertaken, which involved the Chair of the Board and Board Members meeting with a short list of providers and giving feedback to the Board. Fidelio had no previous connection with the Company. The Board was satisfied that the reviewer was suitably qualified and experienced to conduct the effectiveness review and that Fidelio followed the principles set out in the Code of Practice for independent reviewers.

The review included: one-on-one interviews with each Board member and individual meetings with two members of the Executive Board; a quantitative survey undertaken by Board members, a review of the recent Board and Committee papers and governance materials; and observation of the January 2024 Board meeting.

The Fidelio report concluded that the Board and its Committees continue to be effective. A discussion of the Board effectiveness review report and its recommendations, as well as the Board's current strengths and challenges took place at the March 2024 Board meeting. Following the Board's discussion a specific action plan has been developed and was agreed covering the following themes:

1. ensure effective, well considered Board discussion on key issues;
2. continue to align Board composition to the needs of PayPoint;
3. make sure Board members are comfortable with discussions on risk and strategy;
4. continue to increase Committee effectiveness;
5. develop Board oversight of, and contribution to, shareholder and stakeholder engagement;
6. continue focus and guidance on the people agenda; and
7. provide a focused Board learning programme.

Progress against the action plan will be reviewed on a regular basis by the Nomination Committee during the year ahead.

Chair's Performance Review

In accordance with the UK Corporate Governance Code, Rakesh Sharma, as Senior Independent Director, led a review of the Chair's performance by the Directors. The review concluded that the Directors were satisfied with the Chair's performance and that he continues to operate effectively.

Individual Directors' Performance Reviews

The individual directors' performance reviews were carried out by the Chair during the year through a continual review process, which included having individual conversations with the directors on their performance and contribution to the Board.

Progress against the 2023 internal evaluation output

Set out below is the progress made against the actions identified through the 2023 internal effectiveness review of the Board and its Committee undertaken by the Chair, supported by the Company Secretary, via a questionnaire circulated to each Director for their views on the performance of the Board and its Committees.

Key issues identified	Proposed action plan	Progress during the year ended 31 March 2024
Challenging audit process and significant workload and resource required from both the auditors and the Group.	Earlier and more detailed planning, earlier audit resource, strengthening the finance team and greater efforts from auditors and Plc to identify potential audit challenges and their remedy earlier.	New auditors appointed during the year. Additional resourcing for finance was provided at Welwyn Garden City and Haydock. Additional time was allowed to complete the audit and further audit resources applied.
General risk and controls reporting needs strengthening and greater challenge from risk function needed.	Appointment of new Head of Risk and Internal Audit.	As part of the organisational restructure that commenced in March 2024, the risk function was restructured to create a new Head of Risk, Compliance and Internal Audit position. In addition, during the year work commenced to make the risk framework more robust and consistent across the Group, including Love2shop. This enabled greater support and challenge to ongoing operational activities, project delivery and strategic risks.
Board should improve wider engagement with management and staff.	NEDs should attend employee fora and a series of business workshops was to be added to the Board calendar giving added exposure to management team.	During the year two Non-Executive Directors attended employee fora and business workshops took place during the year. For more information see page 83.
Resource constraints given the scale of projects in the past 12 months having an impact on timely reporting to the Board.	Better recognition from within the Executive of the importance of timely report delivery and better resourcing to address constrained areas.	Timely reporting has been a focus during the year and continues to be a priority.

Nomination Committee Report

We are focused on ensuring the Board has the right skills and experience to support the business to deliver our strategy. Board composition and succession planning will continue to be an important focus area for the Committee in the year ahead.”

Giles Kerr

Chair, Nomination Committee

Nomination Committee responsibilities

The Committee’s key role is to ensure that the Board has the appropriate skills, knowledge and experience to operate effectively and deliver our strategy. It is responsible for regularly reviewing the size, structure and composition of both the Board and its Committees, taking into account the challenges and opportunities facing the business. The Committee identifies and recommends to the Board candidates to fill Board vacancies based on merit and objective criteria, including diversity factors, and ensures that appointment processes are formal, rigorous and transparent. The Committee also oversees the development of a diverse pipeline for executive succession. The Chairman invites the Chief Executive to attend its meetings together with the Chief People Officer as and when required. The Company Secretary acts as secretary to the Committee. Further details of the Committee’s responsibilities can be found in its terms of reference, on the Company’s website www.corporate.paypoint.com.

Membership and attendance

Giles Kerr (Chairman)

Appointed: 20 November 2015, assuming chairmanship in May 2020

3/3

Rakesh Sharma

Appointed: 12 May 2017

3/3

Gill Barr

Appointed: 1 June 2015

3/3

Guy Parsons

Appointed: 23 March 2023

3/3

Rosie Shapland

Appointed: 2 October 2020

3/3

Lan Tu[1]

Appointed: 15 March 2024

1/1

Ben Wishart

Appointed: 14 November 2019

3/3

1 Lan Tu attended the one Nomination Committee meeting held since her appointment on 15 March 2024.

Dear Shareholders,

On behalf of the members of the Nomination Committee, I am pleased to present the Nomination Committee Report for the year ended 31 March 2024.

The Committee met three times during the year. The key areas of focus included:

- the appointments of Rob Harding and Lan Tu as Directors;
- the proposed extension of the Chair’s term of office;
- reviewing the directors’ suitability for re-election, including an assessment of their independence, their contribution to the Board and the time they are able to commit to their duties in accordance with the requirements set out in the CG code; and
- the annual review of the Committee’s effectiveness and terms of reference.

Following each Committee meeting, a summary of the Committee’s activity is provided to the Board together with any recommendations.

Board changes

I am delighted to welcome Lan Tu to the Board. Lan is an experienced Non-Executive Director and is currently, amongst other roles, senior independent director of Shawbrook Group plc and vice-chair of the College Council at King’s College London University. Lan has had a career in senior roles within financial services firms, including the payments industry. She possesses broad experience in board and committee roles.

The Board also welcomed Rob Harding as an Executive Director in September 2023. Rob, who joined the Company as Chief Financial Officer in August 2023, replaced Alan Dale who retired from the Board in September 2023.

During the year the Committee has considered the orderly succession planning for the Board, including the changes noted on page 76. This will continue to be a key focus for the year ahead, including succession planning for the role of the Chair and the development of a diverse Board.

Chair succession planning

During the year, the Senior Independent Director led a discussion at the Nomination Committee on succession planning for the Chair's role, without the Chair being present.

The Committee agreed that the Chair continued to demonstrate strong leadership and commitment and promoted a culture of inclusivity and openness, encouraging robust debate amongst the Board. The Chair has established a strong working relationship with the Chief Executive and management, which the Committee considers to be of particular value as management continues to focus on achieving the Group's £100m EBITDA target by the end of FY26.

The Committee notes that the Chief Executive has been in post for four years and during that time has met or exceeded performance targets each year and has over seen a highly successful transformation of the business away from its dependence on cash bill payments to a broadly based payments and e-commerce platform. The Committee wished to continue with the successful combination of Chair and Chief Executive that has over seen this period of excellent progress in the business.

As part of the deliberations the Committee was mindful of the nine-year tenure period recommended for Chairs and the flexibility permitted to extend this period for a limited time to facilitate effective succession planning as set out in the 2018 UK Corporate Governance Code. Having only been appointed as Chair in May 2020, this would be Giles Kerr's second three-year term as Chair. The Committee considered the overall length of the Chair's service and it was felt that extending the Chair's appointment for an additional three-year term would ensure orderly and effective succession planning for the Board and be in the best interests of the Company by providing leadership stability to support the delivery of the Group's strategy.

The Board unanimously agreed to undertake a consultation with major shareholders on the recommendation that the Chair's appointment should be extended by one additional three-year term, subject to annual re-election.

Consultation on the proposal with the Company's major shareholders was undertaken and the consolidated feedback was positive in nature. Consequently, the Nomination Committee's recommendation that the Chair be reappointed to the Board is proposed to shareholders for approval at the forthcoming annual general meeting.

Diversity

The Board's policy on diversity, equity and inclusion (DE&I), which is reviewed annually by the Committee, sits alongside PayPoint's employee policy, which sets out the Company's commitments to create a positive and inclusive environment. This year the Committee recommended an amendment to the Board's DE&I policy to extend the principles to cover the membership of all of the Board's Committees. The Board policy addresses the specific requirements of the UK Corporate Governance Code in relation to the Board and its Committees and the recommended targets set out by the FTSE Women Leader's Review, Sir John Parker and the Listing Rules.

All Board appointments are made on merit, in the context of the balance of skills, experience, independence and knowledge which the Board as a whole requires to be effective, taking account of diversity in the manner described above.

Responsibility has been delegated to our Chief People Officer for the operation of the diversity and inclusion policy across the rest of the Group and ensuring its maintenance and review. Efforts to increase diversity in the senior management pipeline towards Executive Board positions continue to be supported, and the development of diversity in senior management roles within the Group is encouraged.

As at the date of this report, following the appointment of Lan Tu as an independent Non-Executive Director in March 2023, PayPoint Plc has three female members on the Board, representing 33.33% of Directors.

The Board will also consider female appointments to the senior Board positions at the next available opportunity. PayPoint Plc meets the targets set out in the Parker Review and the Listing Rules in respect of ethnic diversity on UK boards.

For more information on our diversity, equity and inclusion policy please refer to page 47.

Appointments process

Teneo People Advisory (Teneo), which has no connection with PayPoint or any of its Directors, was selected to carry out the search for the appointment of the new Non-Executive Director. Teneo is committed to DE&I, with their work underpinned by a conviction that diverse and inclusive teams create more value and deliver better results for businesses and their stakeholders. Two out of the five shortlisted candidates for the role were female with the successful candidate selected based on merit.

The search and selection process for the appointment of the Chief Financial Officer was undertaken during the financial year ending 31 March 2023 and was reported in the 2023 annual report and financial statements.

Directors' time commitment and length of service

All Directors are aware of the need to allocate sufficient time to their Board role in order to discharge their responsibilities effectively. The Nomination Committee monitors meeting attendance, length of service and the extent of each Director's external commitments on an ongoing basis.

During the year, I received approval from the Board to accept the position as a non-executive director of Halma Plc. The Board noted the proposed time commitment required for this position and was satisfied that I would continue to have sufficient time to fulfil my duties as PayPoint's Chair.

All Directors who are not stepping down, in accordance with the Code, will be offering themselves for re-election or election, as relevant, at the annual general meeting on 1 August 2024.

The terms and conditions of appointment of Non-Executive Directors and the service contracts of Executive Directors will be made available for inspection at the annual general meeting.

Directors' conflicts of interest

The Nomination Committee annually reviews and considers the interests and other external appointments held by the members of the Board. External interests that have been declared are recorded in our register of interests and this was reviewed and approved by the Committee at its meeting in March 2024. The Directors have a continuing duty to inform the Board of any potential conflicts immediately so that such conflicts may be considered and, if authorised, included within the register of conflicts of interest. We recognise that the Non-Executive Directors have other business interests outside of PayPoint Plc and that their experience with other directorships brings significant benefits to the Board. All key external roles are set out within the Directors' biographies on pages 78 to 79. Non-Executive Directors are required to obtain the approval of the Chair before accepting any further appointments.

A register of related parties is also maintained and updated by the Company Secretary in order that any related party transactions are identified and the necessary disclosures made.

This Nomination Committee Report was approved by the Committee on 12 June 2024.

Giles Kerr

Chair, Nomination Committee
12 June 2024

Audit Committee Report

“The Committee has continued to focus on the integration of the Love2shop business into the Group’s financial reporting and risk and control framework and has overseen the smooth transition to our new external auditor during the year.”

Rosie Shapland

Chair, Audit Committee

Audit Committee responsibilities

The Committee’s key role is to support the Board in fulfilling its responsibility for oversight of the integrity of the Company’s financial reporting to shareholders and any formal announcements relating to the Company’s financial performance. The Committee also supports the Board in assessing the relationship with the external auditor and their effectiveness, as well as reviewing the effectiveness of the internal control and risk management framework of the business. Significant financial reporting issues and judgements, together with any changes in accounting principles and policies, and any material control recommendations are reviewed by the Committee and reported through to the Board.

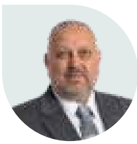
As requested by the Board, the Committee reviews the content of the annual report and accounts and advises the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy. Further details of the Committee’s responsibilities can be found in its terms of reference, on the Company’s website https://corporate.paypoint.com.

Membership and attendance[1]

Rosie Shapland (Chair)

Appointed: 2 October 2020, becoming Chair in December 2020

6/6



Rakesh Sharma

12 May 2017

6/6

Gill Barr

1 June 2015

6/6

Guy Parsons

23 March 2023

6/6

Lan Tu

15 March 2024

1/1

Ben Wishart

14 November 2019

6/6

1 The Audit Committee invites the external auditor to attend each meeting, along with the Chief Executive, Chief Financial Officer and Chair of the Board. Other members of management attend as and when requested. The Company Secretary acts as secretary to the Committee.

Dear Shareholders,

As Chair of the Audit Committee (the ‘Committee’) I am pleased to present the Audit Committee Report for the year ended 31 March 2024. The report sets out the remit of the Committee, its areas of focus for this financial year and the Company’s relationship with its external auditor, PricewaterhouseCoopers LLP (“PwC”), who were appointed during the year following a formal tender process, as described in last year’s report.

The Committee held four scheduled meetings during the year, with meetings timed to coincide with the financial and reporting cycles of the Company. In addition, the Committee held two further meetings to consider progress with the audit of the 2023 financial statements, in particular in connection with the statutory accounting and audit work related to the acquisition of Love2shop. The Committee reviewed and discussed the final report from the external auditor and recommended the 2023 Annual Report and Accounts to the Board prior to their approval. In addition, the Committee met with both the Company’s outgoing and incoming external auditors and the Head of Risk and Internal Audit during the year without management being present.

The Committee also met on 23 May 2024 to review the 31 March 2024 Annual Report and Accounts and the preliminary findings of the external auditor and again on 7 June to receive the auditor’s final reporting.

In the period since our previous report, the work undertaken by the Audit Committee was as follows:

Financial reporting and policies

- Reviewed the annual and interim financial statements.
- Considered significant accounting policies, financial reporting issues, judgements and estimates. In particular the reassessment of the Group’s Cards division cash generating units, and of the description and analysis of cash and cash equivalents and restricted funds held on deposit.

- Continued to focus on revenue recognition during the year due to the level of transactions, the complexity of the systems and the number of different revenue streams, particularly following the acquisition of Love2shop.
- Considered the findings set out in the reports from the external auditor.
- Considered and recommended to the Board the going concern basis for preparation of the financial statements.
- Considered and recommended to the Board the viability statement and the period over which the Group viability is measured. In doing so, the Committee had regard to an assessment which modelled the possible occurrence of significant risks and events, and which showed that the Group would continue to be viable and profitable over a three-year period.
- Considered the disclosures in the 2024 annual financial statements in respect of the letters before action and subsequent claims served by Utilita and Global-365 (as further described on page 173) relating to the matters addressed by commitments made by PayPoint and accepted by Ofgem in 2021 in resolution of its competition concerns.
- Reviewed PayPoint's treasury policy.
- Approved PayPoint's annual tax strategy.

Internal audit

- Assessed the audit universe and audit cycle.
- Approved the annual audit plan for FY2024.
- Approved arrangements for including Love2shop in the annual internal audit plan, including bringing their internal audit function in-house.
- Monitored resource requirements for internal audit, including for Love2shop, and approved the annual internal audit budget for FY2024.
- Monitored progress against the year's audit plan.
- Received copies of audit reports and assessed key findings and implementation of recommendations.

Risk management and internal controls

- Carried out a review of the Group's insurance coverage and approved amendments to include Love2shop.
- Considered any reported frauds and any concerns raised via the Company's whistleblowing process.
- Reviewed the Company's risk management framework and any changes thereto prior to recommending the principal and emerging risks for approval and discussion at the Board.
- Considered quarterly updates from the Head of Risk and Internal Audit on the Group risks.
- Considered quarterly updates from the Group's Compliance Officer which provide an overview of compliance within the Group's regulated entities.
- Received reports from the Chairman of the Cyber Security and Information Technology Sub-Committee. See page 98 for details on the role of the Sub-Committee.
- Reviewed the results of the annual safeguarding audit for Love2shop.
- Received updates on the implementation plans for compliance with the HMRC SAO regime following the acquisition of Love2shop.

Governance

- Considered the change of Auditor approved at the 2023 AGM and approved their fees.
- Carried out an annual review of the Committee's terms of reference.
- Carried out reviews of the Board Delegated Authority.
- Approved various policies including (but not limited to) whistleblowing and non-audit fees policy.
- Remained up to date with developments following the BEIS consultation on restoring trust in audit and corporate governance, including the changes to the UK Corporate Governance Code, particularly in relation to internal controls.

Review of risk management framework and internal controls

The Board via the Audit Committee, has carried out a robust assessment of the principal and emerging risks facing the Group, including those that could threaten its business model, future performance, solvency or liquidity. This is more fully described on pages 61 to 66.

As part of the integration of Love2shop during the year, functional areas have been absorbed into the equivalent PayPoint functions and policies and supporting frameworks and procedures have been updated to ensure consistency across the Group.

For the Group the following key procedures and monitoring processes are in place to provide effective internal control:

- The Board approves key Group policies and authorities delegated to the Executive Board and senior management. Internal audits assess adherence and exceptions are reported in internal audit reports which are made available to the Audit Committee.
- There is an ongoing process to identify, evaluate and manage risks via functional and entity Risk and Control registers and significant risks are reported to the Board and Audit Committee.
- The Group's Risk and Compliance teams continuously monitor that processes have been correctly followed across the Group. Exceptions are reported to the Audit Committee and Cyber Security and IT Sub-Committee.
- On behalf of the Board, the Audit Committee reviews fraud, anti-bribery and whistleblowing – there were no instances of significant fraud, whistleblowing or identified instances of bribery or corruption within the Group during the year.
- During the year the Environmental, Social and Governance ('ESG') Working Group continued to oversee the Group's environmental and social related risks and to make recommendations to the Board, as well as reviewing the TCFD disclosures in the 2023 annual report and accounts.
- Executive and Finance management annually attest that to their knowledge they and their teams adhered with Group policies, delegated authorities and year-end procedures; and that relevant Risk and Controls registers are a fair representation of risks, and the controls listed operated effectively during the year. Attestation details are reported to the Audit Committee.
- The Audit Committee reviews risk appetite for principal risks and compliance with risk appetite is monitored through the Group's risk assessment processes.
- The Audit Committee reviews key risks presented by the Head of Risk and Internal Audit at each meeting to ensure management effectively implements preventative and detective controls to monitor and mitigate risk.
- The Cyber Security and IT Sub-Committee reviews key IT and cyber risks to ensure the Group's IT function effectively implements preventative and detective controls to monitor and mitigate risk.
- The Chair of the Sub-Committee reports to the Committee after each of the Sub-Committee meetings.

On the basis of the above procedures and monitoring processes, the Board, supported by the Audit Committee, has reviewed the effectiveness of the PayPoint risk management and internal control systems. The Directors confirm that the processes described have been in place during the financial year and up to the date of the approval of the annual report and accounts.

Under the leadership of the new Chief Financial Officer, the Group's risk management processes and framework are under review. As part of the review and the organisational restructure, which completed in April 2024, the risk and internal audit and compliance functions have been amalgamated and a new Head of Risk, Compliance and Internal Audit appointed. This has provided an opportunity to enhance the internal audit function's understanding of the Group's regulatory requirements, whilst providing the knowledge and expertise to support the audit review process and will enable a more integrated approach to internal audit. Oversight of the implementation of the new risk management reporting framework will be a key activity for the Audit Committee during the year ahead.

Audit Committee Report continued

Review of effectiveness of internal controls and risk management

The Audit Committee and Cyber Security and IT Sub-Committee support the Board with monitoring risk management and internal control systems and reviewing their effectiveness. The Audit Committee reviews effectiveness of the risk management and internal control framework by receiving regular and comprehensive reports and information from Risk and Compliance teams. The Board has defined its risk appetite for all principal risks, as described on page 60. A standard risk assessment methodology is applied across the Group to evaluate gross and residual risk and compare residual risk against risk appetite.

External audit

In relation to the Group's external audit, the Committee carried out the following activities during the year:

- Agreed the scope of the 2024 audit together with the fees and terms of engagement. Details of the amounts paid to the external auditor for the audit and other services for FY24 are given on page 153 to the financial statements.
- Received the external auditor's plan for the financial year, reviewing materiality thresholds and areas of risk where the auditor would focus their work.
- Reviewed the effectiveness of the external audit process, by discussing the results of the auditor's work and their views on material accounting issues and key judgements and estimates.
- Reviewed the robustness of the audit process and reviewed the 2023 Audit Quality Review Report, regarding the overall quality of audit work provided by PwC for listed companies.
- Reviewed and monitored the independence of the external auditor and approved their provision of non-audit services.

Significant judgements and critical estimates in relation to the financial statements

In preparing the financial statements for 2024, there were several areas requiring the exercise by management of judgement or a high degree of estimation. Throughout the year, the finance team worked closely with the external auditor to ensure the Company provides the required level of disclosure. The tables below outline the significant areas of judgement and estimation together with other financial reporting matters that have been considered by the Committee in discussion with management and the external auditor.

Significant financial judgements and critical estimates for the year ended 31 March 2024	How the Audit Committee addressed these significant financial judgements and critical estimates
Recognition of cash and cash equivalents and restricted funds held on deposit (Critical judgement) The nature of payments and banking services means that PayPoint collects and holds funds on behalf of clients as those funds pass through the settlement process and retains retailer partners' deposits as security for those collections. Following the acquisition of Love2shop, it also holds in trust, gift card voucher deposits on behalf of agents, cardholders and redeemers and prepay savers' cash on behalf of savers. A critical judgement in this area is whether each of the above categories of funds and restricted funds held on deposit, are recognised on the consolidated statement of financial position, and whether they are included in cash and cash equivalents for the purpose of the statement of consolidated cash flows. This includes evaluating: (a) the existence of a binding agreement clearly identifying the beneficiary of the funds; (b) the identification of funds, ability to allocate and separability of funds; (c) the identification of the holder of those funds at any point in time; and (d) whether the Group bears the credit risk. Management have also reviewed and proposed changes to the presentation of cash and cash equivalents and restricted funds held on deposit, these proposed changes required a representation of the prior year notes to the financial statements to provide greater clarity and additional analysis.	The Committee reviewed and approved the accounting policy on cash and cash equivalents and considered management's approach to the treatment of restricted funds held on deposit. 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. For restricted funds held on deposit, the Committee reviewed and agreed with management's decision to categorise cash and cash equivalents and restricted funds held on deposit separately. This was after considering the legal status of the trust, who has access to the interest and the terms and conditions around movement of funds. The Committee concurs with management's proposed presentational changes to cash and cash equivalents and restricted funds held on deposit.

Significant financial judgements and critical estimates for the year ended 31 March 2024	How the Audit Committee addressed these significant financial judgements and critical estimates
Cash Generating Units (CGU) for the Cards business (Critical judgement) Following the agreement of a new partnership with Lloyds Banking Group's "Cardnet" Division, as announced in March 2024, management have reassessed the Group's Cards business CGU's as previously presented in the financial statements. In doing so, they have also considered the operational interaction of the two entities acquired in FY21 (Handepay and Merchant Rentals) and how their revenue streams are inextricably linked. Management's conclusion is that the Group's Cards business should be considered a single CGU as cash inflows from the various components are not largely independent of each other and the resources that generate those cash flows are not separable. The lowest level of aggregation of assets that generate largely independent cash flows is the Cards business.	The Committee reviewed management's assessment of the cards business CGU. This included: • A review of the business model • Assessment of cash inflows • Historic approach • Internal management reporting • Relevant technical guidance The Committee concurs with management's conclusion that the Group's Cards business should be treated as one CGU.
Valuation of defined benefit pension scheme obligations (Critical estimate) The Group has an obligation to pay pension benefits to members of the defined benefit pension scheme in its Love2shop segment. The present value of the obligations associated with these future benefits depends on the assumptions selected for several factors. Management selects appropriate actuarial assumptions for each factor, based on historical and current trends and with input from a qualified actuary.	The Committee reviewed and challenged the assumptions used by management in valuing pension liabilities, including discount rates, inflation and mortality rates and related sensitivities. The Committee concurs with the assumptions adopted by management in valuing pension liabilities.

Other financial reporting matters for the year ended 31 March 2024	How the Audit Committee addressed these financial reporting matters
Distributions and return of capital to shareholders For the year ended 31 March 2024 management presented proposals for distributions (dividends and share buy-backs).	Having regard to the distributable reserves available to the Company, the Committee reviewed and reported to the Board on management's proposals for a final dividend for the financial year ended 31 March 2024 of 19.2p per share along with a share buyback programme of £20m over the next 12 months. The Committee assessed the level of distributable reserves along with the impact of a stress test. The Committee made a recommendation to the Board to approve management's proposals.
Items to be presented as adjusting items Adjusting items consist of exceptional items, amortisation of intangible assets arising on acquisition and movements on convertible loan notes. Management proposed to treat these items as adjusting items in the consolidated statement of profit or loss, as they do not reflect the underlying operational performance of the Group.	The Committee assessed whether the reporting of those items as adjusting, was in line with the Group's accounting policy, and that sufficient disclosure was provided in the financial statements. The Committee concurs with management's view and considered the disclosures to be appropriate and clear.
Viability and going concern Each year the Directors are required to consider the Group's viability over a three-year period. This is consistent with the Group's strategic planning period. Additionally, management carry out an assessment of the principal risks and uncertainties. For the purposes of assessing the going concern assumption, cash flow forecast scenarios are prepared by management for a period of at least 12 months from the date of approval of these financial statements, taking into account the Group's current financial and trading position, the principal risks and uncertainties and the strategic plans. The Group's viability has been further tested by applying a number of severe but plausible downside scenarios, performing a reverse stress test and considering mitigating actions and the impact of such scenarios on the Group's future financial position. Based on a satisfactory assessment management has concluded that it is appropriate to prepare the financial statements on a going concern basis and that they have a reasonable expectation the Group will be able to continue in operation over the three-year assessment period.	The Committee reviewed management's assessment of going concern, the viability statement and the proposed disclosures for the Annual Report and Accounts. The review included consideration of forecast cash flows, relevant sensitivities and the impacts of these on the Group's cash position while also taking into account the Group's financing facilities. The Committee reviewed and discussed the various scenarios and the potential mitigations, and considered the results of the reverse stress tests. The Committee reviewed the disclosures for both going concern and viability to ensure they are in line with the FRC recommendations. The Committee concurs with management's conclusion that they have a reasonable expectation that the Group will be able to continue in operation, remain solvent and meet its liabilities as they fall due over the three-year assessment period. The Committee made a recommendation to the Board to approve the going concern basis of accounting for the financial statements and the viability statement drafted by management.

Audit Committee Report continued

Cyber Security & Information Technology Sub-Committee

The Cyber Security & Information Technology Sub-Committee ('Sub-Committee') is a sub-committee of the Audit Committee overseeing Group cyber security and IT matters. Its key responsibilities include to:

- Advise the Audit Committee on cyber and information security risks faced by the Group.
- Assess the adequacy of policies, resources and funding for cyber and information security.
- Review the Group's cyber and information security breach response plan.
- Review cyber incident reports and assess the adequacy of proposed actions.
- Ensure effective business continuity plans.
- Oversee cyber security training and awareness.

The Sub-Committee comprises: three Non-Executive Directors (Rakesh Sharma, Lan Tu and Ben Wishart as Chair of the Sub-Committee), the Chief Financial Officer and the Chief Technology Officer (who is a member of the Executive Board). The Company Secretary is the secretary to the Sub-Committee.

During the year, the Sub-Committee held two meetings at which the Head of IT Risk, the Head of Risk and Internal Audit and the Chair of the Audit Committee were also in attendance by invitation. The matters considered by the Sub-Committee during the year included: the monitoring of cyber security issues and vulnerabilities and implementing remediation and improvements as required; assessing the Company's security controls and overall IT governance & control framework; results of IT audits carried out by Internal Audit and implementing improvements that were recommended; and the annual review of both the cyber security policy and the Sub-Committee's terms of reference and membership.

External audit

The effectiveness of the audit process is underpinned by appropriate audit planning and risk identification at the outset of the audit cycle. The auditor provides a detailed audit plan identifying their assessment of the risks and other key matters for review. For the year ended 31 March 2024, the significant audit risks identified were: impairment of goodwill relating to the Handepay and Merchant Rentals CGU's; valuation of pension liabilities; management override of controls; and fraud in revenue recognition. An elevated risk of the classification of exceptional items was also identified.

The Committee reviews and challenges the work undertaken by the auditor on these matters. An assessment of the effectiveness of the audit process in addressing these items is based on the auditor's reports for the half-year and full year. The Chair of the Committee meets regularly with the auditor throughout the audit process and during the year, the auditor attends all Committee meetings to present their audit plan and the results of their work, and the Committee seeks feedback from management on the effectiveness of the audit process. No significant issues were raised with respect to the audit process for the period and the quality of the audit process was assessed to be good.

In accordance with its policy on auditor independence and the provision of non-audit services by the external auditor, the Committee reviews and monitors the auditor's independence and objectivity. This is done by considering the auditor's statement of confirmation of independence, discussing any identified threats to independence and the safeguards applied to mitigate those threats. The Committee also considers all relationships between the Company and the audit firm, including their network firms, and whether those relationships appear to impair the auditor's independence and objectivity.

As part of the audit planning process and again at the conclusion of the audit, the auditor provided a statement of confirmation of independence to the Board and the Audit Committee, which confirmed that in their professional judgement PwC was independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff remained unimpaired.

Following a full and competitive tender process, as described in last year's report, PwC was appointed as the new auditor of PayPoint Plc at the AGM in September 2023. The lead audit partner is David Beer. The Committee reviews each year the reappointment of the current external auditor and makes a recommendation to the Board. Based on the performance of the auditor, the Committee believes that it is in the best interests of shareholders to continue to recommend PwC as the external auditor and a resolution for PwC's reappointment will, accordingly, be proposed to shareholders at the forthcoming annual general meeting.

Non-audit services

In accordance with the FRC Revised Ethical Standard 2019, the Committee has a policy on auditor independence and the provision of non-audit services by the external auditor. This policy is a guide to the types of work that are acceptable for the external auditor to undertake, and provides clarity on the process to be followed for approval of the provision of non-audit services by the external auditor.

The ratio of non-audit fees to audit fees paid to the auditor for the year was 3.6%, with non-audit services limited to assurance services for the half year review. Details of the auditor's remuneration for the statutory audit and non-audit services are set out in note 8 to the financial statements. There were no non-audit fees received during the year from KPMG.

Interactions with the Financial Reporting Council

During the year, the Audit Committee Chair received correspondence from the Financial Reporting Council (FRC) following a review of the Company's Annual Report and Accounts for the year ended 31 March 2023. The review into the Annual Report raised no specific questions but raised a small number of disclosure improvements. These were discussed by the Audit Committee Chair with management and PwC, as the incoming auditor. The observations made by the FRC were given full consideration by management when preparing the financial statements for the year-ended 31 March 2024 and additional disclosures are included in this Annual Report and Accounts where relevant to do so. The review conducted by the FRC was based solely on the annual report and accounts. The FRC's review does not provide assurance that the annual report and accounts are correct in all material respects; the FRC's role is to consider compliance with reporting requirements, not to verify the information provided and the FRC accepts no liability for reliance placed upon their review. The Audit Committee Chair also received correspondence from the FRC following their inspection of KPMG's audit of the Group's financial statements for the year ended 31 March 2023.

Internal audit

Internal audit is an independent assurance function providing services to the Committee and all levels of management. Internal audit helps the Group accomplish its objectives by bringing a systematic, disciplined approach to risk management. Its remit is to provide independent and objective assurance, assist management in implementing effective controls and help protect the Group. Internal audit's responsibilities include delivering the annual internal audit plan, driving remediation of audit issues, assessing effectiveness of internal controls, the prevention and detection of fraud, and supporting management in assessing and mitigating risks. The Committee is responsible for ensuring the Group has a rigorous internal audit programme covering all business areas and risks.

Whistleblowing

PayPoint continuously seeks to prevent malpractice in its business. However, if it occurs, whistleblowing processes have been implemented to provide employees with guidance and ensure concerns raised are appropriately addressed. Our whistleblowing policy ensures colleagues are encouraged to speak up in confidence about the conduct of others, breaches and irregularities, without fear of reprisal. Whistleblowing is discussed at each Committee meeting and all whistleblowing occurrences are reported to the Committee together with details of investigations and any corrective action necessary. There were no whistleblowing incidents during the year.

Anti-bribery and corruption

PayPoint has a zero-tolerance approach to bribery and has an anti-bribery and corruption policy detailing employee responsibilities to ensure the Group and its employees remain compliant with anti-bribery and corruption laws. All employees undertake anti-bribery and corruption training at induction and ongoing role-based training is also provided. Anti-bribery and corruption risk management is discussed at Committee meetings.

Fair, balanced and understandable

The Committee has satisfied itself that the PayPoint Plc 2024 annual report and accounts is fair and balanced. We have sought to make the annual report as clear, understandable and informative as possible to provide the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee therefore supports the Board in making its formal statement on page 122.

The Audit Committee Report was approved by the Committee and the Board on 12 June 2024.

Rosie Shapland

Chair, Audit Committee
12 June 2024

Directors' Remuneration Report

The Committee continues to ensure the clear linkage of Executive Directors' pay and performance to the strategy and enhancement of shareholder value."

Rakesh Sharma

Chairman, Remuneration Committee

Remuneration Committee responsibilities

The Committee's key roles are to ensure that the Remuneration Policy and practices of the Company are aligned with the Company's purpose and business strategy, promote long-term sustainable success and reward fairly and responsibly with a clear link to corporate and individual performance. The Committee's decision-making process takes account of legislation, regulation, corporate governance standards, guidance issued by regulators, shareholders and shareholder representative bodies and has access to the advice of independent remuneration consultants. To avoid conflicts of interest, no Committee member or attendee is present when matters relating to his or her own remuneration are discussed. Full terms of reference for the Committee are available on the Company's website www.corporate.paypoint.com.

The members of the Committee and their attendance at meetings are set out in the table below. In addition to the members of the Committee, the Chief People Officer and the Company's independent adviser from FIT Remuneration Consultants LLP ('FIT'), may attend and receive papers for each meeting. The Company Secretary acts as secretary of the Committee. After each meeting, the Chairman of the Committee reports to the Board on the matters discussed and recommendations and/or actions to be taken.

Membership and attendance

Rakesh Sharma (Chairman)

Appointed: 12 May 2017

4/4

Gill Barr

1 June 2015

4/4

Giles Kerr

20 November 2015

4/4

Guy Parsons

23 March 2023

4/4

Rosie Shapland

2 October 2020

4/4

Lan Tu

15 March 2024

1/1

Ben Wishart

14 November 2019

4/4

Annual Statement

Dear Shareholders,

I am pleased to present our Directors' Remuneration Report for the financial year ended 31 March 2024 which has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Listing Rules of the UK Listing Authority and the prevailing UK Corporate Governance Code (the 'Code').

The report is divided into three sections:

- This Annual Statement of the Remuneration Committee Chairman for the year ended 31 March 2024, which summarises remuneration outcomes for the year ended 31 March 2024 and the Committee's proposed approach for the year ending 31 March 2025.
- The Directors' Remuneration Policy – (the "Policy"), which presents the proposed revised Policy, to be approved by shareholders at the 2024 Annual General Meeting ('AGM').
- The Annual Report on Remuneration, which provides further detail on how the Remuneration Policy was implemented in the year ended 31 March 2024 and how the proposed Policy will be implemented in the year ending 31 March 2025.

Committee activities during the year

The Committee met 4 times during 2023/24. The main Committee activities during the year (full details of which are set out in the relevant sections of this report) included:

- Approving the 2022/23 Directors' Remuneration Report.
- Agreeing Executive Director base salary increases from July 2023.
- Reviewing and agreeing the salary review applied to the workforce below Board level including the increases applied to the Executive Board.
- Approving the release of the 2020 restricted share plan awards for the Executive Board.
- Approving the vesting of the below Board 2020 and 2021 restricted share plan awards.

- Agreeing the 2023 Restricted Share Plan awards.
- Agreeing the performance against targets and payout for the 2022/23 annual bonus.
- Setting the performance targets for the 2023/24 annual bonus and bonus deferral levels.
- Considering the retention of the Chief Executive Officer.
- Approving leaver treatments for relevant senior executives.
- Carrying out an internal evaluation of its performance and reviewing its terms of reference.

Pay and performance for the year ended 31 March 2024

In accordance with its terms of reference, the Committee continues to ensure the clear linkage of Executive Directors' pay and performance to the strategy and enhancement of shareholder value.

In assessing the performance of the 2023/24 annual bonus, the Committee considered the financial and operational performance of the Group as well as the progress made in the continuing delivery of the strategy. An assessment of performance against bonus targets indicated a bonus award for the year of 93% of maximum, reflecting the delivery of a robust financial performance with significant progress made in the year in a number of key growth areas and the delivery of strategic initiatives including growth in open banking and digital payments, progress in the delivery of ESG commitments, the integration of Appreciate Group, launch of the next generation terminal technology with the roll out of PayPoint Mini, growth in the EVO and Lloyds Cardnet estates and the securing of a major strategic partnership with Lloyds Cardnet.

However, in light of work undertaken to streamline the organisation and cost base, the Executive Board unanimously proposed to waive any bonus award in excess of target.

The Remuneration Committee was grateful for the leadership shown in this regard and as such, accepted the proposal which resulted in an on-target (80% of maximum) bonus award to all members of the Executive Board including the Executive Directors.

The second tranche of the RSA awards granted in 2020 will vest in July 2024 and the first tranche of the RSA awards granted in 2021 will vest in August 2024, subject to the Committee being satisfied in respect of performance against the discretionary underpin.

The Committee is comfortable that remuneration for the year ended 31 March 2024 is appropriately aligned to the Company's performance.

Discretion

No discretion has been exercised by the Committee in respect of the year ended 31 March 2024 (albeit it should be noted that the Committee accepted management's proposal to reduce the bonus out-turn for 2023/24 to an on-target award) and is grateful for the leadership shown in this regard.

Policy change and implementation for the year ending 31 March 2025

Shareholders approved our current Policy at the 2023 AGM with over 97% of votes cast in favour. However, following a review of the current Directors' Remuneration Policy and following discussions with PayPoint's major shareholders, the Remuneration Committee wishes to ensure that Nick Wiles is sufficiently retained in the business. While Nick currently receives annual grants of Restricted Share Awards (RSAs) over shares equal to 75% of salary, the Committee has concluded that the current approach is not sufficient to ensure Nick stays with the business over the next three years. As such, the Committee has consulted major shareholders and the main representative bodies in respect of the grant of a one-off LTIP to Nick Wiles over shares equal to 150% of salary. Given that the current Directors' Remuneration Policy only permits the grant of Restricted Share Awards, we are seeking shareholder approval at the 2024 AGM to amend the Remuneration Policy to introduce the ability to grant a one-off LTIP to the Chief Executive Officer in the year ending 31 March 2025. Details of the proposed award, which is subject to shareholder approval, are follows:

Nick Wiles will be granted a one-off LTIP award over shares equal to 150% of salary immediately following the 2024 AGM.

The LTIP will vest 3 years from grant subject to continued service and the following performance targets based on EBITDA performance in respect of the year ending 31 March 2027:

FY EBITDA	Vesting %
£100m	0% of awards vest
Between £100m and £107m	Pro-rata between 0% and 100% of awards vest
£107m or above	100% of awards vest

Dividend equivalents will be applied to the extent that the LTIP award vests.

The LTIP will be in addition to his normal 2024 RSA (expected to be granted in the normal 42-day window following the announcement of results).

Post vesting, a two year holding period will apply.

Our standard leaver/change of control and malus/clawback provisions will operate as per the shareholder approved Directors' Remuneration Policy.

Any shares which vest will count towards the in-employment and post cessation shareholding guidelines as relevant.

The majority of PayPoint's largest shareholders have confirmed their support for the retention award.

Noting the proposed LTIP award to the CEO detailed above, a summary of how the Committee intends to implement the remainder of the Policy for the year ending 31 March 2025 is as follows:

- **Salary** – the salaries of the Chief Executive and Chief Financial Officer will be increased by 2% to £508,595 and £326,400 respectively from 1 July 2023, consistent with the minimum increase applied to the general workforce and below the average increase applied to the general workforce of 3%.
- **Pension** – Executive Directors will continue to receive a 5% of salary workforce-aligned pension contribution.
- **Annual bonus** – The maximum annual bonus opportunity will remain at 106% of base salary, with the majority of the bonus opportunity based on a profit measure and a minority based on the achievement of net revenue and strategic/ESG-based targets. Bonus deferral, at 25% of any award for 3 years, will continue to operate. Full retrospective disclosure of the performance metrics, targets (which are currently considered to be commercially sensitive) and outturns will be provided in the Directors' Remuneration Report for the year ending 31 March 2025.
- **RSAs** – The Committee intends to grant the 2024 RSAs at 75% of salary for Nick Wiles and 62.5% of salary for Rob Harding. Awards will normally vest after three years, subject to continued service and the Committee being satisfied in respect of performance against the underpin, with a two year holding period.
- **Malus and clawback** – Provisions will continue to operate for both the annual bonus, deferred bonus and RSAs.

Conclusion

I hope you are supportive of our approach to Policy implementation for the year ending 31 March 2025 which is a continuation of our considered approach to remuneration at PayPoint, and that you will therefore vote in favour of the remuneration-related resolutions that will be tabled at the forthcoming AGM.

Rakesh Sharma OBE FREng CPhys

Chairman, Remuneration Committee
12 June 2024

Directors' Remuneration Report continued

The Directors' Remuneration Policy

This part of the Directors' Remuneration Report sets out the proposed Director's Remuneration Policy ('Policy') for the Group. This Policy will be put to shareholders for approval in a binding vote at the 2024 AGM and if approved it will be effective from that date. The Remuneration Committee's current intention is that the revised policy will operate for the three-year period to the 2027 AGM.

Policy scope

The Policy applies to the Chairman, Executive Directors and Non-Executive Directors.

Summary of Policy Change

Shareholders approved our current Policy at the 2023 AGM with over 97% of votes cast in favour.

However, following a review of the current Directors' Remuneration Policy and following discussions with PayPoint's major shareholders as detailed in the Annual Statement, the Remuneration Committee wishes to ensure that Nick Wiles is sufficiently retained in the business. While Nick currently receives annual grants of Restricted Share Awards (RSAs) over shares equal to 75% of salary, the Committee has concluded that the current approach is not sufficient to ensure Nick stays with the business over the next three years.

As such, the Committee has consulted major shareholders and the main representative bodies in respect of the grant of a one-off LTIP to Nick Wiles over shares equal to 150% of salary. Given that the current Directors' Remuneration Policy only permits the grant of Restricted Share Awards, we are seeking shareholder approval at the 2024 AGM to amend the Remuneration Policy to introduce the ability to grant the one-off LTIP to the Chief Executive Officer in the year ending 31 March 2025.

Consideration of conditions elsewhere in the Company

When making decisions on Executive Director remuneration, the Committee considers pay and conditions across PayPoint. In particular, it is anticipated that salary increases for senior executives will have regard to those of salaried employees as a whole.

Consideration of shareholder views

The Remuneration Committee maintains a regular dialogue with its major shareholders and when determining remuneration, takes into account the guidelines of investor bodies and shareholder views. The Committee continues to monitor trends and developments in corporate governance and market practice to ensure the structure of the executive remuneration remains appropriate and commits to undergo a shareholder consultation in advance of any material changes to the Policy.

Executive Directors' remuneration

The table that follows summarises our policy on each element of the remuneration package for Executive Directors.

Fixed

Element and link to strategy: Base salary

Takes account of personal contribution and performance against Company strategy.

Operation	Opportunity	Performance metrics
Reviewed annually, with account taken of responsibility and skills, the individual Director's performance and experience, pay for comparable roles and pay and conditions throughout the Company.	Any base salary increases are applied in line with the outcome of the annual review and normal salary increases will have regard to those of salaried employees as a whole. Salary increases will be limited to no more than 15% a year, unless there is an exceptional change in the size or structure of the business which materially changes the scope of responsibilities (there will be no cap on salary levels for new recruits or promotions to the Board, or promotions within the Board).	The salary review takes into account individual and Company performance.

Element and link to strategy: Pension

Provides market appropriate benefits.

Operation	Opportunity	Performance metrics
The Company makes contributions to personal pension plans or cash allowance in lieu of pension.	In line with the general workforce (as a percentage of salary).	None.

Element and link to strategy: Benefits

Provides market appropriate benefits.

Operation	Opportunity	Performance metrics
Benefits may include, but are not limited to car allowance, health insurance and employee share plans. In certain circumstances, the Committee may also approve the provision of additional allowances relating to the relocation of an Executive Director and other expatriate benefits to perform his or her role. All reasonable business related expenses will be reimbursed (including any tax due thereon).	Benefits vary by role and individual circumstances and are reviewed periodically. Benefits will not normally exceed 15% of salary. The Committee retains discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in insurance premiums).	None.

Variable

Element and link to strategy: Annual bonus and Deferred Annual Bonus Scheme ('DABS')

Rewards delivery of the Group's annual financial and strategic goals and supports retention.

Operation	Opportunity	Performance metrics
The Remuneration Committee reviews and agrees measures, targets and weightings at the beginning of each financial year. At the end of the year, the Remuneration Committee determines the extent to which targets have been achieved. Under the DABS at least 25% of any annual bonus award is deferred into conditional share awards, deferred cash or nil-cost options for at least three years, subject to continued employment. Dividends accrue on deferred awards as additional share entitlements over the deferral period to the extent that awards vest. Awards are subject to clawback and malus provisions (see notes to the Policy table).	150% of salary[1]. A minority of the bonus would be payable for achieving threshold performance. Where appropriate, a sliding scale between threshold and maximum performance will be used to determine the payout under each metric.	The majority of the award will be based on financial targets. A minority of the award may be based on strategic/personal/ESG targets. The Remuneration Committee reviews and agrees targets at the beginning of each financial year and may subsequently adjust those targets as detailed in the notes to this table. The Remuneration Committee also has the discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards, to ensure that payments are a true reflection of performance of the Company over the performance period, e.g. in the event of unforeseen circumstances outside of management control. Any use of discretion will be explained in the respective Annual Report on Remuneration.

Element and link to strategy: Restricted share awards

Drives sustained long-term performance, aids retention and aligns the interests of Executive Directors with shareholders.

Operation	Opportunity	Performance metrics
Awards will normally vest on the third anniversary of grant. Once vested, awards may not be sold until at least five years from the grant date. Dividends may accrue as additional share entitlements over the vesting period and any holding period to the extent that awards vest.	75% of salary.	Although no formal performance measures apply to RSAs, the extent to which an award vests may be reduced by the Committee if a discretionary underpin assessed to the end of the financial year preceding the date of vesting is not achieved. In addition, the Committee may reduce the extent to which an award vests if it believes this better reflects the underlying performance of the Company over the relevant period.

Element and link to strategy: Long Term Incentive Plan award

To aid the retention of the CEO while ensuring his interests are aligned with shareholders.

Operation	Opportunity	Performance metrics
Awards will normally vest on the third anniversary of grant. Post vesting, a two year post-vesting holding period will operate. Dividends may accrue as additional share entitlements over the vesting period and any holding period to the extent that awards vest.	150% of salary one-off award for the CEO in the year ending 31 March 2025.	Sliding EBITDA targets.

Element and link to strategy: Shareholding guidelines

Encourages a long-term focus and aligns the interests of Executive Directors with shareholders.

Operation	Opportunity	Performance metrics
Shareholding guidelines require Executive Directors to acquire a specified shareholding. In employment: Executive Directors are required to retain 50% of any share award acquired on vesting (net of tax) until the guideline level is achieved. Acquired holdings may be held by spouses or dependent family members. Post-employment: Executive Directors will need to retain shares equal to 100% of the shareholding guideline up until the first anniversary of cessation. Between the first and second anniversary of cessation they will need to retain shares equal to 50% of the guideline. Own shares purchased, shares acquired through buyout awards and share awards granted prior to the 2020 AGM will be excluded from the post cessation guideline[2].	200% of salary.	N/A

1 The Committee's current intention is that annual bonus potential for Executive Directors will continue to be capped at 106% of salary (noting that this is below the 150% of salary permitted under the Policy). Reflecting the below-market annual bonus maximum for Executive Directors, and as per past practice and as aligned to practice below Board, on-target bonus potential will continue to operate at 80% of the maximum. However, noting that the on-target bonus is higher than typical, and maximum potential is lower than market, should bonus potential be increased from 106% of salary to a more market aligned 150% of salary in the future, the on-target bonus potential will be reduced to 50% of maximum in line with market norms.

2 Executive Directors leaving the employment of PayPoint would normally be required to self-certify annually in writing post-cessation that they still hold the required shares as part of their termination agreement.

Directors' Remuneration Report continued

Element and link to strategy: All-employee share plans		
Encourage share ownership across all employees.		
Operation	**Opportunity**	**Performance metrics**
Operation of an HMRC approved all-employee share plan (currently a SIP). Executive Directors may participate on the same basis as all other eligible employees.	Up to the prevailing HMRC approved limits.	None.

Notes to the policy table

Clawback (aka recovery) and malus (aka withholding) provisions

Clawback and malus provisions operate based on the following triggers:

- Misconduct
- Material misstatement
- Error in calculation
- Serious reputational damage to the Company
- Corporate failure
- Insolvency

Shareholder approvals

At the 2024 AGM on 1 August 2024, the Company will be asking shareholders to vote on four separate remuneration-related resolutions as follows:

- a binding vote on the amended Directors' Remuneration Policy, which will, subject to shareholder approval, become formally effective as at the date of the AGM;
- an advisory vote on the Directors' Remuneration Report (excluding the Policy), which provides details of the remuneration earned by Directors for performance in the year ended 31 March 2024 and how we intend to remunerate Directors in the year ending 31 March 2025;
- a binding vote on amendments to the PayPoint Restricted Share Plan (to be renamed the PayPoint Executive Share Plan) to create an omnibus shareplan. Following the Deferred Bonus Plan reaching the end its 10 year life, the Company wishes to operate a single discretionary share plan to enable share awards to be granted on consistent terms going forwards; and
- the renewal of the PayPoint plc Share Incentive Plan, which is an HMRC tax-advantaged "all-employee" scheme, which is nearing the end of its ten-year life.

Use of discretion

The Remuneration Committee may exercise discretion in two broad areas for each element of remuneration:

- To ensure fairness and align Executive Director remuneration with underlying individual and Company performance, the Committee may adjust upwards or downwards the outcome of any short-term or long-term incentive plan payment within the limits of the relevant plan rules. Any adjustments in light of corporate events will be made on a neutral basis, i.e. the intention of any adjustment will be that the event is not to the benefit or detriment of participants. Adjustments to underlying performance may be made in exceptional circumstances to ensure outcomes are fair, both to shareholders and participants.
- In the case of a non-regular event occurring, the Committee may apply its discretion to ensure fairness and seek alignment with business objectives. Non-regular events in this context include, but are not limited to: corporate transactions; changes in the Company's accounting policies; minor or administrative matters; internal promotions and external recruitment and terminations. Any use of discretion by the Committee during the financial year will be detailed in the relevant Annual Report on Remuneration.

Performance measure selection

Profit and net revenue are normally the primary financial measures for the annual bonus plan. At the sole discretion of the Remuneration Committee, exceptional items may be removed from operating profit and revenue where the inclusion of such items would be inconsistent with fair measurement, and actual tax may be adjusted to normalised rates if they are considered unsustainable. Performance targets relating to the annual bonus plan are set from the Company's annual budget, which is reviewed and signed off by the Board prior to the start of each financial year. Targets are based on a number of internal and external reference points. Targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year.

Strategic, personal and/or ESG targets for the annual bonus may be set each year based on the Company's prevailing strategic objectives at that time. Targets will be set on a measurable, quantifiable basis where possible, but due to the nature of the objective, may require some subjective assessment.

In respect of the RSAs granted to Executive Directors, the Committee must be satisfied that PayPoint's underlying performance and delivery against its strategy and plans is sufficient to justify the level of vesting having regard to such factors as the Committee considers to be appropriate in the round (including revenue, earnings, share price performance and the delivery of the Company's ESG strategy) and the shareholder experience more generally.

In respect of the one-off LTIP to be granted to the CEO, subject to shareholder approval, sliding scale EBITDA targets will be operated.

The Committee retains the discretion to alter the weighting, substitute or use new performance measures for future incentive awards, if they are believed to better support the strategy of the business at that time.

Remuneration policy for other employees

PayPoint's approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies. All UK employees are eligible to participate in the Company's SIP. Senior managers participate in the annual bonus scheme with the same profit measure as is set for the Executive Directors. Members of the Executive Board and senior managers (c.15 individuals) are eligible to receive RSAs as part of their reward package. Performance conditions are consistent for all participants, while award sizes vary by organisational level. One-off RSA awards are made to other employees below the Executive Board who are critical to the success of the business.

Non-Executive Director remuneration

The remuneration of the Non-Executive Directors is within the limits set by the Articles of Association. Non-Executive Directors do not participate in any bonus plan or share incentive programme operated by the Company and are not entitled to pension contributions or other benefits provided by the Company.

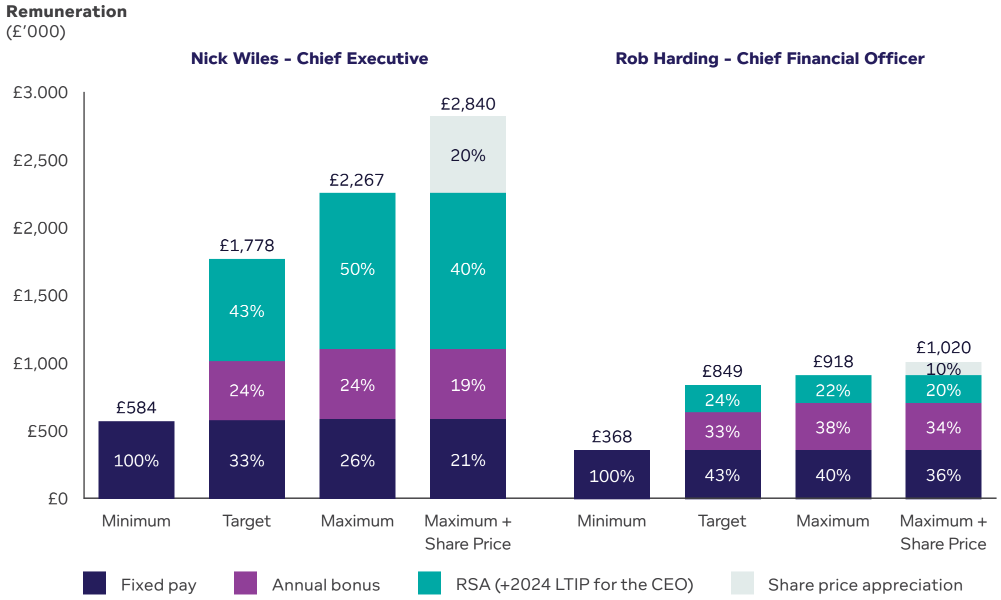
Element and link to strategy: Fees

To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company.

Operation	Opportunity	Performance metrics
Fee levels are normally reviewed annually. The remuneration of the Non-Executive Directors is determined by the Board based upon recommendations from the Chairman and Chief Executive (or, in the case of the Chairman, based on recommendations of the Committee). Additional fees are payable for roles with additional responsibilities including, but not limited to, the SID and the Chairs of the Audit and Remuneration Committees. Fee levels are benchmarked against sector comparators and companies of similar size and complexity. Time commitment and responsibility are taken into account when reviewing fee levels. All reasonable business-related expenses may be reimbursed (including any tax due thereon).	Non-Executive Director fee increases are applied in line with the outcome of the annual fee review. Fees paid in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration. It is expected that Non-Executive Director fee levels will generally be positioned around the median but may fall within the second and third quartiles. Any increases will also have regard to general increases in Non-Executive Directors' fees across the market. In the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, or specific recruitment needs, the Board has discretion to make an appropriate adjustment to fee levels. Aggregate fees are also limited by the cap contained in the Company's Articles of Association.	Continued strong and objective contribution.

Pay scenario charts

The charts below provide an illustration of the potential annual future reward opportunities for the Chief Executive and Chief Financial Officer, and the potential split between the different elements of remuneration under four different performance scenarios: minimum, target, maximum and maximum with share price.



Assumptions:

Minimum	• Base salary as at 1/7/2024 • An approximated annual value of benefits • 5% of salary pension
Target	Minimum remuneration plus: • 80% of maximum on-target bonus (85% of salary) • 75% of salary RSA for the CEO, 62.5% of salary RSA for the CFO • 50% of max LTIP for the CEO (75% of salary)
Max	• Minimum remuneration plus: • 100% of maximum on-target bonus (106% of salary) • 75% of salary RSA for the CEO, 62.5% of salary RSA for the CFO • 100% of max LTIP for the CEO (150% of salary)
Maximum + Share Price	• Share appreciation of 50% for the RSAs and CEO's 2024 LTIP award

For simplicity, the values of any SIP awards are excluded.

Directors' Remuneration Report continued

Approach to recruitment remuneration

External appointment

In the cases of hiring or appointing a new Executive Director from outside the Company, the Remuneration Committee may make use of all the existing components of remuneration, as follows:

Component	Approach	Maximum
Base salary	The base salaries of new appointees will be determined by reference to similar positions with comparative status, responsibility and skills in parallel with the individual Director's performance, experience and responsibilities, and pay conditions throughout the Company. Where new appointees have initial basic salaries set below market, any shortfall may be managed with phased increases over a period of two to three years, subject to the individual's development in the role.	N/A
Pension	New appointees will receive contributions to personal pension plans in line with the workforce.	
Benefits	New appointees will be eligible to receive benefits in line with existing policy. Reasonable relocation support may be provided if necessary.	
SIP	New appointees will be eligible to participate in the SIP in line with existing policy.	
Annual bonus	The structure described in the policy table will apply to new appointees with the relevant maximum being prorated to reflect the proportion of employment over the year. Depending on the timing of the appointment, it may be appropriate to operate different performance measures for the remainder of that initial bonus period.	150% of salary
RSA	New appointees will be granted awards under the RSP on the same terms as other executives, as described in the policy table.	75% of salary

In determining appropriate remuneration, the Remuneration Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of both PayPoint and its shareholders. In addition to the above elements of remuneration, the Committee may consider it appropriate to grant an award under a different structure in order to facilitate the recruitment of an individual, exercising the discretion available under the relevant Listing Rule (LR 9.4.2 R) to replace incentive arrangements forfeited on leaving a previous employer. Such buyout awards would have a fair value no higher than that of the awards forfeited. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining.

Internal appointment

In cases of appointing a new Executive Director by way of internal promotion, the Remuneration Committee and Board will be consistent with the policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to the Board, the Company will continue to honour these arrangements.

Non-Executive Directors

In recruiting a new Non-Executive Director, the Remuneration Committee will utilise the prevailing shareholder-approved Policy.

Service contracts and exit policy

Executive Directors

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. Nick Wiles has a rolling service contract requiring 12 months' notice of termination on either side. In line with current market practice, Rob Harding, has a rolling service contract requiring 6 months' notice on either side. Executive Director service contracts are available to view at the Company's registered office. Details of the service contracts of the Executive Directors of the Company are as follows:

Name	Company notice period	Contract date
Nick Wiles	12 months	19 May 2020
Rob Harding	6 months	30 January 2023

There are no special provisions in service contracts relating to cessation of employment or change of control. The policy on termination is that the Company does not make payments beyond its contractual obligations and Executive Directors will be expected to mitigate their loss. In addition, the Remuneration Committee ensures that there are no unjustified payments for failure. Under normal circumstances, Executive Directors may receive termination payments in lieu of notice equal to pay and benefits for the length of their contractual notice period.

When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table on the next page summarises how the awards under the annual bonus and share incentive plans are typically treated in specific circumstances. Whilst the Committee retains overall discretion on determining good leaver status, it typically defines a good leaver in circumstances such as death, ill health, injury or disability, retirement with the Company's consent, redundancy or any other reason that the Committee determines. Bad leavers include those leaving employment due to resignation or misconduct, and retirement without agreement of the Company.

Final treatment is subject to the Committee's discretion:

Event	Timing/vesting of award	Calculation of vesting/payment
Annual bonus		
Good leaver	Paid at the same time as continuing employees.	Eligible for an award to the extent that performance targets are satisfied and the award is normally pro-rated for the proportion of the financial year served.
Bad leaver	No annual bonus payable.	Not applicable.
Change of control	Paid immediately on the effective date of change of control.	Eligible for an award to the extent that performance targets are satisfied up to the change of control and the award is normally prorated for the proportion of the financial year served to the effective date of change of control.

DABS		
Good leaver	Continue until the normal vesting date. In the event of death of a participant, the award would vest immediately.	Outstanding awards normally vest at the normal vesting date on a time prorated basis, although time prorating may be disapplied in full or in part.
Bad leaver	Outstanding awards lapse.	Not applicable.
Change of control	Paid immediately on the effective date of change of control.	Outstanding awards normally vest on a time prorated basis to reflect the length of the vesting period served, although time prorating may be disapplied.

RSA/CEO's 2024 LTIP Award		
Good leaver	Continue until the normal vesting date or vest immediately, at the discretion of the Committee.	Outstanding awards vest subject to the Committee's assessment of any underpin or performance target as relevant, with time prorating normally applied.
Bad leaver	Outstanding awards lapse.	Not applicable.
Change of control	Vest immediately on the effective date of change of control.	Outstanding awards vest at the effective date of change of control, subject to the Committee's assessment of any underpin or performance target as relevant, with time pro-rating applied, unless the Board decides otherwise.

Non-Executive Directors

The Non-Executive Directors do not have service contracts, rather they have letters of appointment which are subject to a three-year term. Details of the terms of appointment of the Non-Executive Directors are set out in the table below:

Name	Effective date of letter	Unexpired term as at 31 March 2024	Date of appointment	Notice period
Gill Barr	2 June 2021	2 months	1 June 2015	One month
Giles Kerr	20 November 2021	7½ months	20 November 2015	One month
Guy Parsons	23 March 2023	23½ months	23 March 2023	One month
Rosie Shapland	2 October 2023	30 months	2 October 2020	One month
Rakesh Sharma	12 May 2023	26½ months	12 May 2017	One month
Lan Tu	15 March 2024	35½ months	15 March 2024	One month
Ben Wishart	14 November 2022	19½ months	14 November 2019	One month

Under the Company's Articles of Association, all Directors are required to submit themselves for re-election every three years. However, in order to comply with the Code, all Directors will be subject to annual re-election. Non-Executive Directors' letters of appointment are available to view at the Company's registered office.

Annual Report on Remuneration

The following section provides details of how PayPoint's Remuneration Policy was implemented during the financial year ended 31 March 2024 and how it will be implemented for the year ending 31 March 2025. The following pages contain information that is required to be audited in compliance with the Directors' remuneration requirements of the Companies Act 2006. All narrative and quantitative tables are unaudited, unless otherwise stated.

Role of the Remuneration Committee

The Remuneration Committee is responsible for developing policy on remuneration for Executive Directors, the Executive Board and senior managers, and for determining specific remuneration packages for each of the Executive Directors. The Committee also reviews workforce remuneration and related policies and the alignment of incentives and rewards with culture. The Remuneration Committee is formally constituted with written terms of reference which set out the full remit of the Committee. The terms of reference are also available on the Company's website at www.corporate.paypoint.com.

During the year, the Committee sought internal support from the Chief Executive and the Chief People Officer, who attended Committee meetings by invitation from the Chairman, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the Executive Board and senior managers. Neither of the above were present for any discussions that related directly to their own remuneration. The Company Secretary attended each meeting as secretary to the Committee.

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. To this end, the Committee continued to retain the services of FIT Remuneration Consultants LLP as the principal external advisers to the Committee during the financial year. The Committee is comfortable that the FIT team provide independent remuneration advice to the Committee and do not have any other connections with PayPoint that may impair their independence.

FIT is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com.

During the year, FIT provided independent advice on a range of remuneration matters including remuneration benchmarking. FIT provides no other services to the Company. The fees paid to FIT (on the basis of time and materials) in respect of work carried out for the year under review were £29,971 (excluding VAT).

Directors' Remuneration Report continued

Summary of shareholder voting

The following table shows the results of the binding vote on the Remuneration Policy Report and the advisory vote on the 2023 Annual Report on Remuneration at the 7 September 2023 AGM:

	Remuneration Policy		Remuneration Report	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	49,553,507	96.9%	50,888,082	99.4%
Against	1,600,997	3.1%	287,105	0.6%
Total votes cast (excluding withheld votes)	51,154,504		51,175,187	
Total votes withheld[1]	33,454		12,771	
Total votes cast (including withheld votes)	51,187,958		51,187,958	

1 A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 March 2024 and the prior year:

	Nick Wiles £'000		Rob Harding £'000		Alan Dale (Former Director[7]) £'000	
	2024	2023	2024	2023	2024	2023
Base salary[1]	495	481	213	–	135	307
Taxable benefits[2]	54	61	22	–	7	14
Pension[3]	25	24	11	–	7	15
Total fixed pay	574	566	246	–	149	336
Annual bonus[4]	424	459	182	–	115	293
Long-term incentives[5]	217	147	0	–	60	46
Other[6]	2	2	1	–	1	2
Total variable pay	643	608	183	–	176	341
Total remuneration	1,217	1,174	429	–	325	677

1 A base salary increase of 3% was awarded to the Chief Executive and Finance Director in July 2023, in line with the minimum increase awarded to the general workforce.

2 Taxable value of benefits received in the year by Executive Directors relates to a benefits allowance and hotel costs (Chief Executive), car allowance, petrol, medical insurance, life assurance, permanent health insurance and hotel costs (Finance Director/Chief Financial Officer).

3 Pension during the year: the pension rate for Executive Directors was 5% of base salary, in line with the rate offered to the wider workforce. Payments to Nick Wiles and Alan Dale were made as cash allowances.

4 Annual bonus: this is the total bonus earned in respect of performance during the relevant year, including any deferred amounts (25% of the annual bonus is normally deferred into shares under the DABS. Awards vest after 3 years).

5 Long-term incentives reflects the value of the second tranche of Restricted Share Awards granted in 2020 which are due to vest in July 2024 and the first tranche of the Restricted Share Awards granted in 2021 which are due to vest in August 2024, subject to an assessment of the discretionary underpin. The value of the awards has been calculated based on the three month average share price to 31 March 2024 (£5.07).

6 SIP matching and dividend shares awarded in the period valued at the average share price calculated over three months to 31 March 2024 of £5.07 (2023: £4.93). The SIP is an HMRC-approved plan that allows participants to purchase shares using gross salary and receive matching awards from the Company. There are no performance conditions.

7 Alan Dale stepped down as a Director on 7 September 2023. Further details can be found on page 113.

Single total figure of remuneration for the Chairman and Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by the Chairman and each Non-Executive Director for the year ended 31 March 2024 and the prior year:

	Base fee £'000		Committee Chair fees £'000		Senior Independent Director fees £'000		Total fixed remuneration £'000		Total Variable Remuneration £'000	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Chairman										
Giles Kerr	174	169	–	–	–	–	174	169	–	–
Non-Executive Directors										
Gill Barr	51	50	–	–	–	–	51	50	–	–
Guy Parsons	51	1	–	–	–	–	51	1	–	–
Rosie Shapland[1]	51	50	20	9	–	–	71	59	–	–
Rakesh Sharma	51	50	10	9	6	6	67	65	–	–
Lan Tu[2]	2	–	–	–	–	–	2	–	–	–
Ben Wishart	51	50	–	–	–	–	51	50	–	–
Total	431	370	20	18	6	6	467	394	–	–

1 Rosie Shapland's chair fee was supplemented by an additional fees of £10,000 in respect of significant additional time that was spent closing the 2022/23 audit.

2 Lan Tu was appointed as a Non-Executive Director on 15 March 2024.

Fees paid to Non-Executive Directors were increased by 3% from 1 July 2023 consistent with the minimum increase applied to the general workforce. Non-Executive Directors do not receive any variable remuneration.

Incentive outcomes for the year ended 31 March 2024

Annual bonus in respect of 2023/2024 performance (audited)

The annual bonus for the year ended 31 March 2024 was based on a combination of PayPoint segment profit before tax excluding exceptional items ('PBT'), net revenue and strategic targets.

Details of the performance against the PayPoint segment profit before tax, net revenue and strategic targets are set out below.

Profit before tax and net revenue targets:

Measure	Maximum value	Threshold (20% of max) £'000	Target (80% of max) £'000	Stretch (100% of max) £'000	Actual achieved £'000	Payout
Underlying Profit Before Tax[1]	64% of salary	58,000 (96.7% of target)	60,000 (100% of target)	62,000 (103.3% of target)	61,700 (102.8% of target)[1]	61.8% of salary (97% of max)
Net revenue	16% of salary	168,000 (97.1% of target)	173,000 (100% of target)	178,000 (102.9% of target)	181,000 (104.6% of target)	16% of salary (100% of max)

1 Underlying Profit Before Tax excluding adjusting items. Adjusting items consist of exceptional items and amortisation of intangible assets arising on acquisition.

Strategic targets: (audited)

Strategic targets for the annual bonus are set each year based on the Company's prevailing strategic objectives at that time. Targets are set on a measurable, quantifiable basis where possible, but due to the nature of the objective, may require some subjective assessment.

Target	Performance and bonus earned
Direct Debit and Open Banking Maximum value 5.3% of salary	Drive further growth in integrated payments platform and build on strong momentum in Open Banking, working with OB Connect to expand services for existing and new clients. Delivered: Increase in annualised recurring net revenue delivered across Housing, Charities and Government including DVLA, Sovereign and Guinness. Open Banking services delivered into 38 new or existing clients including Go Cardless, AMEX and Creditsafe with strong pipeline of opportunities for next financial year. Assessment: Growth delivered with strong pipeline for next financial year. Payout 4.25% of salary (80% of maximum).
ESG Maximum value 5.3% of salary	Demonstrate progress in delivery of ESG commitments. Delivered: The Committee noted strong progress in year in respect of the roll out of the PayPoint Mini which will deliver reduced emissions per terminal, year on year reduction in emissions per fleet car following the introduction of additional hybrid vehicles to the fleet and an increase in the percentage mix of digital vs physical product across Love2shop products. See pages 36 to 37 for more information. Assessment: Material ESG progress delivered. Payout 4.25% of salary (80% of maximum).
Integration of Appreciate Group Maximum value 5.3% of salary	Deliver in year organisation integration plans and develop enlarged group commercial synergies. Delivered: Functional team alignment implemented at completion with plans for fully integrated functions developed and communicated in March 2024. Northern Hub established in July 2023 and key people processes rolled out. Park Christmas Savings returned to growth for the first time in six years. PayPoint Super Agent network launched to over 1,700 retailers in partnership with The Fed. L2S launched into multiple retailers with planned roll out to independent network. Assessment: Organisation integration delivered to plan with good progress made in the delivery of commercial synergies. Payout 4.25% of salary (80% of maximum).

Directors' Remuneration Report continued

Target	Performance and bonus earned
Next Generation Terminal Technology Maximum value 5.3% of salary	Launch next generation terminal technology including the launch of PayPoint Mini and the continued roll out of the Saturn terminal to Cardnet merchants outside the PayPoint Network. Delivered: PayPoint Mini pilot completed as planned and launched in November 2023. Saturn is now the default terminal for Handepay field sales. All Saturn terminals have Payment Loyalty, Smart Volution Register, EPOS, Collect+ Merchant Send, Lawbite, YouLend and Funding Circle embedded. Assessment: Significant progress made. Payout 4.25% of salary (80% of maximum).
Cards proposition Maximum value 5.3% of salary	Establish infrastructure for Payfac and initiate cards acceleration plans. Delivered: Payfac discovery phase completed to plan. Approach to acquiror changed to focus on Cardnet as a single provider for new business. Major partnership expansion with Lloyds Cardnet agreed and going into pilot in Q2 FY24/25. Assessment: New approach will further enhance proposition and strengthen market position. Payout 4.25% of salary (80% of maximum).
Maximum value	27% of salary.
% of potential award	80% of max.
% of salary award	21.25% of salary.

Given the progress made in respect of direct debit and open banking, delivery of ESG commitments, integration of Appreciate Group, the roll out of next generation terminal technology and cards proposition, the above objectives have been assessed as achieved and the Remuneration Committee approved a payout of 80% of maximum of this part of the bonus award.

Total bonus awards

The above performance resulted in the following bonus awards for the year:

	% of award	% of max
PBT	60%	97%
Net Revenue	15%	100%
Strategic Targets	25%	80%
Total	100%	93%
Total (Post Management Waiver)		80%*

* The Committee considered that the actual outcomes indicated above are reflective of the performance delivered over the year. However, in light of work undertaken to streamline the organisation and cost base the Executive Board unanimously proposed to waive any bonus award in excess of target. The Remuneration Committee accepted this proposal after careful consideration, resulting in a bonus award at target (80% of maximum) to all members of the Executive Board including the Executive Directors. As such, actual bonus awards for Nick Wiles, Rob Harding and Alan Dale were £423,830, £182,030 (pro-rated from 1 August 2023 to 31 March 2024), and £115,162 (pro-rated from 1 April 2023 to 7 September 2023) respectively.

	% of award	Maximum	Actual	Actual: Nick Wiles	Actual: Rob Harding	Actual: Alan Dale	Waived: Nick Wiles	Waived: Rob Harding	Waived: Alan Dale	Received: % of salary	Received: Nick Wiles	Received: Rob Harding	Received: Alan Dale
PBT[1]	60%	64% of salary	61.8% of salary	£308,336	£132,427	£83,780	£54,038	£23,209	£14,683	51% of salary	£254,298	£109,218	£69,097
Net revenue	15%	16% of salary	16% of salary	£79,468	£34,131	£21,593	£15,894	£6,826	£4,319	13% of salary	£63,574	£27,305	£17,274
Strategic targets	25%	26% of salary	21.3% of salary	£105,957	£45,508	£28,790	£0	£0	£0	21% of salary	£105,957	£45,508	£28,790
Total	100%	106% of salary	99% of salary	£493,762	£212,066	£134,164	£69,932	£30,035	£19,002	85% of salary	£423,830	£182,031	£115,162
			(93% of max)								(80% of max)	(80% of max)	(80% of max)

1 Payouts for Rob Harding and Alan Dale have been pro rated to reflect time in role (1 August 2023 to 31 March 2024 in respect of Rob Harding, 1 April 2023 to 7 September 2023 in respect of Alan Dale).

25% of the total bonus awarded to Nick Wiles and Rob Harding will be deferred into shares which will vest after three years from grant, subject to continued employment, in line with the Directors' Remuneration Policy.

2020 and 2021 RSA awards vesting (audited)

With respect to the RSA awards granted on:

- 27 July 2020, 50% of the awards made to Nick Wiles vested in July 2023, 25% are due to vest four years from grant on 27 July 2024 and 25% after five years from grant; and
- 13 August 2021 to Nick Wiles and Alan Dale, 50% of the awards are due to vest on 13 August 2024, 25% are due to vest four years from grant and 25% after five years from grant.

RSAs made to Executive Directors once vested may not be sold until at least five years from grant date other than to settle any tax due.

Details of awards due to vest in 2024 can be found in the table below:

		Interests held in RSA	Vesting %	Number of shares due to vest (% award granted)	Value[1]	Face Value of Shares at Grant	Value Change Linked to Share Price Movement[5]
Nick Wiles	RSA 2020[2]	29,722	50%	14,861	£75,345	£88,126	-£12,781
	RSA 2021[3]	55,863	50%	27,932	£141,615	£176,251	-£34,646
Total		85,585		42,793	£216,960	£264,377	-£47,427
Alan Dale	RSA 2021[4]	17,463	50%	8,732	£44,271	£55,099	-£10,828

1 Value calculated based on the three-month average share price to 31 March 2024 of £5.07. In addition to this, dividend equivalents will be credited to shares under award to the extent they vest.

2 Of the 59,443 RSAs originally granted in July 2020, 29,721 (50% of awards) vested in July 2023 and the remaining 25% is due to vest in July 2025.

3 Of the 55,863 RSAs originally grated in August 2021, a further 25% will vest in August 2025 and a further 25% will vest in August 2026.

4 Of the 29,714 RSAs originally grated in August 2021 (reduced to 17,473 after time pro-rating), a further 25% will vest in August 2025 and a further 25% will vest in August 2026.

5 Based on the number of shares vesting in 2024 and a share price at grant of £5.93 for the 2020 RSAs and £6.31 for the 2021 RSAs.

Directors' Remuneration Report continued

Vesting is subject to continued service, satisfactory individual performance and a positive assessment of performance against the following underpin:

For RSAs granted to Executive Directors to vest, in addition to continued service, the Committee must be satisfied that PayPoint's underlying performance and delivery against its strategy and plans are sufficient to justify the level of vesting, having regard to such factors as the Committee considers to be appropriate in the round (including revenue, earnings and share price performance) and the shareholder experience more generally (including the risk of windfall gains).

The Committee considered a near-final assessment of the underpins as at 31 March 2024 in respect of the 25% of the CEO's July 2020 grant which is expected to vest in July 2024, and in respect of the 50% of the CEO and FD (Alan Dale)'s July 2021 grant which is expected to vest in August 2024 and found no cause to reduce the vesting outcome. Details of the Committee's assessment (which will be revisited just prior to vesting) are as follows:

- PayPoint has continued to deliver a robust financial performance, making good progress towards delivering £100m EBITDA by the end of FY26. This reflects both the resilience of the business and the transformation delivered over the past three years to unlock further opportunities and growth against its four business divisions.
- Over the relevant four (2020 RSA) and three (2021 RSA) years ending 31 March 2024, PayPoint's:
  - Net revenue has increased by c.70% and c.86% respectively with accelerated revenue growth across all three business divisions.
  - PBT from continuing operations (excluding exceptional items) has grown by c.7% and c.52% respectively.
  - The business has executed a significant transformation to deliver a rapid transition from the legacy cash business towards a broader digital payments and services business supporting a wider range of client sectors and strengthened retailer proposition.
  - Total Shareholder Return (i.e. share price plus dividends) was -0.5% and 14.1% respectively.
- In addition, PayPoint's ordinary reported dividend per share has grown from 32.2p to 38.2p since 2021 following the end of the additional dividend programme in March 2020.
- On the basis that the share price at 31 March 2024 (£4.86) is below the 2020 grant price (£5.93) and 2021 grant price (£6.31), there is no windfall gain as at the date of this report.

Scheme interests awarded in the year ended 31 March 2024 (audited)

RSAs

In the year under review, RSAs were granted on 11 September 2023 with a face value of 75% of salary for the Chief Executive and 62.5% of salary for the Chief Financial Officer. The RSAs made to Executive Directors once vested may not be sold until at least five years from grant date other than to settle any tax due.

Executive Director	Basis of award	Number of shares	Face value[1]	Vesting profile	Performance measures
Nick Wiles	75% of salary	67,079	£378,326	100% after three years from grant	(a) continued service (b) satisfactory individual performance (c) a positive assessment of performance against the underpin[2]
Rob Harding	62.5% of salary	35,874	£202,329		

1 Face value is based on the middle market quotation of a share in the capital of the Company on the preceding dealing day of award of £5.64.

2 Underpin: The Committee must be satisfied that PayPoint's underlying performance and delivery against its strategy and plans are sufficient to justify the level of vesting, having regard to such factors as the Committee considers to be appropriate in the round (including revenue, earnings and share price performance and the delivery of the Company's ESG strategy) and the shareholder experience more generally (including the risk of windfall gains).

Buyout Award

As highlighted in last year's Annual Report on Remuneration, the Remuneration Committee agreed to grant Rob Harding a buyout award in PayPoint Plc shares to mirror the value of deferred share awards forfeited upon cessation of his previous employment. As such, and in line with the shareholder approved Remuneration Policy, Rob Harding was granted a nil cost option award over 4,506 PayPoint Plc shares on 1 August 2023. The Buyout Award will ordinarily vest in two tranches - 50% on 1 August 2024 and 50% on 1 August 2025 - subject to continued employment with PayPoint Group and was granted under Listing Rule 9.4.2(2) and therefore limited to settlement with market purchase Ordinary Shares.

Payments to past Directors (audited)

As per the announcements on 31 January 2023 and 7 September 2023, following Alan Dale's notification of his intention to retire, Alan Dale stepped down from his position as Finance Director on 7th September 2023, continuing as an employee until 31 December 2023 to ensure a thorough transition and handover. During this period Alan continued to receive salary, benefits and pension of £106k.

As detailed in the bonus section on page 111, Alan will receive an annual bonus award of £115k in respect of the period served as Finance Director to 7th September 2023, payable at the normal payment date.

Unvested deferred annual bonus and RSA awards will continue to vest at the normal vesting dates and in respect of the RSA awards, vesting will be subject to a positive assessment of performance against the discretionary underpin and time pro-rating to 21 September 2023 (i.e. one year following the announcement of his retirement). Once vested, RSA awards may not be sold until at least five years from the relevant grant date.

PayPoint's post-employment shareholding guideline (outlined on page 103) will apply for two years post cessation of employment. Shares granted before Alan was appointed as an Executive Director in November 2020 are excluded from the post cessation guideline.

No payments were made in respect of loss of office.

CEO pay ratio

The data shows how the Chief Executive's single figure remuneration for the year ended 31 March 2024 (as taken from the single figure remuneration table) compares to the equivalent single figure remuneration for full-time equivalent UK employees, on a Group basis, ranked at the 25th, 50th and 75th percentiles.

The reduction in the ratio compared to the prior year reflects the fact that the bonus awarded to the CEO was lower in 2024 than in 2023 and that lower paid employees have received proportionately higher pay awards than the CEO.

CEO single figure: £1,217,187

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2024	**Option B**	**39:1**	**27:1**	**18:1**
2023	Option A	44:1	29:1	18:1
2022	Option A	34:1	23:1	15:1
2021	Option A	42:1	29:1	17:1
2020	Option A	21:1	14:1	9:1

No components of pay and benefits have been omitted for the purpose of the above calculations. Option B was selected in order to use the same data as used to calculate the gender pay gap.

The underlying quartiles for salary and total remuneration numbers for full-time equivalent UK employees are set out below.

	Salary			Total pay and benefits		
Year	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2024	**£27,863**	**£41,364**	**£62,250**	**£30,885**	**£44,467**	**£67,091**
2023	£24,783	£35,732	£30,675	£26,564	£40,514	£64,339
2022	£22,255	£30,000	£51,587	£27,073	£39,138	£60,798
2021	£21,935	£30,000	£53,321	£23,663	£34,977	£59,399
2020	£22,440	£30,251	£53,674	£24,484	£37,352	£59,603

The data for the three employees identified has been considered and fairly reflects pay at the relevant quartiles amongst the employee population. The Remuneration Committee considers the median pay ratio to be representative of pay and progression policies at the company.

Directors’ Remuneration Report continued

Annual percentage change in remuneration of Directors and employees

The table below shows the percentage change in Director remuneration, comprising salary, taxable benefits and annual bonus, and comparable data for all employees within the Group. The data in this table has been calculated based on the data disclosed in the single total figure tables on page 108.

	2020–2021			2021–2022			2022–2023			2023–2024		
	Base salary/Fee	Benefits[1]	Annual bonus	Base salary/Fee	Benefits[1]	Annual bonus	Base salary/Fee	Benefits[1]	Annual bonus	Base salary/Fee	Benefits[1]	Annual bonus
Executive Directors												
Nick Wiles							2.3%	-1.33%	21.1%	**3%**	**-6.5%**	**-7.4%**
Non-Executive Directors												
Gill Barr	0%			0%			2.3%			**3%**		
Giles Kerr	0%			0%			2.3%			**3%**		
Rosie Shapland							2.3%			**3%**		
Rakesh Sharma	0%			0%			2.3%			**3%**		
Ben Wishart				0%			2.3%			**3%**		
Former Director												
Alan Dale							2.3%	43.4%	21.1%			
Employee population	0.5%	-6.5%	100%	6.2%	-3.3%	-0.3%	6.1%	5.3%	37.1%	**7%**	**7.2%**	**0.0%**

Fields are blank where there is no comparator data due to new appointment, changes in responsibility or departures from the Board .Directors and Non-Executive Directors feature in the table following completion of two full years of service. Guy Parsons was appointed to the board on 23 March 2023. Lan Tu was appointed to the Board on 15th March 2024 and Rob Harding was appointed to the Board on 5th September 2023, therefore they do not feature.

1 Non-Executive Directors receive fixed fees rather than salary and do not receive any variable pay or benefits.

Relative importance of spend on pay

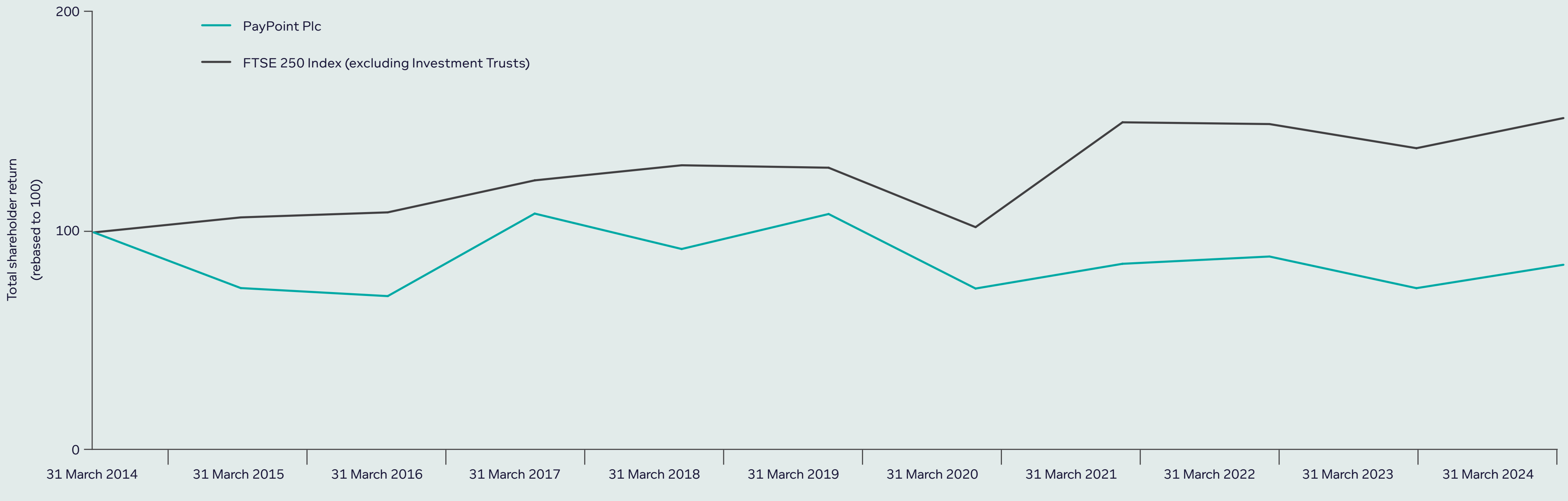
The table below shows the Company’s actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 March 2023 and 31 March 2024. Total employee pay expenditure has increased as a result of an additional 11 months of Love2shop compared to the prior year.

	Total employee pay expenditure £’000	Distributions to shareholders £’000
2024	**56,937**	**27,325**
2023	38,234	25,107
% change	49%	9%

Pay for performance

The graph below compares the value of £100 invested in PayPoint shares, including reinvested dividends, with the FTSE 250 Index (excluding investment trusts) over the last ten years. This index was selected because it is considered to be the most appropriate index against which the Total Shareholder Return of PayPoint could be measured.

Total Shareholder Return ('TSR') (rebased to 100)



Source: Datastream (a LSEG product)

Chief Executive single figure of remuneration (£'000)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Annual bonus payout (as % of maximum)	88%	31%	64%	66%	71%	0%	100%	76%	89%	**80%**
LTIP vesting (as % of maximum)	0%	0%	0%	30%	100%	32%	0%	0%	–	**–**
RSA vesting (as % of maximum)	–	–	–	–	–	–	–	–	100%	**100%**

Directors' Remuneration Report continued

Directors' shareholdings (audited)

The shareholdings of the Directors and their connected persons in the ordinary shares of the Company against their respective shareholding requirement as at 31 March 2024:

	Shares held			Shareholding guidelines			
	Owned outright or vested[1]	Unvested DABS and SIP awards subject to holding period[2]	Unvested RSA awards subject to holding period and underpin	Current shareholding[3]	Guideline % of salary	Guideline number of shares[4]	Met
Gill Barr	2,595	–	–	–	–	–	–
Rob Harding	90	4,682	35,874	2,571	200	126,233	No
Giles Kerr	7,500	–	–	–	–	–	–
Guy Parsons	5,136	–	–	–	–	–	–
Rosie Shapland	–	–	–	–	–	–	–
Rakesh Sharma	4,270	–	–	–	–	–	–
Lan Tu							
Nick Wiles	158,776	60,966	214,506	190,538	200	196,695	No
Ben Wishart	3,500	–	–	–	–	–	–
Alan Dale (former Director)	21,811	32,855	29,228	39,224	200%	121,893	No

1 Includes SIP shares other than SIP matching shares and SIP dividend shares subject to a holding period.

2 Includes unvested DABS shares, SIP matching shares and SIP dividend shares subject to a holding period and continued employment. In respect of Rob Harding this also includes buyout award of 4,506 shares granted in August 2023 subject to continued employment.

3 Current shareholding includes unvested deferred bonus shares and SIP shares not subject to a holding period, on a net of tax basis.

4 A three-month average share price to 31 March 2024 of £5.07 has been used to calculate the holding relative to this guideline.

The market price of the Company's shares on 31 March 2024 was £4.86 per share (31 March 2023: £4.53 per share) and the low and high share prices during the financial year were £3.78 and £5.76 respectively.

There have been no changes to shareholdings between 31 March 2024 and 31 May 2024 other than the purchase of 46 Partnership Shares (and the award of 46 Matching Shares on a 1:1 ratio) by both Nick Wiles and Rob Harding in connection with the SIP.

Directors' interests in shares in PayPoint long-term incentive plans and all-employee plans

Long-Term Incentive Awards and Restricted Share Awards (audited)

Name	Type of awards	Number of shares at 31 March 2023	Number of shares awarded during the period	Number of shares released during the period[1]	Number of shares lapsed during the period	Number of shares at 31 March 2024	Share price at grant £	Value of shares awarded £	Date of grant	Lapse/Release
Nick Wiles	RSA 2020	59,443	–	29,721	–	**29,722**	5.93	352,497	27.07.20	27.07.23 – 27.07.25
Nick Wiles	RSA 2020 (Div Equiv)		4,623	4,623			5.93	27,414	27.07.20	27.07.25
Nick Wiles	RSA 2021	55,863	–	–	–	**55,863**	6.31	352,496	13.08.21	13.08.24 – 13.08.26
Nick Wiles	RSA 2022	61,842	–	–	–	**61,842**	5.70	352,499	10.06.22	10.06.25 – 10.06.27
Nick Wiles	RSA 2023	–	67,079	–	–	**67,079**	5.575	373,965	08.09.23	08.09.26
Alan Dale	RSA 2020	9,274	–	9,274	–	**–**	5.93	54,995	27.07.20	27.07.23
Alan Dale	RSA 2020 (Div Equiv)		1,439	1,439			5.93	8,533	27.07.20	27.07.25
Alan Dale	RSA 2021	29,714	–	–	12,251	**17,463**	6.31	187,495	13.08.21	13.08.24 – 13.08.26
Alan Dale	RSA 2022	32,894	–	–	21,129	**11,765**	5.70	187,496	10.06.22	10.06.25 – 10.06.27
Rob Harding	RSA 2023 Buyout	–	4,506	–	–	**4,506**	5.34	24,062	01.08.23	01.08.24 – 01.08.25
Rob Harding	RSA 2023	–	35,874	–	–	**35,874**	5.575	199,998	08.09.23	08.09.26

1 For RSAs to vest the Committee must be satisfied that PayPoint's underlying performance and delivery against its strategy and plans are sufficient to justify the level of vesting having regard to such factors as the Committee considers to be appropriate in the round (including revenue, earnings and share price performance) and the shareholder experience more generally (including the risk of windfall gains).

Deferred Annual Bonus Scheme[1] (audited)

Name	Number of shares at 31 March 2023	Number of shares awarded during the period	Number of shares released during the period[1]	Number of shares lapsed during the period	Number of shares at 31 March 2024	Share price at grant £	Value of shares awarded £	Date of grant	Lapse/Release
Nick Wiles	19,785	–	–	–	**19,785**	6.31	124,843	13.08.21	13.08.24
Nick Wiles	16,645	–	–	–	**16,645**	5.70	94,877	10.06.22	10.06.25
Nick Wiles	–	23,498	–	–	**23,498**	4.89	114,846	31.07.23	31.07.26
Alan Dale	7,231	–	–	–	**7,231**	6.31	45,628	13.08.21	13.08.24
Alan Dale	10,625	–	–	–	**10,625**	5.70	60,563	10.06.22	10.06.25
Alan Dale	–	14,999	–	–	**14,999**	4.89	73,308	31.07.23	31.07.26

1 The release of shares is dependent upon continuous employment for a period of three years from the date of grant. Good leaver status was granted to Alan Dale who retired from the Group in 2023.

Directors' Remuneration Report continued

Share Incentive Plan (audited)

Name	Number of partnership shares purchased at 31 March 2023	Number of matching shares awarded at 31 March 2023	Number of dividend Shares[1] acquired at 31 March 2023	Total shares at 31 March 2023	Number of partnership shares[2] purchased during the period	Number of matching Shares[3] awarded during the period	Number of dividend Shares acquired during the period	Dates of release of matching and dividend Shares[4]	Total Shares at 31 March 2024
Nick Wiles	633	633	103	1,369	305	305	126	22.04.2026 – 22.03.2027	**2,105**
Alan Dale	1,268	1,268	499	3,035	230	230	176	22.04.2026 – 22.03.2027	**0**
Rob Harding	0	0	0	0	169	169	7	22.09.2026 – 22.03.2027	**345**

1 Dividend shares are ordinary shares of the Company purchased with the value of dividends paid in respect of all other shares held in the plan.

2 Partnership shares are ordinary shares of the Company purchased on a monthly basis during the period (at prices from £4.21 to £5.50).

3 Matching shares are ordinary shares of the Company awarded conditionally on a monthly basis during the period (at prices from £4.21 to £5.50).

4 The dates used are based on the earliest allocation of the matching shares.

Implementation of Remuneration Policy for year ending 31 March 2025

Noting the proposed LTIP award to the CEO detailed in the Annual Statement, a summary of how the Committee intends to implement the remainder of the Policy for the year ending 31 March 2025 is as follows:

Base salary

Current base salary levels, and those from 1 July 2024 (the normal salary review date), are as follows:

	From 1 July 2024	From 1 July 2023	% increase
Nick Wiles	£508,595	£498,623	2%
Rob Harding	£326,400	£320,000	2%

Benefits

No changes will be made to benefits provision which will be in line with the Policy.

Pension

Pension provision will be 5% of salary, offered in the form of pension and/or a salary supplement.

Annual bonus

Annual bonus potential will continue to be set at 106% of salary. Full details of the annual bonus targets for the 2024/25 financial year and performance against the targets will be disclosed in next year's Annual Report on Remuneration.

RSA

RSAs to be granted in 2024 will:

- be set at 75% of salary for the Chief Executive and 62.5% of salary for the Chief Financial Officer; and
- vest after three years from the grant date, subject to continued employment, satisfactory individual performance and a positive assessment of performance against the discretionary underpin (i.e. the Committee must be satisfied that PayPoint's underlying performance and delivery against its strategy and plans are sufficient to justify the level of vesting, having regard to such factors as the Committee considers to be appropriate in the round (including revenue, earnings and share price performance and the delivery of the Company's ESG strategy) and the shareholder experience more generally (including the risk of windfall gains).

No shares may be sold until at least five years from grant, other than those required to settle any taxes.

Chairman and Non-Executive Director fees

Chairman and Non-Executive Director fees are as follows:

	From 1 July 2024[1]	From 1 July 2023[1]	% Increase
Base fees			
Chairman	**£178,550**	£175,049	2%
Non-Executive Director	**52,483**	£51,454	2%
Additional fees			
Chairman, Audit Committee	**£9,955**	£9,760	2%
Chairman, Remuneration Committee	**£9,955**	£9,760	2%
Senior Independent Director	**£6,600**	£6,471	2%

1 A 2% increase in Non-Executive Director fees has been agreed in line with the minimum increase being applied to the general workforce.

This Report covers the remuneration of all Directors who served during the period and was approved by the Board on 12 June 2024.

Rakesh Sharma OBE FREng CPhys

Chairman, Remuneration Committee
12 June 2024

Directors' Report

The Directors present their report, together with the audited accounts for the period ended 31 March 2024.

PayPoint Plc (the 'Company') is a public limited company incorporated in England and Wales, registration number 3581541. The Company is a holding company and its subsidiaries (a complete list of which can be found in note 14 on pages 156 and 157) are engaged in providing innovative services and technology connecting millions of consumers with over 65,000 retailer partner and SME locations across multiple sectors.

Directors' Report content

As required by the Companies Act 2006 and the Disclosure Guidance and Transparency Rule 4.1.8.R, the management report comprises the relevant parts of the Directors' Report together with information in the Strategic Report and the following sections of the annual report and accounts, all of which are incorporated into this Directors' Report by reference:

Information	Location in annual report
Review of the business, principal risks and uncertainties, emerging risks and KPIs	Chief Executive's Review; Our Business Model; Our Strategy; Key Performance Indicators, Financial Review and Principal Risks and Uncertainties (includes emerging risks)
Strategy and business model	Our Strategy; Our Business model
Future business developments	Our Strategy
GHG emissions and non-financial reporting: Environmental matters Anti-corruption and anti-bribery	Responsible Business and Audit Committee Report
Employment for disabled persons Employee engagement throughout the workforce	Responsible Business; Corporate Governance Report; S.172(1) Statement
Gender diversity	Responsible Business; Corporate Governance Report
Business relationships, stakeholders and their effect on decisions	S.172(1) Statement
Use of financial instruments and credit	Financial Review and note 28
Statement of compliance with the UK Corporate Governance Code	Page 77
Post balance sheet events	Note 32

Disclosures required pursuant to Listing Rule 9.8.4R can be found on the following pages:

Information	Location in annual report
Statement of capitalised interest	n/a
Allotment for cash of equity securities	Note 25
Waiver of dividends	Page 121

The Company has chosen, in accordance with Section 414C(11) of the Companies Act 2006, and as noted in this Directors' report, to include certain matters in its Strategic Report that would otherwise be required to be disclosed in this Directors' report. The Strategic Report on pages 1 to 75 provides a review of the business, the Group's trading for the period ended 31 March 2024, key performance indicators and an indication of future developments.

This annual report has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

By their nature, the statements concerning the risks and uncertainties facing the Group in this annual report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this annual report should be construed as a profit forecast.

Substantial shareholdings

As at 31 March 2024, the Company had been notified of the following disclosable interests in the voting rights of the Company as required by DTR 5 of the FCA's Disclosure Guidance and Transparency Rules (DTR). There have been no further notifications received under Rule 5 of the DTR since 31 March 2024 up to 12 June 2024.

As at 31 March 2024:

Name of holder	Percentage of total voting rights[1]
Asteriscos Patrimonial SLU	29.00

1 Percentages are shown as a percentage of the Company's total voting rights as at the date the Company was notified of the change in holding.

All notifications made to the Company under DTR 5 are published via a Regulatory Information Service and made available on the Company's website.

Share capital

As at 31 March 2024, the Company's share capital consisted of 72,693,673 ordinary shares of 1/3 pence each, all of which were issued and fully paid-up and are quoted on the London Stock Exchange. During the year ended 31 March 2024, 130,439 ordinary shares were issued under the Company's share schemes. The rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Company's Directors are set out in the Company's Articles of Association, copies of which can be obtained from Companies House or by writing to the Company Secretary.

There are no restrictions on the voting rights attaching to the ordinary shares or on the transfer of securities in the Company. No person holds securities in the Company carrying special rights with regards to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

As at 31 March 2024, the PayPoint Network Limited Employee Incentive Trust (the 'Trust') held 769 ordinary shares in the Company for allocation under the Company's share schemes. Any voting or other similar decisions in relation to the shares held by the Trust would be taken by the trustees, who may take account of any recommendations of the Company. The trustees have waived their right to receive dividends of the shares held in the Company.

At the annual general meeting on 7 September 2023, the Directors were given authority to: purchase up to 10% of the Company's issued share capital; allot relevant securities up to an aggregate nominal amount of £145,152.19; and to disapply pre-emption rights in respect of allotments of relevant securities up to an aggregate nominal amount of £21,772.83, with a further £21,772.83 for limited purposes. Resolutions to renew these authorities in accordance with the updated Pre-Emption Group guidelines and model provisions will be proposed at the 2024 annual general meeting, details of which are set out in the 2024 Notice of Annual General Meeting. A copy of the 2024 Notice of Annual General Meeting can be found on our website at www.corporate.paypoint.com.

Directors

The names of the current serving Directors as at the date of this report and their biographical details are on pages 78 to 79. During the year ended 31 March 2024, Alan Dale served as Finance Director and an Executive Director of the Company until the conclusion of the Company's annual general meeting on 7 September 2023. Lan Tu was appointed as a Non-Executive Director on 15 March 2024.The Directors' interests in the ordinary shares of the Company are on page 116. Directors are appointed and replaced in accordance with the Company's Articles of Association, the Companies Act 2006 and the UK Corporate Governance Code 2018. The powers of the Directors are set out in the Articles of Association and the Companies Act 2006.

Results for the year

The consolidated statements of profit or loss, comprehensive income, financial position, changes in equity and cash flows for the year ended 31 March 2024 are set out on pages 130 to 137. An analysis of risk is set out on pages 61 to 66, and of risk management on page 60. The management report contained in the strategic report and the directors' report includes a fair review of the development and performance of the business and the position of the Group and the Company together with a description of the principal risks and uncertainties they face.

Research and development activities

During the ordinary course of business, the Group developed new products and services including: the launch of the PayPoint Mini next generation device; further development of Open Banking driven products, including the launch of PayPoint OpenPay; and the launch of Handepay rewards scheme for card processing merchants.

Indemnity provisions for the benefits of Directors

In addition to the indemnity provisions in the Articles of Association, the Company has entered into direct indemnity agreements with each of the Directors who served during the financial year. These indemnities constitute qualifying indemnities for the purposes of the Companies Act 2006 and remain in force for all current serving Directors at the date of approval of this report without any payment having been made under them. The Company also maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its Directors.

Articles of Association

Unless expressly specified to the contrary in the Articles of Association of the Company, the Company's Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

Change of control

All of the Company's share schemes contain provisions relating to a change of control. Outstanding options and awards would be prorated for time and normally vest on a change of control, subject to the satisfaction of any performance conditions at that time.

On 6 June 2024, the Group carried out a refinancing of its facilities. The Company now has an unsecured revolving term credit facility for £90 million, a non-amortising loan of £45m, and an accordion of £30m (uncommitted), which expires in June 2028, with an option (subject to lenders' approval) to extend for a further year. The terms of the facility (which includes the ancillary facilities and loan) allow for termination on a change of control, subject to certain conditions.

There are no other significant contracts in place that would take effect, alter or terminate on the change of control of the Company, including compensation for loss of office as a result of a takeover bid.

Suppliers' payment policy

Terms of payment are agreed with individual suppliers prior to supply. The Group aims to pay its creditors promptly, in accordance with terms agreed for payment, provided the supplier has provided the goods or services in accordance with the agreed terms and conditions. Further information on the PayPoint segment can be obtained from the Government's payment practice reporting portal.

Charitable and political donations

The Group made no political donations during the year (2023: nil). Details of the charitable donations policy can be found within the Responsible Business section of the annual report on page 50.

Directors' Report continued

Listing Rule 9.8.6R Compliance Statement

The Company has complied with all of the requirements of LR 9.8.6R by including climate-related financial disclosures which are set out within the Strategic Report on pages 34 to 57 (and in the information available at the locations referenced therein) consistent with the TCFD recommendations.

Related-party transactions

Related-party transactions that took place during the year can be found in note 29.

Dividends

The Directors have declared dividends as follows during the period ended 31 March 2024:

- An interim ordinary dividend of 9.3 pence per share was paid on 1 September 2023.
- A final ordinary dividend of 9.3 pence per share was paid on 22 September 2023.
- An interim ordinary dividend of 19.0 pence (2023: 18.4 pence) was paid in equal instalments of 9.5 pence on 29 December 2023 and 5 March 2024.

The Directors have proposed a final dividend of 19.2 pence per share (2023: 18.6 pence per share) payable in equal instalments to shareholders on 6 August 2024 and 27 September 2024 to shareholders on the register on 5 July 2024 and 30 August 2024 respectively. This final dividend is subject to the approval of shareholders at the annual general meeting on 1 August 2024.

The dividend policy including all the dividends declared during the year is set out in the Financial Review on page 75.

Share buyback

The Board intends to return at least £20 million over the next 12 months through a three-year share buyback programme in respect of the Company's ordinary shares. The share buyback programme is intended to commence as soon as is practicable. The Company intends to use the authority for the repurchase of ordinary shares granted to it at the 2023 AGM to implement the proposed share buyback. Details of the existing authorities are set out above. Shareholders will be asked to renew this authority at the 2024 AGM, in line with common practice.

Going concern

As at 31 March 2024, the Group had £67.5 million of net debt (2023: £72.4 million). As at 31 March 2024, the Group had corporate cash and cash equivalents of £26.4 million (2023: £22 million). In addition, the Group has an unsecured £90 million revolving credit facility, a non-amortising loan of £45 million and a £30 million accordion facility (uncommitted) expiring in June 2028, with an option (subject to lenders' approval) to extend for a further year. The Company's cash and borrowing capacity is adequate to meet the foreseeable needs of the Group, taking into account any risks (see pages 61 to 66). The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Therefore, the financial statements have been prepared on a going concern basis.

The Group's liquidity review and commentary on the current economic climate are shown on page 67 and 68 of the Strategic Report and commentary on financial risk management is shown in note 28.

Independent auditor

A resolution for the re-appointment of PricewaterhouseCoopers LLP as the Company's auditor will be proposed at the forthcoming annual general meeting.

Corporate governance statement

The information that fulfils the requirements of the Corporate Governance Statement for the purposes of the FCA's Disclosure Guidance and Transparency Rules can be found in this Directors' Report and in the Corporate Governance section on pages 76 to 131 (which is incorporated into this Directors' Report by reference).

Post balance sheet events

Details of events since the date of the balance sheet are provided in note 32 on page 174.

Statement as to disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

1) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
2) the Director has taken all the steps that he/she ought reasonably to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Annual general meeting

The annual general meeting will be held at PayPoint's head office, 1 The Boulevard, Shire Park, Welwyn Garden City AL7 1EL on 1 August 2024 at 12 noon.

The Notice of Annual General Meeting and explanatory information on the resolutions to be passed at the annual general meeting can be found on our website at www.corporate.paypoint.com. A copy of the Notice of Annual General Meeting has also been sent to all shareholders.

The Directors' Report was approved by the Board and signed on its behalf by:

Rob Harding

Chief Financial Officer
12 June 2024

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under the law directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that its financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the profit of the group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

The Statement of Directors' Responsibilities has been approved by the Board of Directors and is signed on their behalf by:

Rob Harding

Chief Financial Officer
12 June 2024

Independent Auditors' Report to the members of PayPoint Plc

Report on the audit of the financial statements

Opinion

In our opinion, PayPoint Plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2024 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated statement of financial position and Company statement of financial position as at 31 March 2024; the Consolidated statement of profit or loss, the Consolidated statement of comprehensive income, the Consolidated statement of cash flows, the Company statement of cash flows, the Consolidated statement of changes in equity and the Company statement of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 8 to the consolidated financial statements, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Context

This is the first year we have been engaged to perform the group and company's audit. We have performed professional inquiries with the previous auditors and we have reviewed the prior year auditors working papers to ensure we have obtained comfort over the 2023 opening balances. We have focused our efforts on obtaining an understanding of the Group's processes and business. This has assisted us with efficiently scoping the audit to ensure sufficient coverage as well as determining the key audit matters which have been included in our report.

The group acquired the Love2shop business in the prior year and therefore have seen the benefit of a full year of trade for this division in the current year. The group have completed a refinancing of their current facilities post year end and have incurred restructuring costs in the year.

Overview

Audit scope

- The scope of our audit determines where we go and what we do, the best types of audit evidence to obtain, the right areas of operations to focus on and the resources needed to deliver this. As this was a first year audit, we performed additional procedures to understand the group, including reviewing prior year working papers and prior year audit committee papers. As group auditors we are required to obtain sufficient audit evidence from the components of the group. We have determined there are five components for group reporting purposes:
  - Love2shop
  - PayPoint Network
  - PayPoint Retail Solutions
  - PayPoint Collections
  - PayPoint Plc
- Further procedures in relation to other areas, including revenue, have been performed over Merchant Rentals.

Key audit matters

- Impairment of Handepay and Merchant Rentals (group and parent)
- Valuation of pensions liabilities (group)

Materiality

- Overall group materiality: £2,409,000 based on 5% of profit before tax.
- Overall company materiality: £2,200,000 based on 1% of total assets.
- Performance materiality: £1,566,000 (group) and £1,430,000 (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Impairment of Handepay and Merchant Rentals (group and parent)	
In the prior year, the Group had goodwill balances in relation to Handepay and Merchant Rentals of £35.6m and £9.6m respectively. In the current year, as set out in Note 1 and 12, management have outlined their reassessment of Cash Generating Units (CGUs). Management determined that Handepay, Merchant Rentals and the existing PayPoint cards division should be considered one CGU, due to a number of factors, including that the activities of the cards business has one active market, the businesses perform the same service and utilise the same resources in provision of their service to customers, such as a new agreement with Lloyds Cardnet. This is considered a significant judgement. Management has performed a value in use calculation to assess the recoverability of the goodwill. This involves key estimates in relation to management's assumptions used, including the short term growth rates and the discount rate. Separately, in respect of the Parent Company, the investments in subsidiaries in relation to Handepay Limited and Merchant Rentals Limited have been assessed for risk of impairment.	The change to the CGU determination in the year is considered a significant judgement. We assessed whether the accounting judgments underpinning the change in CGUs for the goodwill assessment was in line with IAS 36, consulting with our accounting technical specialists. We obtained evidence to support management's judgement, including understanding the interdependency of the cash flows and inspecting the new commercial agreement with Lloyds Cardnet. The recoverable value of goodwill was determined from the discounted future cash flows of the cards division. We obtained management's value in use impairment assessment and ensured the calculations were mathematically accurate. We evaluated the inputs in the value in use calculation and challenged the key assumptions including: • The short term cash flows and growth rates applied; • Calculating an independent WACC rate range, with reference to comparable businesses using our valuation experts; and • Assessing the long term growth rate applied using our valuation experts; For the Parent Company, the valuation of the investment in subsidiaries was assessed in the same way, considering the discounted cash flows of each investment. Based on our procedures we did not identify any matters indicating that management's models were inappropriate, with the exception of the discount rate applied. We considered this to be outside of a reasonable range, however this had no impact on the conclusion. We consider no impairment charge being required to be appropriate. We have assessed the disclosures provided and consider them to be materially appropriate.
Valuation of pensions liabilities (group)	
The group has gross defined benefit obligations totalling £15.9m at 31 March 2024 (2023: £17.3m). The valuation of pension plan liabilities requires estimation in determining appropriate assumptions such as salary increases, mortality rates, discount rates and inflation levels. Movement in these assumptions in aggregate can have a material impact on the determination of the liability. Management uses external actuaries to assist in determining these assumptions, and these assumptions are considered to be the significant audit risk. Refer to note 16 and the use of judgements and estimates section in Note 1. Refer to the Audit Committee report on page 97 for a description of its assessment of this significant estimate.	We used our actuarial experts to assess whether the assumptions used in calculating the defined benefit liabilities were reasonable and in line with accounting standards. We assessed whether mortality rate assumptions were appropriate for the plan and, where applicable, incorporated considerations of relevant national actuarial data. We also assessed whether the discount rate and inflation rates were consistent with our internally developed benchmarks and in line with market information. We examined the salary increase assumptions to consider whether they represent management's best estimate. We evaluated the calculations prepared by the external actuaries to assess the consistency of the assumptions used. Outside of our audit procedures in relation to the significant risk, we performed two-way testing of the listings of active members back to the scheme administrator records, or alternate procedures where appropriate. We have reviewed the controls report of the administrators where available and identified no exceptions relating to members' data. Based on procedures performed we consider that the assumptions used to value the pension obligation are within an acceptable range. We assessed the appropriateness of the related disclosures in note 16 of the financial statements and consider them to be appropriate.

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Independent Auditors' Report to the members of PayPoint Plc continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group is organised into two operating divisions, PayPoint and Love2shop. There are 13 reporting units within the consolidation. We have defined a component as a business unit where legal entities have been grouped together based on the fact they have the same management, the same control environment and also considering the way the component reports to the group. We have determined there are five components in scope for Group reporting as follows: PayPoint Network, PayPoint Retail Solutions, PayPoint Collections, Love2shop and PayPoint Plc.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£2,409,000	£2,200,000
How we determined it	5% of profit before tax	1% of total assets
Rationale for benchmark applied	Based on the benchmarks used in the financial statements, profit before tax is the primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark.	PayPoint Plc is a holding company for the Group and therefore the materiality benchmark has been determined to be based on total assets which is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £580,000 to £2,200,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 65% of overall materiality, amounting to £1,566,000 for the group financial statements and £1,430,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £120,500 (group audit) and £110,000 (company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and agreeing management's going concern assessment to the business's board approved plan and ensuring that the base case scenario indicates that the business generates sufficient cash flows to meets its obligations within the going concern assessment period while complying with covenant arrangements;
- considering the extent to which the group's and company's future cash flows might be adversely affected by the impact of contingent liabilities and other factors such as the impact of the increased cost of living;
- reviewing management's cash flow forecasts, assessing the debt available to the group and considering the overall impact on liquidity;
- testing the mathematical accuracy of the models;
- evaluating management's severe but plausible scenario and ensuring this is appropriately modelled through the cash flows;
- considering the risk of breach of the covenant arrangements in place for external borrowings under the severe but plausible scenario;
- performing further stress tests on the severe but plausible scenario;
- considering the adequacy of the disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Director's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Director's Report for the year ended 31 March 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Director's Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Independent Auditors' Report to the members of PayPoint Plc continued

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Director's Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of data protection regulations and employment law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Enquiries with the directors, the Audit Committee and company General Counsel, review of board meeting minutes and consideration of known or suspected instances of non-compliance with laws, regulations and fraud including discussions with external legal counsel;
- Identifying and testing a sample of journal entries, in particular certain journal entries posted with unusual account combinations which result in an increase in revenue; and
- Challenging assumptions and judgements made by management in determining significant accounting estimates, in particular in relation to impairment assessment of Merchant Rentals and Handepay and the valuation of defined benefit scheme obligations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 14 September 2023 to audit the financial statements for the year ended 31 March 2024 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

David Beer (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford

12 June 2024

Consolidated statement of profit or loss

	Note	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Revenue	2,3	**277,816**	165,220
Other revenue	2,3	**28,551**	2,503
Total revenue		**306,367**	167,723
Cost of revenue	5	**(158,964)**	(64,257)
Gross profit		**147,403**	103,466
Administrative expenses – excluding adjusting items		**(78,722)**	(50,083)
Operating profit before adjusting items		**68,681**	53,383
Adjusting items:			
Exceptional items – administrative expenses	6	**(4,120)**	(5,317)
Amortisation of acquired intangible assets		**(8,076)**	(2,574)
Movement on convertible loan notes		**(186)**	–
Operating profit after adjusting items		**56,299**	45,492
Finance income	9	**1,390**	87
Finance costs	9	**(8,408)**	(2,718)
Exceptional item – finance costs	6	**(1,099)**	(287)
Profit before tax		**48,182**	42,574
Tax	10	**(12,495)**	(7,864)
Profit after tax		**35,687**	34,710

Earnings per share (pence)	Year ended 31 March 2024	Year ended 31 March 2023
Basic	**49.1**	50.1
Diluted	**48.8**	49.6

Underlying earnings per share – before adjusting items (pence)	Year ended 31 March 2024	Year ended 31 March 2023
Basic	**63.0**	61.0
Diluted	**62.6**	60.3

Consolidated statement of comprehensive income

	Note	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Items that will not be reclassified to the consolidated statement of profit or loss:			
Remeasurement of defined benefit pension scheme asset	16	**(328)**	353
Deferred tax on remeasurement of defined benefit pension scheme asset	10	**82**	(86)
Other comprehensive (expense)/income for the year		**(246)**	267
Profit for the year		**35,687**	34,710
Total comprehensive income for the year attributable to equity holders of the parent		**35,441**	34,977

Consolidated statement of financial position

	Note	31 March 2024 £'000	Re-presented[1] 31 March 2023 £'000
Non-current assets			
Goodwill	12	**117,427**	117,427
Other intangible assets	13	**67,052**	75,293
Convertible loan notes	14	**3,689**	3,750
Other investment	14	**251**	251
Property, plant and equipment	15	**33,292**	29,257
Net investment in finance lease receivables	23	**512**	1,711
Retirement benefit asset	16	**286**	411
Total non-current assets		**222,509**	228,100
Current assets			
Inventories	17	**3,260**	3,152
Trade and other receivables	18	**122,950**	82,055
Current tax asset		**5,423**	6,231
Cash and cash equivalents – corporate	19	**26,392**	22,546
Cash and cash equivalents – non-corporate	19	**60,378**	55,905
Restricted funds held on deposit (non-corporate)	19	**78,198**	82,000
Total current assets		**296,601**	251,889
Total assets		**519,110**	479,989
Current liabilities			
Trade and other payables	20	**281,864**	255,526
Lease liabilities	23	**879**	862
Provisions	21	**1,850**	–
Loans and borrowings	24	**16,435**	11,745
Bank overdraft	19	**–**	525
Total current liabilities		**301,028**	268,658
Non-current liabilities			
Trade and other payables	20	**–**	115
Lease liabilities	23	**3,956**	4,617
Loans and borrowings	24	**77,500**	82,670
Deferred tax liability	22	**15,466**	12,215
Total non-current liabilities		**96,922**	99,617
Total liabilities		**397,950**	368,275
Net assets		**121,160**	111,714
Equity			
Share capital	25	**242**	242
Share premium	25	**1,000**	1,000
Merger reserve	25	**18,243**	18,243
Share-based payment reserve		**2,992**	2,286
Retained earnings		**98,683**	89,943
Total equity attributable to equity holders of the parent		**121,160**	111,714

1 See note 1 for an explanation of the re-presentation.

These financial statements were approved by the Board of Directors and authorised for issue on 12 June 2024 and were signed on behalf of the Board of Directors.

Nick Wiles

Chief Executive

12 June 2024

Consolidated statement of changes in equity

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
Opening equity at 1 April 2022		230	1,000	999	1,570	79,459	83,258
Profit for the year		–	–	–	–	34,710	34,710
Total other comprehensive income		–	–	–	–	267	267
Comprehensive income for the year		–	–	–	–	34,977	34,977
Issue of shares	25	12	–	17,244	–	–	17,256
Equity-settled share-based payment expense	26	–	–	–	1,330	–	1,330
Vesting of share scheme	26	–	–	–	(614)	614	–
Dividends	27	–	–	–	–	(25,107)	(25,107)
Closing equity at 31 March 2023		**242**	**1,000**	**18,243**	**2,286**	**89,943**	**111,714**
Profit for the year		**–**	**–**	**–**	**–**	**35,687**	**35,687**
Total other comprehensive expense		**–**	**–**	**–**	**–**	**(246)**	**(246)**
Comprehensive income for the year		**–**	**–**	**–**	**–**	**35,441**	**35,441**
Equity-settled share-based payment expense	26	**–**	**–**	**–**	**1,669**	**(339)**	**1,330**
Vesting of share scheme	26	**–**	**–**	**–**	**(963)**	**963**	**–**
Dividends	27	**–**	**–**	**–**	**–**	**(27,325)**	**(27,325)**
Closing equity at 31 March 2024		**242**	**1,000**	**18,243**	**2,992**	**98,683**	**121,160**

Consolidated statement of cash flows

	Note	Year ended 31 March 2024 £'000	Restated and re-presented[1] Year ended 31 March 2023 £'000
Cash flows from operating activities			
Cash generated from operations	30	**65,706**	62,923
Corporation tax paid		**(8,354)**	(6,204)
Interest received		**534**	609
Interest paid		**(7,609)**	(2,973)
Movement in restricted funds held on deposit (non-corporate)		**3,802**	(35,000)
Movement in payables – non-corporate		**(91)**	9,299
Net cash inflow from operating activities		**53,988**	28,654
Investing activities			
Purchases of property, plant and equipment		**(11,100)**	(7,802)
Purchases of intangible assets		**(5,106)**	(4,900)
Acquisitions of subsidiaries net of cash and cash equivalents acquired		**–**	19,380
Contingent consideration cash paid		**–**	(1,000)
Disposal of investment in associate	14	**–**	5,487
Purchase of convertible loan note	14	**(125)**	(3,000)
Purchase of other investment	14	**–**	(251)
Net cash (used in)/generated from investing activities		**(16,331)**	7,914
Financing activities			
Dividends paid	27	**(27,325)**	(25,107)
Proceeds from issue of share capital		**–**	1
Payment of lease liabilities	23	**(1,008)**	(261)
Repayments of loans and borrowings	24	**(44,980)**	(22,074)
Proceeds from loans and borrowings	24	**44,500**	64,500
Net cash (used in)/generated from financing activities		**(28,813)**	17,059
Net increase in cash and cash equivalents		**8,844**	53,627
Cash and cash equivalents at beginning of year		**77,926**	24,299
Cash and cash equivalents at end of year		**86,770**	77,926

1 See note 1 for explanations of the restatement and re-presentation.

Note to the consolidated statement of cash flows – reconciliation of cash and cash equivalents

	Note	31 March 2024 £'000	31 March 2023 £'000
Corporate cash		**26,392**	22,546
Non-corporate cash		**60,378**	55,905
Bank overdraft		**–**	(525)
Cash and cash equivalents	19	**86,770**	77,926

Company statement of financial position

	Note	31 March 2024 £'000	Re-presented[1] 31 March 2023 £'000
Non-current assets			
Investments in wholly owned subsidiaries	14	**221,837**	221,837
Convertible loan notes	14	**3,689**	3,750
Other investment	14	**251**	251
Trade and other receivables	18	**12,025**	11,477
Total non-current assets		**237,802**	237,315
Current assets			
Trade and other receivables	18	**75**	2,530
Current tax asset		**7,598**	1,984
Cash and cash equivalents – corporate		**7**	1,186
Total current assets		**7,680**	5,700
Total assets		**245,482**	243,015
Current liabilities			
Trade and other payables	20	**26,622**	83,298
Loans and borrowings	24	**16,435**	11,288
Total current liabilities		**43,057**	94,586
Non-current liabilities			
Loans and borrowings	24	**77,500**	82,500
Provisions	21	**230**	–
Total liabilities		**120,787**	177,086
Net assets		**124,695**	65,929
Equity			
Share capital	25	**242**	242
Share premium	25	**1,000**	1,000
Merger reserve	25	**18,243**	18,243
Share-based payment reserve		**2,992**	2,286
Retained earnings		**102,218**	44,158
Total equity attributable to equity holders of the parent		**124,695**	65,929

1 See note 1 for an explanation of the re-presentation.

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 and consequently the statement of profit or loss of the Company is not presented as part of these financial statements. The profit of the Company for the financial year was £84.8 million (2023: £0.7 million).

These financial statements were approved by the Board of Directors and authorised for issue on 12 June 2024 and were signed on behalf of the Board of Directors.

Nick Wiles

Chief Executive
12 June 2024

Company statement of changes in equity

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
Opening equity at 1 April 2022		230	1,000	999	1,570	67,928	71,727
Profit for the year		–	–	–	–	723	723
Issue of shares	25	12	–	17,244	–	–	17,256
Equity-settled share-based payment expense	26	–	–	–	1,330	–	1,330
Vesting of share scheme	26	–	–	–	(614)	614	–
Dividends	27	–	–	–	–	(25,107)	(25,107)
Closing equity at 31 March 2023		**242**	**1,000**	**18,243**	**2,286**	**44,158**	**65,929**
Profit for the year		**–**	**–**	**–**	**–**	**84,761**	**84,761**
Issue of shares	25	**–**	**–**	**–**	**–**	**–**	**–**
Equity-settled share-based payment expense	26	**–**	**–**	**–**	**1,669**	**(339)**	**1,330**
Vesting of share scheme	26	**–**	**–**	**–**	**(963)**	**963**	**–**
Dividends	27	**–**	**–**	**–**	**–**	**(27,325)**	**(27,325)**
Closing equity at 31 March 2024		**242**	**1,000**	**18,243**	**2,992**	**102,218**	**124,695**

Company statement of cash flows

	Note	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Cash flows from operating activities			
Cash generated from operations	30	**33,349**	46,658
Interest received		**–**	2
Interest paid		**(7,225)**	(2,810)
Net cash inflow from operating activities		**26,124**	43,850
Investing activities			
Acquisition transaction costs		**–**	(1,837)
Acquisitions of subsidiaries		**–**	(61,925)
Contingent consideration cash paid		**–**	(1,000)
Proceeds from investment in associate	14	**–**	5,487
Purchase of convertible loan note	14	**(125)**	(3,000)
Purchase of other investment	14	**–**	(251)
Net cash used in investing activities		**(125)**	(62,526)
Financing activities			
Dividends paid	27	**(27,325)**	(25,107)
Proceeds from issue of share capital		**–**	1
Repayments of loans and borrowings	24	**(44,353)**	(19,833)
Proceeds from loans and borrowings	24	**44,500**	64,500
Net cash (used in)/generated from financing activities		**(27,178)**	19,561
Net (decrease)/increase in cash and cash equivalents		**(1,179)**	885
Cash and cash equivalents at beginning of year		**1,186**	301
Cash and cash equivalents at end of year		**7**	1,186

Notes to the consolidated financial statements

1. Significant Accounting policies

Basis of preparation

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. The Group and Company financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("UK-adopted IFRS") and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

These financial statements are presented in Pounds Sterling rounded to thousands (£'000). The Pound Sterling is the currency of the primary economic environment in which the Group operates.

Adoption of standards and policies

The accounting policies adopted by the Group in the financial statements for the year ended 31 March 2024 have been applied consistently to all periods set out in these group financial statements.

New and revised IFRS in issue but not yet effective

No new standards or interpretations have been adopted in the Group's accounting policies in the year ended 31 March 2024.

Revised standards issued but not yet effective
At the date of authorisation of these financial statements, revised standards issued but not yet effective are set out below. It is anticipated the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group. These have not been adopted in the Group's accounting policies:

- Amendment to IAS1: *Presentation of Financial Statements* and IFRS Practice Statement 2: *Making Materiality Judgements* – Non-current liabilities with covenants (effective date 1 January 2024).
- Amendments to IFRS16 *Leases* – Lease liability in a sale and leaseback (effective date 1 January 2024).
- Amendments to IAS 1 *Presentation of Financial Statements* – Classification of liabilities as current or non-current (effective date 1 January 2024).
- Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments* – Disclosures: supplier finance arrangements (effective date 1 January 2024).

New standards issued but not yet effective
IFRS18 *Presentation and disclosure in the Financial Statements* has been issued and is effective from 1 January 2024. It will replace IAS1 Presentation of Financial Statements and will have an impact on the presentation of the Group's Consolidated statement of profit or loss, with new statutory profit or loss sub-totals and income and expenses classified into Operating, Investing and Financing categories.

Restatement of comparative figures in the Consolidated statement of cash flows, and the related note, for the recognition of acquired cash and cash equivalents in Appreciate Group PLC

On 28 February 2023 the Group acquired Appreciate Group PLC for consideration of £79,181,000, comprising cash of £61,925,000 plus equity of £17,256,000. In its Consolidated statement of cash flows for the year ended 31 March 2023, the Group reported a net cash and cash equivalent outflow of £(45,580,000) for Acquisitions of subsidiaries net of cash acquired. This figure was the net of the cash outflow of the £61,925,000 referred to above less £16,345,000 corporate cash and bank overdraft acquired from Appreciate.

The acquired cash and cash equivalents should also have included £64,960,000 of Appreciate's non-corporate cash and cash equivalents, comprising Gift card voucher cash and Prepay savers' cash. The total cash and cash equivalents acquired should therefore have been £81,305,000, and the Acquisitions of subsidiaries net of cash acquired a net inflow of £19,380,000, rather than a net outflow of £(45,580,000). The Movement in clients' funds, retailer partners' deposits and card and voucher deposits in the prior year note to the Consolidated statement of cash flows should have excluded the £64,960,000 of acquired non-corporate cash and cash equivalents and should therefore have been reported as an outflow of £(25,701,000) rather than an inflow of £39,259,000.

The restatement of the comparative figures in the Group's Consolidated statement of cash flows and the related note reduces Cash generated from operations by £64,960,000. It has no impact on the Group's opening cash and cash equivalents, net assets or retained earnings. The re-presentation of the comparative figures in the Group Consolidated statement of cash flows and the related note, arising from the changes explained below to the treatment of the movements in Restricted funds held on deposit (non-corporate) and in Payables – non-corporate, increases Cash generated from operations by £25,701,000. The net impact of the restatement and the re-presentation is therefore a reduction of £39,259,000, from the inflow of £102,182,000 reported in the prior year financial statements, to the inflow of £62,923,000 reported as the comparative figure in the current year financial statements.

Re-presentation of comparative figures

Consolidated statement of financial position and Company statement of financial position
In its financial statements for the year ended 31 March 2023, the Group classified its revolving credit facility as a current liability. The Group reclassified the liability to non-current as at 31 March 2024, having adopted early the International Accounting Standard Board's *Non-current Liabilities with Covenants*, which amended IAS 1 *Presentation of Financial Statements*.

Consolidated statement of cash flows and Note to consolidated statement of cash flows
In its financial statements for the year ended 31 March 2023, the Group did not show separately Movement in Restricted funds held on deposit (non-corporate) and in Movement in payables – non-corporate. Their inclusion in the current year improves the year-on-year comparability of Cash generated from operations by excluding movements in Cash and cash equivalents – non-corporate and in Restricted funds held on deposit (non-corporate).

Note 20. Trade and other payables and note 28. Financial instruments and risk
In its financial statements for the year-ended 31 March 2023, the Group included payables in respect of prepay savers within Trade payables. In the current year, it has included payables in respect of prepay savers within Payables in respect of gift card vouchers and prepay savers. Trade payables – corporate therefore represents amounts due unrelated to Cash and cash equivalents – non-corporate and Restricted funds held on deposit (non-corporate). Additionally, the Group included the net liability in respect of day one discounts to Love2shop corporate customers and deferred income on Love2shop service fees within Trade payables. In the current year it has included the net amount within Deferred income and re-presented the prior year amount.

Going concern

The 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, restricted funds held on deposit and equity attributable to equity holders of the parent company 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 31 March 2024, the Group had corporate cash of £26.4 million.

The Group carried out a refinancing, completed on 6 June 2024, following which its borrowing facilities consist of:

- a £45.0 million non-amortising term loan expiring in June 2028;
- a £90.0 million unsecured revolving credit facility expiring in June 2028; and
- a £30.0 million accordion facility (uncommitted) expiring in June 2028 with an option, subject to lender approval, to extend by a further year.

At 31 March 2024, £57.5 million (2023: £46.5 million) was drawn down from the previous £90.0 million revolving credit facility and the outstanding balance of the previous amortising term loan was £36.0 million.

The Group has a strengthened statement of financial position, with net assets of £121.2 million as at 31 March 2024 (£111.7 million as at 31 March 2023), having made a profit for the year of £35.7 million (2023: £34.7 million) and generated cash from operations of £65.7 million for the year then ended (2023: £62.9 million). The Group had net current liabilities of £4.4 million (2023 re-presented: £16.8 million).

The Directors have prepared cash flow forecast scenarios for a period of 3 years from the date of approval of these financial statements, which take 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. In this 'base case' scenario, the cash flow forecasts show considerable liquidity headroom and debt covenants will be met throughout the period.

Additionally, the Directors have carried out an assessment of the principal risks and uncertainties and applied severe but plausible scenarios to test further the Group going concern assumption. These scenarios included a reduction in the volume of transactions caused by a severe economic downturn, transformation and growth plans not delivering intended benefits and material one-off impacts of regulatory, IT or credit loss events. As mitigating actions, we have assumed achievable reductions in expenditure and a reduction in the level of future dividends following the payment of the final dividend of 19.2 pence per share declared in respect of the financial year ended 31 March 2024. The cash flow forecasts included an analysis and stress test for the above scenarios 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 financial statements and therefore have prepared the financial statements on a going concern basis.

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 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 and restricted funds held on deposit
The nature of payments and banking services means that PayPoint collects and holds funds on behalf of clients as those funds pass through the settlement process and retains retailer partners' deposits as security for those collections. Following the Appreciate acquisition, it also holds, in trust, gift card voucher deposits on behalf of agents, cardholders and redeemers and prepay savers' cash on behalf of savers.

A critical judgement in this area is whether each of the above categories of funds, and restricted funds held on deposit, are recognised on the consolidated statement of financial position, and whether they are included in cash and cash equivalents for the purpose of the Statement of consolidated cash flows. This includes evaluating:

(a) the existence of a binding agreement, such as a legal trust, clearly identifying the beneficiary of the funds;

(b) the identification of funds, ability to allocate and separability of funds;

(c) the identification of the holder of those funds at any point in time; and

(d) whether the Group 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 (referred to as 'Clients' own funds') and the related liability are not included on the consolidated statement of financial position.

In all other cases, the Group has access to the interest on such monies and can, having met certain conditions, withdraw the funds. The cash and corresponding liability are therefore recognised on the consolidated statement of financial position. Corporate cash and cash equivalents consists of cash freely available to the Group for use in its daily operations and is presented as a separate line item on the consolidated statement of financial position from non-corporate cash and cash equivalents, which is not freely available to the Group, either because of self-regulation and segregation or due to contractual or regulatory requirements. Non-corporate cash and cash equivalents comprises:

- Clients' cash – cash collected on behalf of clients from retailer partners but not yet transferred to clients. Clients' cash is held in PayPoint's bank accounts.
- Gift card voucher cash – cash collected on the issue of gift card vouchers which have not yet expired or been redeemed.
- Prepay savers' cash – cash received from customers under a prepayment scheme accumulating towards their selected savings target. It is converted to gift card vouchers once the target is reached.
- Retailer partners' deposits – cash received from retailers held as security against their default.

Both corporate cash and non-corporate cash are included within cash and cash equivalents on the Consolidated statement of cash flows.

Restricted funds held on deposit (non-corporate), comprises gift card voucher cash and prepay savers' cash. However, unlike the gift card voucher cash and prepay savers' cash included in non-corporate cash and cash equivalents, restricted funds held on deposit (non-corporate) may only be accessed after a minimum of three months. Consequently, they are excluded from cash and cash equivalents on the Statement of financial position and the Consolidated statement of cash flows.

Notes to the consolidated financial statements continued

1. Significant Accounting policies continued

The amounts recognised on the Statement of financial position as at 31 March 2024 are as follows:

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Corporate cash	**26,392**	22,546
Bank overdraft	**–**	(525)
Clients' cash	**17,276**	12,041
GIft card voucher cash	**9,779**	29,527
Prepay savers' cash	**27,368**	8,181
Retailer partners' deposits	**5,955**	6,156
Sub-total: non-corporate cash	**60,378**	55,905
Total cash and cash equivalents	**86,770**	77,926
Restricted funds held on deposit (non-corporate)	**78,198**	82,000

Clients' own funds
Clients' cash held in trust off the Consolidated statement of financial position as at 31 March 2024 is £60.5 million (2023: £124.3 million).

Critical judgement: reassessment of the Group's Cards division cash generating units (CGUs)
As explained in note 12, management reassessed its CGUs during the current period, prompted by the signing of a new partnership with Lloyds Banking Group's "Cardnet" division in March 2024. This resulted in the creation of a new Cards CGU, comprising the former Handepay CGU and Merchant Rentals CGU plus the pre-existing PayPoint cards business.

Consequently, at 31 March 2024, the Group tested for impairment the aggregate goodwill of £45.2 million which arose on the acquisitions of Handepay and Merchant Rentals, by comparing the new, enlarged Cards CGU's recoverable amount to its carrying value. That impairment test gave significant headroom, with no reasonably possible changes in any of the discounted cash flow assumptions causing the Cards CGU's carrying value to exceed its recoverable amount.

At 31 March 2023, prior to this CGU reassessment, the Group performed separate impairment tests on the goodwill which arose on the Handepay and Merchant Rentals acquisitions (£35.6 million and £9.6 million respectively) by comparing the recoverable amounts to the carrying values for each of the Handepay and Merchant Rentals CGUs. The valuation of the goodwill relating to the Handepay CGU was a critical estimate in the financial year ended 31 March 2023, given that reasonably possible changes in the key assumptions used to calculate the Handepay CGU's recoverable amount could have resulted in goodwill impairment.

Critical estimate: valuation of defined benefit pension scheme obligations
The Group has an obligation to pay pension benefits to members of the defined benefit pension scheme in its Love2shop segment. The present value of the obligations associated with these future benefits depends on the assumptions selected for several factors, including the following:

- Discount rate
- Rate of inflation
- Life expectancy

At each reporting period, management selects appropriate actuarial assumptions for each factor, based on historical and current trends and with input from a qualified actuary. These assumptions are set out in note 16 for both the current and prior reporting periods. Using the set of assumptions selected by management at 31 March 2024, the net defined benefit pension scheme asset is £286,000 (31 March 2023: £411,000). This comprises scheme assets with a fair value of £16,224,000 less obligations of £15,938,000 (31 March 2023: assets of £17,752,000 less obligations of £17,341,000).

Relatively small changes to one or more of the above assumptions could result in significant changes to the fair value of the scheme obligations and hence the net scheme asset or liability, as follows:

PF scheme	Change in assumption	Change in liabilities
Discount rate	decrease of 0.50% p.a.	increase by £1,068,000
Discount rate	increase of 0.50% p.a.	decrease by £972,000
Rate of inflation	decrease by 0.25% p.a.	decrease by £319,000
Rate of inflation	increase by 0.25% p.a.	increase by £367,000
Rate of mortality	decrease in life expectancy of 1 year	increase by £414,000
Rate of mortality	increase in life expectancy of 1 year	decrease by £383,000

Prior year critical judgements and estimates
As explained above, the impact of the Group's reassessment of its Cards CGUs is that the valuation of the goodwill relating to the Handepay CGU, which was a critical estimate in the financial year ended 31 March 2023, is no longer considered a critical estimate at 31 March 2024.

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. They have remained consistent with the prior year. These measures are included in these 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 IFRS measures.

Underlying performance measures (non-IFRS measures)
Underlying performance measures allow shareholders to understand the operational performance in the year, to facilitate comparison with prior years and to assess trends in financial performance. They usually exclude the impact of one-off, non-recurring and exceptional items and the amortisation of intangible assets arising on acquisition, such as brands and customer relationships.

Love2shop billings (non-IFRS measure relating solely to the Love2shop segment)
Billings represents the value of goods and services shipped and invoiced to customers during the year and is recorded net of VAT, rebates and discounts. Billings is an alternative performance measure, which the directors believe provides an additional measure of the level of activity other than total revenue. This is due to revenue from multi-retailer redemption products being reported on a 'net' basis, whilst revenue from single-retailer redemption products and other goods are reported on a 'gross' basis.

Net revenue (non-IFRS measure)
Net revenue is total revenue less commissions paid (to retailer partners and Park Christmas agents) and the cost of revenue for items where the Group acts in the capacity as principal (including single-retailer vouchers and SIM cards). This reflects the benefit attributable to the Group's performance, eliminating pass-through costs to create comparability of performance under both the agent and principal revenue models. It is a key consistent measure of the overall success of the Group's strategy. A reconciliation from total revenue to net revenue is included in note 4.

Adjusting items (non-IFRS measure)
Adjusting items consist of exceptional items, amortisation of intangible assets arising on acquisition and movements on convertible loan notes. These items are presented as adjusting items in the consolidated statement of profit or loss, as they do not reflect the operational performance of the Group.

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Exceptional items – legal fees	**2,143**	–
Exceptional items – restructuring costs	**1,977**	–
Exceptional items – acquisition costs expensed	**–**	4,065
Exceptional items – impairment loss on reclassification of investment in associate to asset held for sale	**–**	1,252
Sub-total: exceptional items – administrative expenses	**4,120**	5,317
Exceptional items – finance costs	**1,099**	287
Amortisation of intangible assets arising on acquisition	**8,076**	2,574
Net movement on convertible loan notes	**186**	–
Total adjusting items	**13,481**	8,178

Total costs (non-IFRS measure)
Total costs comprise other cost of revenue (note 5), administrative expenses, finance income and finance costs. Total costs exclude adjusting items, being exceptional costs and amortisation of intangible assets arising on acquisition.

Earnings before interest, tax, depreciation and amortisation (EBITDA) (non-IFRS measure)
The Group now presents EBITDA as it is widely used by investors, analysts and other interested parties to evaluate profitability of companies. This measures earnings before interest, tax, depreciation and amortisation. See page 70 for a reconciliation from profit before tax to EBITDA.

Adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA) (non-IFRS measure)
The Group also now presents adjusted EBITDA, which comprises EBITDA, as defined above, excluding exceptional items. See page 70 for a reconciliation from profit before tax to adjusted EBITDA.

Underlying earnings per share (non-IFRS measure)
Underlying earnings per share is calculated by dividing the net profit before exceptional items, amortisation of intangible assets arising on acquisition and movement on convertible loan notes attributable to equity holders of the parent by the basic or diluted weighted average number of ordinary shares in issue.

Underlying profit before tax (non-IFRS measure)
The calculation of underlying profit before tax is as follows:

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Profit before tax	**48,182**	42,574
Total adjusting items	**13,481**	8,178
Underlying profit before tax	**61,663**	50,752

Underlying profit after tax (non-IFRS measure)
The calculation of underlying profit after tax is as follows:

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Profit after tax	**35,687**	34,710
Total adjusting items	**13,481**	8,178
Tax on adjusting items	**(3,370)**	(644)
Underlying profit after tax	**45,798**	42,244

Notes to the consolidated financial statements continued

1. Significant Accounting policies continued

Net corporate debt (non-IFRS measure)

Net corporate debt represents corporate cash and cash equivalents less bank overdraft and amounts borrowed under financing facilities (excluding IFRS 16 liabilities). The reconciliation of corporate cash and cash equivalents to net corporate debt is as follows:

	31 March 2024 £'000	31 March 2023 £'000
Cash and cash equivalents – corporate cash	**26,392**	22,546
Less:		
Bank overdraft	**–**	(525)
Loans and borrowings (note 24)	**(93,935)**	(94,415)
Net corporate debt	**(67,543)**	(72,394)

Significant accounting policies

Basis of consolidation

PayPoint Plc (the 'Company') acts as a holding company. The accounts of the Company and its investments in entities controlled by the Company (its subsidiaries) are consolidated in the Group accounts. Control is achieved when the Company has power over an entity, exposure to variable returns and the ability to use that power to affect its returns from the entity. The Company reassesses its control over an entity if facts and circumstances indicate that there is a change to any of the three elements of control listed above. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control exists. All inter-group transactions, balances, income and expenses are eliminated on consolidation. All the subsidiaries in the Group, a list of which are presented in note 14 of the financial statements, apply accounting policies which are consistent with those of the Group.

In the prior year, the Company disposed of its investment in an associate over which it had significant influence but not control. The results of the associate prior to disposal were not consolidated, but instead accounted for using the equity method as disclosed in the accounting policy for investments in associates.

Revenue

Revenue, as reported in the Consolidated statement of profit or loss, is derived from contracts with customers. It represents the value of services and goods delivered or sold to clients, retailer partners and SME partners. It is measured using the fair value of the consideration received or receivable, net of value added tax. Performance obligations are identified at contract inception and the revenue is recognised once the performance obligations are satisfied. Upfront payments for management fees and set-up and development fees in respect of contracts with clients, retailer partners and SME partners are deferred and recognised on a straight-line basis over the contracted period, which appropriately reflects that the clients, retailer partners and SME partners receive and consume the benefits of those performance obligations evenly throughout the contract.

Principal and Agent

Under IFRS15, the Group is a principal (and records revenue on a gross basis) if it controls the promised good or service before transferring it to the customer. The Group is an agent (and records as revenue the net amount that it retains for its agency services) if its role is to arrange for another entity to provide the good or service.

The Group acts as principal for the following Love2shop services:

- Single-retailer redemption products.
- Administrative support for multi-redemption cardholders.
- Multi-redemption non-redemption income.

and for the sale of SIM cards and some e-money through PayPoint.

The Group acts as agent for all services provided through PayPoint, other than the sale of SIM cards and some e-money, and for the following multi-retailer Love2shop redemption products:

- Love2shop vouchers.
- Flexecash © cards and e-codes.
- Mastercards.

Timing of revenue recognition

1. Shopping and e-commerce

The Group provides shopping and e-commerce services to retailer partners, which form part of PayPoint's network, and SME partners.

Shopping (retail services) revenue comprises:

- Service fees from retailers that use PayPoint One, legacy terminals and EPoS, all of which are charged for on a weekly or monthly basis and recognised on a straight-line basis over the period of the contract. Retailers simultaneously receive and consume the benefits related to the services fee; therefore, a straight-line approach appropriately reflects the transfer of the service.
- ATM and Counter Cash transaction fees which are recognised when each transaction is processed.
- Home delivery revenue from PayPoint's partnership with Snappy Shopper which enables local store to door delivery and click and collect for retailer partners. PayPoint earns a commission on the turnover which is recognised when the corresponding transactions are processed.
- Fees for receipt advertising and FMCG revenue from digital vouchering, digital screen advertising, sales data, and PayPoint's retailer engagement channels which are recognised over the period of the campaign on a straight-line basis.
- Operating lease income from ATMs which is recognised on a straight-line basis over the expected lease term.
- Other retail services revenue including failed Direct Debits which are recognised at the time the transaction occurs.

Shopping (card payments) revenue comprises:

- Commissions and fees from card payments which are recognised when each transaction is processed.
- Finance lease income from card terminals is recognised over the expected lease term using the sum of digits method.
- Operating lease income from card terminals which is recognised on a straight-line basis over the expected lease term.
- Commissions from PayPoint's Business Finance products in partnership with YouLend which is earned on the loan amounts outstanding from card payment retailers and recognised when the loan is granted to the retailer.

e-commerce revenue comprises:

- Fees earned for processing parcels which are recognised when each parcel has been delivered or returned through the PayPoint network.
- Royalty income from the Collect+ brand which is recognised as the parcels are processed.

2. Payments and banking

Payments and banking revenue is recognised as performance obligations are satisfied which is usually at the point in time each transaction is processed. Other than for the sale of SIM cards as principal, PayPoint is contracted as agent in the supply of payments and banking services and accordingly the commission earned from clients for processing transactions is recognised as revenue when each transaction is processed.

Payments and banking revenue comprises:

- Cash bill payments: customers of PayPoint's clients can pay their bills (due to the client) over-the-counter at any of PayPoint's retailer partners. PayPoint provides the technology for recording the payment of bills and transmission of that payment data to the client. PayPoint then collects bill payment funds from retailer partners and remits those funds to clients.
- Cash top-ups: customers of PayPoint's clients can top up their mobiles over-the-counter at any of PayPoint's retailer partners. This category also includes revenue from the sale of SIM cards which is primarily earned from the mobile operators based on the value of top-ups after the initial activation. This revenue is contingent on the customer actions and is recognised at the point in time when the consumer tops up the SIM card. PayPoint contracts as principal for SIM card sales as it obtains control of the SIM cards before transferring control to the customer, therefore revenue is recognised at the gross sale price and cost of revenue includes the related cost.
- Digital payments: 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. CashOut enables the rapid dispersal of funds through secure digital channels, including the Payment Exception Service which is run for the Department for Work and Pensions by i-movo, delivering payments to those without access to a standard bank account. i-movo also issues digital newspaper vouchers which enable newspaper publishers to digitise consumer subscription services and home news delivery in local convenience stores.
- Cash through to digital: PayPoint provides the physical network of retail locations for consumers to convert cash into electronic funds with online organisations. Consumers pay for a 'pin on receipt' code in any of PayPoint's retail locations and then can use that value online with their chosen digital brand or service across a comprehensive portfolio of banking, e-commerce, gaming and loyalty card partners.

3. Love2shop

Love2shop revenue comprises:

- Multi-retailer redemption products (Love2shop vouchers, Flexecash® cards and e-codes, and Mastercards). Service fees earned from the retailers are recognised when the products are redeemed.
- Single-retailer redemption products (Third party vouchers, cards and e-codes). Revenue is recognised on despatch.
- Multi-retailer cardholder fees, earned for services provided to cardholders such as issue, dealing with lost, stolen or damaged cards and post-expiry fees. Revenue is recognised when the fees are levied.

Other revenue

Other revenue, as reported in the Consolidated statement of profit or loss, is IFRS9 revenue. It comprises:

1. Payments and Banking

- Interest earned on clients' funds and retailer partners' deposits.

2. Love2shop

- Multi-retailer non-redemption revenue (where the end-user has the right of refund), recognised when the product has expired and the right of refund lapsed.
- Multi-retailer non-redemption revenue (where the end-user has no right of refund), recognised on expiry.
- Interest generated by investing cash received from customers. This applies both to cash received for the Park Christmas Saver business where customers save with the Group throughout the year, and to all other pre-paid products. Funds associated with customers are included in both restricted funds held on deposit and cash and cash equivalents.

Non-redemption income represents the unused amount (i.e. the non-refundable unredeemed or unspent funds) on a voucher, card or e-code at expiry, where there is no right of refund, or on expiry and lapse of the refund period, where there is a right of refund.

Cost of revenue

Cost of revenue primarily consists of expenses related to delivering our services and products. These include retailer commissions, the cost of single-retailer vouchers, cards and codes, SIM cards and e-money (where the Group is principal), depreciation and amortisation of assets used to deliver services, field sales costs, transaction costs, terminal and ATM maintenance costs and telecommunications costs.

Retailer partner commission costs

Retailer partner commission costs represent the fees due to PayPoint's retailer partners for providing PayPoint's services in their store. These costs are recognised as an expense within cost of revenue when the transaction or parcel is processed.

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currency are translated at the rates prevailing at the date when fair value was determined. Gains and losses arising on translation are included in net profit or loss for the year.

Notes to the consolidated financial statements continued

1. Significant Accounting policies continued

Pension costs

Defined benefit plan

The fair value of the plan assets less the present value of the defined benefit obligation is recognised in the Consolidated statement of financial position as the retirement benefit asset, after applying the asset ceiling test. The limit on the recognition of a defined benefit pension asset is measured as the value of economic benefit available to the Group in the form of refunds or reductions in future contributions, in accordance with the rules of the pension schemes.

Regular valuations are prepared by independent professionally qualified actuaries on the projected unit credit method. The valuations are carried out every three years and updated on a yearly basis for accounting purposes. These determine the level of contribution required to fund the benefits set out in the rules of the plans and allow for the periodic increase of pensions in payment.

The scheme is closed to future years' service but pensions are still dependent on actual final salaries. Consequently, the Group may have an amendment in future where salary rises differ from those projected. For any related plan amendment, these are recognised immediately in the statement of profit or loss.

Remeasurements comprise actuarial gains and losses on the obligations and the return on scheme assets (excluding interest). They are recognised immediately in other comprehensive income in the Consolidated statement of comprehensive income. Net interest cost is calculated by applying the discount rate on liabilities to the net pension liability or asset (adjusted for cash flows over the accounting period) and is recognised within administrative expenses.

Defined contribution plans

The Group makes payments to a number of defined contribution pension schemes. Pension costs are recognised as an expense when employees have rendered services entitling them to the contributions. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period and adjusted for non-market-based conditions where they will not vest (i.e. leavers). The fair value of equity-settled share-based payment arrangements where no market-based vesting conditions exist is based on the share price at the date of the grant.

Cash-settled share-based payments represents PAYE and NI paid by the Group to HMRC on behalf of employees receiving share awards. The number of shares issued by the Group to such employees is correspondingly less than that which would have been issued had the employees settled their income tax liability themselves.

Finance income

Finance income comprises bank deposit interest received on corporate cash and cash equivalents and interest income on defined benefit pension scheme assets. Interest is recognised as earned, which reflects the effective interest rate method.

Finance costs

Finance costs comprises interest costs on loans and borrowings and bank overdrafts and interest expense on the defined benefit pension scheme obligations and leases. Finance costs are recognised as an expense in the period in which they are incurred.

Exceptional items

Exceptional items are those which are considered significant by virtue of their nature, size or incidence. These items are presented as exceptional within their relevant income statement categories to assist in the understanding of the performance and financial results of the Group, as they do not form part of the underlying business. The current year exceptional items are:

- £2.0 million restructuring costs related to the Group's organisational design announced on 8 March 2024.
- £2.1 million legal fees in conjunction with the matter referred to in note 31.
- £1.1 million refinancing costs related to the Group's renewal of its borrowing facilities.

Taxation

The Group's policy is to pay tax when due but to minimise tax payments where practically possible, without engaging in aggressive tax schemes.

The tax expense represents the amount payable in respect of the year under review based on the taxable profit for the year and the provision for deferred tax. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are not taxable or deductible.

The Group's liability for current tax is calculated using tax rates that are applicable to the current year.

Deferred tax is provided in full on taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is calculated using tax rates that have been substantively enacted by the statement of financial position date. Deferred tax assets are recognised on deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the tax asset will be realised. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited in the statement of profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, in which case the deferred tax is recorded in other comprehensive income or equity.

Financial instruments

The financial asset or liability is initially recognised when the Group becomes party to the contractual instrument. The Group classifies its derivative financial instruments, which consist of convertible loan note instruments, as held at fair value through profit or loss.

The Group discloses the fair value measurements of financial assets and liabilities using three levels as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Financial liabilities

Multi-retailer products can be exchanged for goods or services with redemption partners at any point until they are fully utilised or they expire. Redemption partners are paid the value of the product redeemed, less the commission earned by the Group. Multi-retailer products are accounted for as a financial liability under IFRS 9 as there is a contractual obligation to deliver cash to the redemption partners on behalf of the cardholder and there is no unconditional right to avoid delivering cash to settle this contractual obligation.

A financial liability equivalent to the value of the card is recognised at the point of sale. The financial liability is reduced as funds are settled to the redemption partner after the value, part or whole, is spent with the relevant redemption partner. Profits on products that expire without being redeemed are recognised in income after the expiry date of the redemption rights, at which point the financial liability is also derecognised.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. Acquisition-related costs are recognised in profit or loss as incurred. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquired identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date.

When the initial accounting for a business combination is determined, it is done so on a provisional basis. Measurement period adjustments to these provisional values may be made within 12 months of the acquisition date and are effective as at the acquisition date, 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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is not amortised and is measured at the amount initially recognised less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units. The cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication of impairment. This is done by determining the recoverable amount. If the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised by first allocating the impairment to goodwill and then to the other assets on a pro-rata basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised immediately in profit or loss and is not reversed in subsequent years.

On disposal of a cash-generating unit, the related goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Recognition on acquisition

The Group has recognised acquired brands, customer relationships and developed technology intangible assets at fair value in accordance with IAS 38 *Intangible Assets*, which are amortised over their estimated useful economic lives as follows:

Brands – 11 to 15 years

Customer relationships – 3 to 13 years

Developed technology – 1 to 7 years

Acquired brands are valued using the relief-from-royalty method using an estimation of future revenues and a market-based royalty rate that an acquirer would pay in an arm's length licensing arrangement to secure access to the same rights. The theoretical royalty payments are discounted to obtain the cash flows to determine the present asset value. A tax amortisation benefit is applied to reflect the present value of the expected benefits of amortising the value of the intangible asset over its useful tax life.

Acquired customer relationships are valued using the multi-period excess earnings method ('MEEM approach') by estimating the total expected income streams from customer relationships 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.

Acquired developed technology is valued using a depreciated replacement cost method, which 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 depreciated replacement cost method takes into account factors including economic and technological obsolescence.

The useful life of acquired intangible assets is based on factors including the expected usage of the asset, typical product lifecycles for the asset (reflecting the ability to generate the expected future economic benefits with reasonably low levels of required maintenance expenditure), technical, technological, commercial or other types of obsolescence, expected actions by competitors and the period of the contractual or other legal rights over which the entity expects to use the asset including renewal, which determines future amortisation charges.

Notes to the consolidated financial statements continued

1. Significant Accounting policies continued

Development expenditure

The Group develops software and other intangible assets including EPoS services and the digital payments platform which generate future economic benefits through cost savings or revenue from clients, retailer partners and SME partners. Development expenditure on large projects is recognised as an intangible asset if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The costs that are capitalised are the directly attributable costs necessary to create and prepare the asset for operations. Development costs recognised as an intangible asset are amortised on a straight-line basis over its useful life, which is between three and ten years. Other software costs are recognised in administrative expenses when incurred.

Costs incurred in the configuration and customisation of cloud-hosted SaaS arrangements are expensed where they do not give rise to an identifiable intangible asset which the Group controls. Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term. In limited circumstances, configuration and customisation costs may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the Group.

Investments

Investments in subsidiaries in the Company accounts are stated at cost, including acquisition expenses, less accumulated impairments.

Investments in convertible debt instruments in the Group and Company accounts are stated at fair value.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life. The estimated useful lives are as follows and are reviewed on an annual basis:

Freehold land – not depreciated

Freehold building – 40 to 50 years

Leasehold improvements – over the lease term or the useful economic life of 3 to 15 years, whichever is lower

PayPoint terminals – 5 to 7 years

Card terminals – 3 to 7 years

Other terminals – 5 years

ATMs – 5 years

Other classes of assets – 3 to 5 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

The reversal of any impairment loss is limited by the net book value to which the relevant asset would have been reduced, had no impairment occurred. A reversal of an impairment loss is recognised as income.

Inventories

Inventories comprises Love2shop cards, stocks of SIM cards and card terminals. These are stated at the lower of cost or net realisable value. Net realisable value is based on estimated selling price in the ordinary course of business less cost of disposal having regard to the age, saleability and condition of the inventory.

Where the Group trades as principal for the sale of Love2shop cards and SIM cards, the cost of these is included in inventories. Where the Group acts as an agent, the cost of these is not included in inventories.

Trade and other receivables

Trade receivables are initially recorded at fair value and represent the amount of commission and fees due from clients, fees from retailers and monies due from entities for card and voucher purchases, for which payment has not been received, less an allowance for doubtful accounts that is estimated based on factors such as the credit rating of the customer, historical trends, the current economic environment and other information.

The Group has used the expected credit loss ('ECL') model and has adopted an allowance matrix for trade receivables, whereby these are segmented according to number of days outstanding and an appropriate probability of impairment is applied to each category based on historical loss experience and adjusted for information about current and reasonable supportable future conditions.

Items in the course of collection represent gross transaction values received by retailer partners for clients which have not yet been collected by the Group, which bears the credit risk for these amounts.

Accrued income

Unbilled revenue is a receivable and is presented as accrued income on the balance sheet.

Cash and cash equivalents
For the purpose of the statement of cash flows and statement of financial position, cash and cash equivalents comprise cash at bank and in hand and short-term deposits with original maturity of less than three months. Cash and cash equivalents are subject to insignificant risk of changes in value.

Cash and cash equivalents subject to trust are recognised on the statement of financial position where the Group:

1) has the ability to control the cash;
2) is entitled to the interest earned on balances; and
3) bears the credit risk.

Where these conditions are not met, the funds are not are recognised on the statement of financial position and are referred to as "clients' own funds".

Cash and cash equivalents are classified as either corporate or non-corporate.

Corporate cash and cash equivalents consists of cash freely available to the Group for use in its daily operations.

Non-corporate cash and cash equivalents consist of cash which is not freely available to the Group, either because of self-regulation and segregation or due to contractual or regulatory requirements.

Non-corporate cash comprises:

- Clients' cash – cash collected on behalf of clients from retailer partners but not yet transferred to clients. Clients' cash is held in PayPoint's bank accounts.
- Gift card voucher cash – cash collected on the issue of gift card vouchers which have not yet expired or been redeemed.
- Prepay savers' cash – cash received from customers under a prepayment scheme accumulating towards their selected savings target. It is converted to gift card vouchers once the target is reached.
- Retailer partners' deposits – cash received from retailers held as security against their default.

Restricted funds held on deposit (non-corporate)
These are fixed-term bank deposits with original maturity of more than three months. Such funds are recognised on the statement of financial position as the Group has access to the interest on these monies and can, having met certain conditions, withdraw the funds. However, given the time restrictions over these monies, they are not included in cash and cash equivalents for the purposes of the statement of cash flows and statement of financial position.

Trade and other payables
Trade payables are initially recorded at fair value and represent the value of invoices received from suppliers for purchases of goods and services for which payment has not been made.

Settlement payables represent gross transaction values received by retail agents that have not yet been settled to clients. An equivalent balance "Items in the course of collection" is held within Trade and other receivables (note 18).

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Deferred consideration
Where a business combination agreement provides for an adjustment to the consideration, the Group accrues the fair value, based on the estimated additional consideration payable as a liability at the acquisition date. To the extent that the consideration is payable after more than one year from the acquisition date, the consideration is discounted at an appropriate interest rate and carried at net present value in the consolidated statement of financial position. The discount component is then unwound as a finance cost in the consolidated statement of profit or loss over the life of the earnout. Where the deferred consideration is contingent on future performance over the contractual earnout period, the liability is measured against the contractually agreed performance targets at each subsequent reporting date with any adjustments recognised in the consolidated statement of profit or loss. Where the contingent consideration is contractually linked to ongoing employment of the founders over the contractual period it is treated as an expense and recognised in the consolidated statement of profit or loss.

Loans and borrowings
Loans and borrowings are initially measured at fair value, net of any attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

Leases
The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative standalone price. However, for leases of land and buildings in which it is a lessee, the Group has elected not to segregate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee
Where the Group is lessee, it recognises a right-of-use asset and a corresponding lease liability, except for short-term leases and leases of low value assets. For these leases, the Group recognises the lease payment as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease and decreased by payments made. The lease liability is presented as a separate line in the consolidated statement of financial position. The Group remeasures the lease liability and makes a corresponding adjustment to the right-of-use asset whenever there has been a lease payment change, the lease contract is modified or any other significant event.

Notes to the consolidated financial statements continued

1. Significant Accounting policies continued

The right-of-use asset is initially measured at cost and subsequently recognised at cost less accumulated depreciation and impairment losses. The right-of-use asset is depreciated using the straight-line method over the shorter of the period of the expected lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use asset is presented within property, plant and equipment. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified loss as described in the 'Property, plant and equipment' policy.

As a lessor

Where the Group leases assets to a third party as a lessor, the Group assesses whether the contract is a finance lease or operating lease, depending on whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset.

Where the lease is a finance lease, the Group recognises as a receivable an amount equal to the net investment in the finance lease i.e. the minimum lease payments receivable under the lease discounted at the interest rate implicit in the lease. Incremental initial direct costs of obtaining the lease are included in the initial measurement of the net investment in the lease. This receivable is reduced as the lessee makes capital payments over the term of the lease. The terminal lease income is recognised over the expected lease term.

Where the lease is an operating lease, lease payments are recognised as income on a straight-line basis which reflects the pattern in which economic benefits from leasing the underlying asset are derived. The underlying asset is capitalised as property, plant and equipment and costs, including depreciation, incurred in earning the lease income are recognised as an expense. Initial direct costs incurred in obtaining the operating lease are added to the carrying amount of the underlying asset and recognised as an expense over the expected lease term on the same basis as the lease income.

Dividends

Final dividends on ordinary shares are recognised in equity in the year in which they are approved by the Company's shareholders. Interim ordinary dividends are recognised when paid.

In the Company accounts, dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Merger reserve

Merger reserve represents amounts in excess of the nominal value of shares issued, where shares are issued in part or full consideration of an acquisition.

2. Segmental reporting

Segmental information

The Group considers its Love2shop business to be a separate segment from its legacy PayPoint business, since discrete financial information is prepared for Love2shop and it offers different products and services. Furthermore, the chief operating decision maker (CODM) reviews separate monthly internal management reports (including financial information) for both Love2shop and PayPoint to allocate resources and assess performance.

The material products and services offered by each segment are as follows:

PayPoint

- Card payment services to retailers, including leased payment devices.
- ATM cash machines.
- Bill payment services and cash top-ups to individual consumers, through a network of retailers.
- Parcel delivery and collection.
- Retailer service fees.
- Digital payments.

Love2shop

- Shopping vouchers, cards and e-codes which customers may redeem with participating retailers. These are either 'single-retailer' or 'multi-retailer'. The former may only be used at the specified retailer, whilst the latter may be redeemed at one or more of over 200 retailers.
- Christmas savings club, to which customers make regular payments throughout the year to help spread the cost of Christmas, before converting to a voucher.

Information related to each reportable segment is set out below. Segment profit/(loss) before tax and adjusting items is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

Year-ended 31 March 2024	PayPoint £'000	Love2shop £'000	Total £'000
Revenue	167,717	110,099	277,816
Other revenue	2,013	26,538	28,551
Segment revenue	**169,730**	**136,637**	**306,367**
Segment profit before tax and adjusting items	50,487	11,176	61,663
Exceptional items	(4,369)	(850)	(5,219)
Amortisation of intangible assets arising on acquisition	(2,137)	(5,939)	(8,076)
Net movement in convertible loan notes	(186)	–	(186)
Segment profit before tax	**43,795**	**4,387**	**48,182**
Interest income	163	1,227	1,390
Interest expense	3,065	5,343	8,408
Depreciation and amortisation	12,206	8,459	20,665
Capital expenditure	13,628	2,578	16,206
Segment assets	**271,068**	**248,042**	**519,110**
Segment liabilities	**173,280**	**224,670**	**397,950**
Segment equity	**97,788**	**23,372**	**121,160**

A business division analysis of revenue has been provided in note 3.

The £306.4 million (2023: £167.7 million) total revenue and £222.5 million (2023: £228.1 million) non-current assets at 31 March 2024 are geographically located within the UK.

3. Revenue

Disaggregation of revenue

Revenue	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Shopping		
Service fees	19,653	17,947
Card payments	23,998	24,293
Card terminal leases	8,708	7,542
ATMs	11,805	12,920
Other shopping	4,071	3,355
Shopping total	**68,235**	66,057
e-commerce total	**31,754**	20,183
Payments and banking		
Cash – bill payments	31,264	34,135
Cash – top-ups	11,434	11,959
Digital	16,197	18,081
Cash through to digital	7,658	7,769
Other payments and banking	1,175	1,347
Payments and banking total	**67,728**	73,291
Love2shop total – voucher and card service fee	**110,099**	5,689
Revenue	**277,816**	165,220

Service fee revenue of £19.7 million (2023: £17.9 million) and management fees, set-up fees and upfront lump sum payments of £1.3 million (2023: £0.7 million) are recognised on a straight-line basis over the period of the contract. Card terminal leasing revenue of £8.7 million (2023: £7.5 million) is recognised over the expected lease term using the sum of digits method for finance leases and on a straight-line basis for operating leases. Multi-retailer voucher, card and e-code service fee revenue is recognised on redemption by the customer. The remainder of revenue is recognised at the point in time when each transaction is processed. The usual timing of payment by PayPoint customers is on fourteen-day terms. The usual timing of Love2shop's corporate customers is 15 day terms; its consumer 14 pay on ordering.

Notes to the consolidated financial statements continued

3. Revenue continued

Revenue subject to variable consideration of £13.6 million (2023: £13.5 million) exists where the consideration to which the Group is entitled 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 to which it relates. 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. The potential range in outcomes for revenue subject to variable consideration resulting from changes in these estimates is not material.

Love2shop revenue is recorded net of corporate discounts.

Other Revenue	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Payments and banking		
Interest revenue	**2,013**	575
Love2shop		
Interest revenue	**6,453**	325
Non-redemption revenue	**20,085**	1,603
Love2shop total	**26,538**	1,928
Total other revenue	**28,551**	2,503

Other revenue comprises:

- Multi-retailer voucher and card non-redemption revenue is recognised on expiry (where the customer has no right of refund) or on expiry and lapse of the refund period (where the customer has a right of refund).
- Interest revenue generated by investing clients' funds, retailer partners' deposits, gift card cash, prepay savers' cash and restricted funds held on deposit.

Contract balances

	Notes	31 March 2024 £'000	31 March 2023 £'000
Trade receivables	18	**23,666**	17,703
Net investment in finance lease receivables	23	**1,837**	3,855
Accrued income	18	**3,250**	5,241
Contract assets – capitalisation of fulfilment costs	18	**3,446**	2,910
Contract liabilities – deferral of set-up and development fees	20	**(267)**	(710)
Deferred income (31 March 2023 re-presented[1])	20	**(3,960)**	(3,363)

1 See note 1 for an explanation of the re-presentation.

The Group's 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 upfront lump sum payments.

- The trade receivables represent the Group's entitlement to consideration from clients and SME and retailer partners for services and goods delivered and invoiced at the reporting date, where the right to payment is unconditional except for the passage of time. The significant increase in the balance compared with prior year is principally due to the change in billing a major customer from weekly to monthly invoices.
- The net investment in finance lease receivables balance represents the total minimum lease payments receivable by PayPoint as lessor under finance leases, adjusted for the incremental initial direct costs of obtaining that lease, discounted at the interest rate implicit in those leases, with corresponding card terminal finance leasing revenue recognised over the expected lease term using the sum of digits method. The significant decrease in the balance compared with prior year is due to the fact that most new sales are now operating leases.
- The accrued income is a receivable which represents the Group's entitlement to consideration from clients and SME and retailer partners for services and goods delivered but not yet invoiced at the reporting date, as well as accrued interest on restricted funds held on deposit.
- 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 is a contract liability which represents advance consideration received at the reporting date, which is released with revenue recognised upon delivery of the performance obligations. The consideration is received from clients, SME and retailer partners.

4. Alternative performance measures

Net revenue

The reconciliation between total revenue and net revenue is as follows:

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Service revenue – Shopping	**68,235**	66,057
Service revenue – e-commerce	**24,946**	16,085
Service revenue – Payments and banking	**66,579**	71,994
Service revenue – multi-retailer redemption products	**18,145**	1,217
Service revenue – other	**4,281**	128
Sale of goods – single-retailer redemption products	**87,554**	4,325
Sale of goods – other	**1,268**	1,316
Royalties – e-commerce	**6,808**	4,098
Other revenue – multi-retailer non-redemption income	**20,085**	1,603
Other revenue – interest on clients' funds, retailer partners' deposits, gift card cash, prepay savers' cash and restricted funds held on deposit	**8,466**	900
Total revenue	**306,367**	167,723
less:		
Retailer partners' commissions	**(41,829)**	(34,369)
Cost of single-retailer cards and vouchers	**(83,403)**	(4,208)
Cost of SIM card and e-money sales as principal	**(163)**	(199)
Total net revenue	**180,972**	128,947

Total costs

Total costs, excluding adjusting items, comprises:

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Other costs of revenue (note 5)	**33,569**	25,481
Administrative expenses – excluding adjusting items	**78,722**	50,083
Finance income (note 9)	**(1,390)**	(87)
Finance costs (note 9)	**8,408**	2,718
Total costs	**119,309**	78,195

5. Cost of revenue

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Retailer partners' commissions	**41,829**	34,369
Cost of single-retailer cards and vouchers	**83,403**	4,208
Cost of SIM card and e-money sales as principal	**163**	199
Total cost of revenue deducted for net revenue	**125,395**	38,776
Depreciation and amortisation	**9,694**	7,186
Field sales costs	**9,025**	8,876
Transaction costs	**5,062**	3,477
ATM costs	**1,195**	1,148
Card fees	**996**	1,096
Other	**7,597**	3,698
Total other costs of revenue	**33,569**	25,481
Total cost of revenue	**158,964**	64,257

6. Exceptional items

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Legal fees – administrative expenses	**2,143**	–
Restructuring costs – administrative expenses	**1,977**	–
Acquisition costs expensed – administrative expenses	**–**	4,065
Impairment loss on reclassification of investment in associate to asset held for sale	**–**	1,252
Total exceptional items included in operating profit	**4,120**	5,317
Refinancing costs expensed – finance costs	**1,099**	287
Total exceptional items included in profit or loss	**5,219**	5,604

The tax impact of the exceptional items is £1,305,000 (2023: £nil).

Exceptional items are those which are considered significant by virtue of their nature, size or incidence. These items are presented as exceptional within their relevant income statement categories to assist in the understanding of the performance and financial results of the Group, as they do not form part of the underlying business.

The current period legal fees relate to the Group's defence of two claims served on a number of its companies in connection with issues addressed by commitments accepted by Ofgem as a resolution of its concerns raised in Ofgem's Statement of Objections received by the Group in September 2020. The Group remains confident that it will successfully defend both claims. See note 31.

The current period restructuring costs relate to the organisational design of the Group communicated by management to all staff on 6 March 2024. See note 21.

The current period refinancing costs comprise legal and professional fees incurred by the Group in respect of its new borrowing facilities referred to in note 1, and the write-off of the unamortised balance of capitalised costs arising on the previous refinancing exercise.

Notes to the consolidated financial statements continued

7. Employee information

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Average number of employees		
Sales, distribution and marketing	**236**	199
Operations and administration	**732**	506
Total	**968**	705
Employee costs during the year (including Directors)		
Wages and salaries	**47,612**	32,257
Social security costs	**4,767**	3,303
Pension costs	**3,765**	2,588
Redundancy and termination costs	**957**	86
Total	**57,101**	38,234

Directors' emoluments, pension contributions and share options are disclosed in the Remuneration Committee Report on pages 100 to 119. See note 29 for Directors' remuneration costs.

Included within wages and salaries is a share-based payment charge of £1.7 million (2023: £1.3 million.) Refer to note 26 for disclosure of share awards made in the year.

Pension arrangements

The Group administers a number of defined contribution schemes for employees, including those taken on following the acquisition of Appreciate Group PLC. The pension charge for the year for the defined contribution schemes was £3.6 million (2023: £2.5 million).

The accrual for defined contribution pension contributions at the statement of financial position date was £0.4 million (2023: £0.1 million).

Following the acquisition of Appreciate Group PLC, the Group also operates a defined benefit scheme at 31 March 2024 (see note 16). The pension charge for the year for the defined benefit scheme was £0.2 million (2023: £0.1 million).

8. Profit for the year

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Profit is after charging:		
Depreciation on property, plant and equipment – cost of revenue	**(5,927)**	(4,336)
Amortisation of intangible assets – cost of revenue	**(3,767)**	(2,850)
Depreciation of property, plant and equipment – administrative expenses	**(1,391)**	(586)
Amortisation of intangible assets – administrative expenses	**(9,580)**	(2,705)
Loss on disposal of property, plant and equipment – administrative expenses	**(111)**	(1,090)
Research and development costs – administrative expenses	**(318)**	(350)

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**300**	250
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**1,290**	1,300
Additional fees payable to the Company's auditor in respect of prior years' audits	**–**	167
Total audit fees	**1,590**	1,717
Fees payable to the Group's auditor for the review of the interim results	**60**	50
Audit-related assurance services	**60**	50
Total auditor's remuneration	**1,650**	1,767

A description of the work of the Audit Committee is set out on pages 94 to 99 and includes an explanation of how auditor independence is safeguarded by limitation of non-audit services.

9. Finance income and costs

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Finance income		
Bank interest receivable and other	**554**	29
Interest income on defined benefit pension scheme assets	**836**	58
	1,390	87
Finance costs		
Interest on loans	**7,228**	2,612
Bank interest payable	**86**	19
Interest expense on defined benefit pension scheme obligations	**819**	55
Lease and other interest	**275**	32
Total finance costs	**8,408**	2,718

10. Tax

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Current tax		
Charge for current year	**9,293**	7,829
Adjustment in respect of prior years	**(131)**	(806)
Current tax charge	**9,162**	7,023
Deferred tax		
Charge for current year	**3,083**	1,144
Adjustment in respect of prior years	**250**	(303)
Deferred tax charge	**3,333**	841
Total income tax charge	**12,495**	7,864

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Tax charged directly to other comprehensive income		
Deferred tax on movement on defined benefit pension scheme asset	**(82)**	86

The income tax charge is based on the UK statutory rate of corporation tax for the year of 25% (2023: 19%). Deferred tax has been calculated using the enacted tax rates that are expected to apply when the liability is settled, or the asset realised. During the prior financial year, 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 income tax charge of £12.5 million (2023: £7.9 million) on profit before tax of £48.2 million (2023: £42.6 million) represents an effective tax rate[1] of 25.9% (2023: 18.5%). This is higher than the UK statutory rate of 25% due to adjustments in respect of share-based payments, disallowable expenses and prior year adjustments.

The tax charge for the year is reconciled to profit before tax, as set out in the consolidated statement of profit or loss, as follows:

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Profit before tax	**48,182**	42,574
Tax at the UK corporation tax rate of 25% (2023: 19%)	**12,046**	8,089
Tax effects of:		
Disallowable expense – exceptional items	**–**	1,119
Disallowable expense – other	**138**	1
Adjustments in respect of prior years	**119**	(1,109)
Capital allowance super deduction	**–**	(390)
Tax impact of share-based payments	**192**	(121)
Revaluation of deferred tax liability	**–**	275
Actual amount of tax charge	**12,495**	7,864

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

Notes to the consolidated financial statements continued

11. Earnings per share

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

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Basic		
Total profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**35,687**	34,710
Underlying		
Underlying profit for basic and diluted earnings per share is the net profit before adjusting items attributable to equity holders of the parent (note 1)	**45,798**	42,244

	31 March 2024 Number of shares Thousands	31 March 2023 Number of shares Thousands
Weighted average number of ordinary shares in issue (for basic earnings per share)	**72,642**	69,281
Potential dilutive ordinary shares:		
Restricted share awards	**670**	588
Deferred annual bonus scheme	**184**	104
SIP and other	**89**	60
Weighted average number of ordinary shares in issue (for diluted earnings per share)	**73,585**	70,033

The SIP and other dilutive shares only have a passage of time restriction on them, hence are included above but not in the total number of outstanding share awards at the end of the year.

12. Goodwill

The Group tests goodwill for impairment annually and more frequently if there are indicators of impairment as set out in note 1. The Group's cash-generating units ('CGUs') have been assessed based on independently managed cash flows.

During the year management reassessed the composition of CGUs in its Cards division. Handepay and Merchant Rentals had, since their acquisition in February 2021, become increasingly integrated with the Group's pre-existing Cards business. A new partnership with Lloyds Banking Group's "Cardnet" Division, signed in March 2024, cemented the trend. Furthermore, the card acquiring revenue stream of Handepay and terminal rental revenue of Merchant Rentals are inextricably linked, with the same merchant customer base. Management therefore deems it appropriate to recognise a single Cards CGU with effect from March 2024, covering the activities of Handepay, Merchant Rentals and its pre-existing Cards business.

When testing for impairment, recoverable amounts for the Group's CGUs are measured at their value-in-use by discounting the future expected cash flows from the assets in the CGUs. The Group prepares five-year cash flow forecasts derived from the most recent three-year financial budgets approved by the Board which are extrapolated for a further two years and subsequently extended to perpetuity. A key source of estimation in the impairment tests is the short-term growth revenue rates applied within the cash flow forecasts, which are determined using an estimate of future results based on the latest business forecasts and appropriately reflect expected performance of the CGU. The estimates of future cash flows are based on past experience, adjusted for estimates of future performance, including the continued shift from cash to digital payments.

Terminal values are based on long-term growth rates that do not exceed 2%, which appropriately reflects the expected long-term rate of GDP growth in the UK. The pre-tax risk-adjusted discount rates have been used to discount the forecast cash flows calculated by reference to the weighted average cost of capital ('WACC') of each CGU.

All CGUs assessed generate value-in-use in excess of their carrying values. No reasonably possible change in any of the assumptions would cause their carrying values to exceed their recoverable amounts. Management does not consider that climate change factors would adversely impact its goodwill impairment assessments.

Group – goodwill values	Love2shop CGU £'000	i-movo CGU £'000	Handepay CGU £'000	Merchant Rentals CGU £'000	Cards CGU £'000	Digital payments CGU £'000	Total CGUs £'000
At 31 March 2022	–	6,867	35,632	9,586	–	5,583	57,668
Acquisition of business	59,759	–	–	–	–	–	59,759
At 31 March 2023	59,759	6,867	35,632	9,586	–	5,583	117,427
Reclassification in the year	–	–	(35,632)	(9,586)	45,218	–	–
At 31 March 2024	**59,759**	**6,867**	**–**	**–**	**45,218**	**5,583**	**117,427**

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Assumptions used for annual impairment tests

	Love2shop CGU	i-movo CGU	Handepay CGU	Merchant Rentals CGU	Cards CGU	Digital Payments CGU
At 31 March 2024						
Carrying value of cash generating unit	**£68.0m**	**£9.1m**	**–**	**–**	**£72.8m**	**£11.3m**
Pre-tax risk adjusted discount rate	**17.1%**	**17.5%**	**–**	**–**	**17.6%**	**17.1%**
Terminal growth rate	**2.0%**	**(8.0)%–2.0%**	**–**	**–**	**2.0%**	**2.0%**
At 31 March 2023						
Carrying value of cash generating unit	£68.0m	£8.6m	£45.6m	£23.7m	–	£11.7m
Pre-tax risk adjusted discount rate	16.0%	16.6%	15.7%	14.6%	–	15.1%
Terminal growth rate	2.0%	(8.0)%–2.0%	2.0%	2.0%	–	2.0%

The terminal growth rate assumption applied to the i-movo CGU in the current and prior periods reflects the c. 8% p.a. revenue decline from a significant customer of that business.

13. Other intangible assets

Group	Development costs £'000	Customer relationships £'000	Brands and trademarks £'000	Regulatory licences £'000	Developed technology £'000	Total £'000
Cost						
At 31 March 2023	34,782	40,256	20,741	236	7,647	103,662
Additions	3,087	–	–	–	2,019	5,106
Disposals	(6,007)	–	–	–	–	(6,007)
At 31 March 2024	**31,862**	**40,256**	**20,741**	**236**	**9,666**	**102,761**
Accumulated amortisation						
At 31 March 2023	21,378	4,345	2,042	48	556	28,369
Charge for the year – acquired intangible assets	–	6,929	1,123	24	–	8,076
Charge for the year – other intangible assets	3,263	–	504	–	1,504	5,271
Disposals	(6,007)	–	–	–	–	(6,007)
At 31 March 2024	**18,634**	**11,274**	**3,669**	**72**	**2,060**	**35,709**
Carrying amount						
At 31 March 2024	**13,228**	**28,982**	**17,072**	**164**	**7,606**	**67,052**
At 31 March 2023	13,404	35,911	18,699	188	7,091	75,293

Included within development costs at 31 March 2024 are £1.7 million (2023: £3.3 million) of assets under construction which were not being amortised at 31 March 2024.

At 31 March 2024, the Group had entered into contractual commitments for development cost additions amounting to £0.6 million (2023: £0.2 million).

Notes to the consolidated financial statements continued

13. Other intangible assets continued

Group	Development costs £'000	Customer relationships £'000	Brands and trademarks £'000	Regulatory licences £'000	Developed technology £'000	Total £'000
Cost						
At 31 March 2022	32,146	18,608	8,951	236	306	60,247
Acquisition of business	–	21,648	11,790	–	7,006	40,444
Additions	4,079	–	–	–	335	4,414
Disposals	(1,443)	–	–	–	–	(1,443)
At 31 March 2023	34,782	40,256	20,741	236	7,647	103,662
Accumulated amortisation						
At 31 March 2022	20,477	2,198	1,252	24	306	24,257
Charge for the year – acquired intangible assets	–	2,147	286	24	117	2,574
Charge for the year – other intangible assets	2,344	–	504	–	133	2,981
Disposals	(1,443)	–	–	–	–	(1,443)
At 31 March 2023	21,378	4,345	2,042	48	556	28,369
Carrying amount						
At 31 March 2023	13,404	35,911	18,699	188	7,091	75,293
At 31 March 2022	11,669	16,410	7,699	212	–	35,990

Acquisition of business in the prior year relates to Appreciate Group PLC.

14. Investments

The Company, a holding company, has investments (directly or indirectly) in wholly owned subsidiaries and convertible loan notes, as follows:

A) Investments in wholly owned subsidiaries

Active companies

Company name	Direct or indirect investment	Principal activity (registered address)	Country of registration
Appreciate Ltd	Direct	Holding company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Collect+ Brand Limited	Indirect	Holder of Collect+ brand (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
Collect+ Holdings Limited	Direct	Holding company (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
Event Payment Services Limited	Indirect	Provision of business support services (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
Handepay Limited	Direct	Sales business in merchant acquiring industry (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
i-movo Holdings Limited	Direct	Holding company (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
i-movo Limited	Indirect	Provision of digital voucher service (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
MBL Holdco Limited	Indirect	Holding company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
MBL Solutions Limited	Indirect	Gift card processing (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Merchant Rentals Limited	Direct	Provision of asset finance and leasing solutions to merchant acquiring industry (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
Park Card Marketing Services Limited	Indirect	Card administration support services (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Card Services Limited	Indirect	Electronic money issuer (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Direct Credit Limited	Indirect	Debt collection services (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Financial Services Limited	Indirect	Insurance broking services (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Group UK Limited	Indirect	Holding company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Retail Limited	Indirect	Gifting and prepayment (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
PayPoint Collections Limited	Direct	Provision of a payment collection service (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
PayPoint Network Limited	Direct	Management of an electronic payment service (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales

Company name	Direct or indirect investment	Principal activity (registered address)	Country of registration
PayPoint Payment Services Limited	Direct	Provision of regulated payments services (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
PayPoint Retail Solutions Limited	Direct	Provision of retail services (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
RSM 2000 Limited	Direct	Provision of regulated payments services (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales

The following wholly owned UK subsidiaries will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the year ended 31 March 2024.

- MBL Holdco Limited
- MBL Solutions Limited
- Park Direct Credit Limited
- Park Financial Services Limited
- Park Group UK Limited

The Company will guarantee the debts and liabilities of the above UK subsidiary undertakings at 31 March 2024 in accordance with Section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

Dormant companies

Company name	Direct or indirect investment	Principal activity (registered address)	Country of registration
Agency Administration Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Brightdot Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Cheshire Bank Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Cheshire Securities Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Country Christmas Savings Club Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Family Hampers Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Handling Solutions Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Heritage Hampers Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
High Street Vouchers Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Maxim B2B Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Opal Loans Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Christmas Savings Club Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park.com Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Connect Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Food (Warrington) Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Group Secretaries Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Hamper Company Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Travel Services Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
PayPoint Trust Managers Limited	Indirect	Dormant company (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
The Perfect Hamper Co. Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales
Wirral Cold Store Limited	Indirect	Dormant company (Valley Road, Birkenhead, Merseyside, CH41 7ED)	England and Wales

Movement in investments in wholly owned subsidiaries

Company	31 March 2024 £'000	31 March 2023 £'000
Balance at the beginning of the year	**221,837**	139,105
Acquisitions of wholly owned subsidiaries	–	82,732
Balance at the end of the year	**221,837**	221,837

In the prior year, PayPoint acquired 100% of the share capital of Appreciate Group PLC for consideration of £79.2million, comprising cash of £61.9 million plus equity of £17.3 million in the form of 3.6 million issued shares and based on the closing share price of £4.84 per share at 28 February 2023.

An impairment test was performed on the Company's investments in subsidiaries which indicated that no impairment was required. Recoverable amounts for the Company's investments are measured at their value-in-use by discounting the future expected cash flows, derived from the most recent financial budgets approved by the Board which are extended to perpetuity. The estimates of future cash flows are based on past experience adjusted for management's expectations of future performance.

Notes to the consolidated financial statements continued

14. Investments continued

B) Convertible loan notes

The movements in the fair values of the convertible loan note investments in the prior and current years are as follows:

Group and Company	Optus Homes Ltd £'000	OBConnect Ltd £'000	Total £'000
At 31 March 2022	750	–	750
Addition in the year	–	3,000	3,000
At 31 March 2023	750	3,000	3,750
Addition in the year	125	–	125
Fair value (loss)/gain through profit or loss account	(875)	689	(186)
At 31 March 2024	**–**	**3,689**	**3,689**

No unrealised gains or losses arose in the current or prior year.

Optus Homes Ltd

The Company purchased a convertible loan note of nominal amount £750,000 from Optus Homes Ltd on 25 March 2022, with an additional amount of £125,000 on 15 November 2023. Optus has developed in-house software which facilitates property maintenance for the benefit of landlords and tenants. Landlords using the 'App' are charged a monthly fee per tenant, on a sliding scale.

The investment is structured as a two-year, zero-coupon convertible loan note of £750,000 (with a potential extension of up to an additional £500,000 funding subject to the Company's approval) which will be settled into a variable number of Optus's equity shares on 1 April 2025. Upon maturity, the Company's equity holding will be determined by the value of the loan as a proportion of the Optus valuation post-conversion, based on a 'cap and floor' method, falling between 20%–37% (based on an investment of £750,000) or 29%–40% (based on an investment of £1,250,000). In turn, the proportional share depends on the number of landlords at the conversion date.

Based on the key terms of the convertible loan note and investment agreement, the investment is recognised at fair value, with any gains or losses recognised through the statement of profit or loss.

The fair value is determined by using a discounted cash flow valuation applied to a 5-year forecast extrapolated to perpetuity, using the following financial assumptions. The discount rate reflects management's view of the level of risk associated with the business:

	31 March 2024	31 March 2023
Discount rate	**23.4%**	25.0%
Corporation tax rate	**25.0%**	25.0%
Terminal growth rate	**2.0%**	2.0%

The discounted cash flow valuation derived from the 5-year forecast and the above assumptions are such that management has written off to the statement of profit or loss the entire £875,000 carrying value in the current year, reported within adjusting items.

OBConnect Ltd

The Company purchased a convertible loan note of nominal amount £3.0 million on 7 July 2022 from OBConnect Ltd, which provides open banking services to banks and other financial institutions. The loan converts into a 22.5% equity stake in OBConnect Ltd's ordinary shares on 7 July 2025.

Based on the key terms of the convertible loan note and investment agreement, the investment is recognised at fair value, with any gains or losses recognised through the statement of profit or loss.

The current year discounted cash flow valuation is based on a 5-year forecast extrapolated to perpetuity, using the following financial assumptions. The discount rate reflects management's view of the level of risk associated with the business:

	31 March 2024	31 March 2023
Discount rate	**18.9%**	20.0%
Corporation tax rate	**25.0%**	25.0%
Terminal growth rate	**2.0%**	2.0%

The fair value as at 31 March 2024 determined using the discounted cash flow method was £3,689,000. Management has therefore recognised a £689,000 gain in the statement of profit or loss in the current year, reported within adjusting items.

C) Other investment

In the prior period the Company acquired 2.5% of the ordinary share capital of OBConnect Ltd for consideration of £251,000. This is in addition to the convertible loan note in OBConnect Ltd referred to above.

15. Property, plant and equipment

	Terminals and ATMs – Operating lease assets £'000	Terminals and ATMs – non-operating lease assets £'000	Fixtures, fittings and equipment £'000	Leasehold improvements £'000	Land and buildings £'000	Right-of-use assets £'000	Total £'000
Cost							
At 31 March 2023	5,139	40,828	4,112	1,169	11,097	4,589	66,934
Additions	7,565	2,818	717	–	–	410	11,510
Disposals	(94)	(4,772)	–	–	–	(138)	(5,004)
Transfer	–	429	(429)	–	–	–	–
Remeasurement of leased asset	–	–	–	–	–	(46)	(46)
At 31 March 2024	**12,610**	**39,303**	**4,400**	**1,169**	**11,097**	**4,815**	**73,394**
Accumulated depreciation							
At 31 March 2023	806	31,951	2,102	9	2,362	447	37,677
Charge for the year	2,456	3,258	369	102	225	908	7,318
Disposals	(18)	(4,737)	–	–	–	(138)	(4,893)
Transfer	–	(803)	825	–	(22)	–	–
At 31 March 2024	**3,244**	**29,669**	**3,296**	**111**	**2,565**	**1,217**	**40,102**
Carrying amount							
At 31 March 2024	**9,366**	**9,634**	**1,104**	**1,058**	**8,532**	**3,598**	**33,292**
At 31 March 2023	4,333	8,877	2,010	1,160	8,735	4,142	29,257

The remeasurement of leased asset relates to hosting services in the Love2shop segment. There is a corresponding reduction in the lease liability (see note 23).

At 31 March 2024, the Group had no contractual commitments for the acquisition of property, plant and equipment (2023: £1.0 million).

At 31 March 2024, the Group had no assets under construction which were not being depreciated (2023: £1.4 million).

	Terminals and ATMs – Operating lease assets £'000	Restated[1] Terminals and ATMs – non-operating lease assets £'000	Fixtures, fittings and equipment £'000	Leasehold improvements £'000	Land and buildings £'000	Right-of-use assets £'000	Total £'000
Cost							
At 31 March 2022	1,501	39,837	3,673	–	11,081	462	56,554
Acquisition of business	–	–	328	1,169	16	4,118	5,631
Additions	4,694	3,042	111	–	–	9	7,856
Disposals	(1,056)	(2,051)	–	–	–	–	(3,107)
At 31 March 2023	5,139	40,828	4,112	1,169	11,097	4,589	66,934
Accumulated depreciation							
At 31 March 2022	101	30,434	1,922	–	2,101	214	34,772
Charge for the year	827	3,412	180	9	261	233	4,922
Disposals	(122)	(1,895)	–	–	–	–	(2,017)
At 31 March 2023	806	31,951	2,102	9	2,362	447	37,677
Carrying amount							
At 31 March 2023	4,333	8,877	2,010	1,160	8,735	4,142	29,257
At 31 March 2022	1,400	9,403	1,751	–	8,980	248	21,782

1 In the financial statements for the year ended 31 March 2023, Terminals and ATMs were not sub-divided between assets leased out under operating leases and other assets. The restated treatment is the result of the Financial Reporting Council's review of the Group's financial statements for that financial year.

Acquisition of business in the prior year relates to Appreciate Group PLC.

Notes to the consolidated financial statements continued

16. Pensions

Defined benefit plans

Following the acquisition of Appreciate Group PLC, the Group took on the operation of two defined benefit pension schemes, Park Food Group plc Pension Scheme (PF) and Park Group Pension Scheme (PG). With the exception of £543,000 of assets and £284,000 of winding up lump sum payment liabilities, the PG scheme assets and liabilities were transferred into the PF scheme on 30 March 2023. In the current period, the assets left behind in the PG scheme were used to pay benefits owed, winding up costs and the winding up lump sums referred to above. The remaining £24,000 cash balance was transferred to the PF scheme on winding up of the PG scheme.

The PF scheme ("the scheme") provides benefits based on final pensionable pay and is closed to future accrual of benefit based on service. The assets of the scheme are held separately from those of Appreciate Group Ltd in trustee-administered funds. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations, the most recent being the scheme's statutory funding valuation as at 31 March 2023.

The scheme is subject to the funding legislation which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator and the Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK. The trustees of the scheme are required to act in the best interests of the scheme's beneficiaries and are responsible for setting the investment, funding and governance policies of the funds. The scheme is administered by an independent trustee appointed by the Group. Appointment of the trustees is determined by the scheme's trust documentation.

The Group has applied IAS19 Employee Benefits (revised 2011) and the following disclosures relate to this standard. The present value of scheme liabilities is measured by discounting the best estimate of future cashflows to be paid out of the schemes using the projected unit credit method. All actuarial gains and losses have been recognised in the period in which they occur in other comprehensive income.

For the purposes of IAS19, the results of the scheme valuation as at 31 March 2023, which was carried out by a qualified independent actuary, have been updated on an approximate basis to 31 March 2024. There have been no changes in the valuation methodology adopted for this year's disclosures compared to the previous year.

The scheme typically exposes the Group to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk.

The amounts recognised in the Statement of financial position are as follows:

PF scheme	31 March 2024 £'000	31 March 2023 £'000
Fair value of scheme assets	**16,224**	17,752
Present value of pension obligation	**(15,938)**	(17,341)
Net pension surplus	**286**	411
Comprising:		
Schemes in asset surplus	**286**	411

The charges/(credits) recognised in the Consolidated statement of profit or loss are as follows:

PF and PG schemes combined	Year ended 31 March 2024 £'000	1 month to 31 March 2023 £'000
Past service cost	**–**	123
Administrative costs borne by the PG scheme	**164**	–
Net interest credit	**(17)**	(3)
Total	**147**	120

The administrative costs borne by the PG scheme relate to the merger with the PF scheme referred to above. Those costs, along with the prior period past service cost, are recognised within administration expenses in the Consolidated statement of profit or loss. The net interest credit comprises interest receivable on scheme assets and interest payable on scheme obligations, which are reported within Finance income and Finance costs respectively in the Consolidated statement of profit or loss.

Analysis of amounts recognised in Other comprehensive income:

PF and PG schemes combined	Year ended 31 March 2024 £'000	1 month to 31 March 2023 £'000
(Loss)/gain on scheme assets	**(1,519)**	675
Experience gains arising on the defined benefit obligation	**694**	1
Gains arising from changes in the demographic assumptions underlying the present value of the defined benefit obligation	**416**	141
Gains/(losses) arising from changes in the financial assumptions underlying the present value of the defined benefit obligation	**81**	(464)
Total	**(328)**	353

Scheme assets

It is the policy of the scheme trustees to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme's investment strategy are documented in the scheme's Statement of Investment Principles.

Fair value of scheme assets:

PF scheme	31 March 2024 £'000	31 March 2023 £'000
Fixed Interest Gilt Fund	**1,241**	1,305
Diversified Growth Assets (DGA)	**506**	781
Gilts	**2,264**	2,430
LDI	**2,149**	2,042
Loan Fund	**1,984**	1,805
Multi Asset Credit	**2,053**	2,155
Index Linked Gilts	**3,234**	3,683
Cash and other	**2,793**	3,551
Total assets	**16,224**	17,752

None of the fair values of the assets shown above includes any of the Group's own financial instruments or any property occupied by, or other assets used by the Group. None of the scheme assets has a quoted market price in an active market.

The movement in the fair value of scheme assets is as follows:

PF and PG schemes combined	Year ended 31 March 2024 £'000	1 month to 31 March 2023 £'000
Balance at the beginning of the period	**17,752**	–
Fair value of scheme assets on acquisition of Appreciate Group PLC	**–**	17,058
Interest income	**836**	58
Return on scheme assets	**(1,519)**	675
Benefits paid	**(1,031)**	(39)
Administrative costs borne by the PG scheme	**(164)**	–
Employer contributions	**350**	–
Balance at the end of the period	**16,224**	17,752

For the PG scheme, actual return on scheme assets, including interest income, for the year ended 31 March 2024 was £1,000 (1 month to 31 March 2023: £578,000). For the PF scheme, actual return on scheme assets, including interest income, for the year-ended 31 March 2024 was £(684,000) (1 month to 31 March 2023: £97,000).

Present value of obligations

The movement in the present value of the defined benefit obligation is as follows:

PF and PG schemes combined	Year ended 31 March 2024 £'000	1 month to 31 March 2023 £'000
Balance at the beginning of the period	**17,341**	–
Fair value of scheme obligations on acquisition of Appreciate Group PLC	**–**	16,880
Interest cost	**819**	55
Actuarial gains due to scheme experience	**(694)**	(1)
Actuarial gains due to changes in demographic assumptions	**(416)**	(141)
Actuarial (gains)/losses due to changes in financial assumptions	**(81)**	464
Benefits paid	**(1,031)**	(39)
Past service costs	**–**	123
Balance at the end of the period	**15,938**	17,341

The average duration of the PF scheme defined benefit obligation at 31 March 2024 is 14 years.

Significant actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

PF scheme	31 March 2024 % per annum	31 March 2023 % per annum
Financial and related actuarial assumptions:		
Discount rate	**4.90**	4.90
Inflation (RPI)	**3.10**	3.20
Allowance for revaluation of deferred pensions of CPI or 8.5% p.a. if less	**3.30**	3.20

The mortality assumptions adopted for the PF scheme are 94% (males) and 85% (females) of the standard tables S2PxA, year of birth, no age rating for males and females, projected using Continuous Mortality Investigation (CMI) 2021 converging to 1.25% pa. These imply the following life expectancies:

PF scheme	31 March 2024 Years	31 March 2023 Years
Life expectancy at age 65 for:		
Male – retiring in 2024	**21.7**	23.9
Female – retiring in 2024	**23.7**	26.1
Male – retiring in 2044	**23.0**	25.2
Female – retiring in 2044	**25.2**	27.5

Notes to the consolidated financial statements continued

16. Pensions continued

Sensitivity analysis on significant actuarial assumptions

The following table summarises the impact on the scheme defined benefit obligation at the end of the reporting period, if each of the significant actuarial assumptions above were changed, in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth. The sensitivities shown below are approximate.

PF scheme	Change in assumption	Change in liabilities
Discount rate	decrease of 0.50% p.a.	increase by 6.7%
Discount rate	increase of 0.50% p.a.	decrease by 6.1%
Rate of inflation	decrease by 0.25% p.a.	decrease by 2.0%
Rate of inflation	increase by 0.25% p.a.	increase by 2.3%
Rate of mortality	decrease in life expectancy of 1 year	increase by 2.6%
Rate of mortality	increase in life expectancy of 1 year	decrease by 2.4%

The sensitivity assumption used in the year was 0.25% for the price inflation rate and 0.5% for the discount rate This is in line with the standard sensitivity analysis used by pension advice providers in their disclosures to clients.

The scheme typically exposes the Group to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to the schemes liabilities. This would detrimentally impact on the Statement of financial position and may give rise to increased charges in future income statements. This effect would be partially offset by an increase in the value of the schemes' bond holdings. Additionally, caps on inflationary increases are in place to protect the scheme against extreme inflation.

Funding

The Group expects to contribute £150,000 to the scheme for the accounting period commencing 1 April 2024. This is based upon the current schedule of contributions following the pension merger and the actuarial valuation carried out as at 31 March 2023.

17. Inventories

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Finished goods – cards and vouchers	**2,276**	2,854
Finished goods – terminals	**984**	298
Total	**3,260**	3,152

The cost of inventories recognised as an expense in the year is £83.6 million (2023: £4.1 million).

18. Trade and other receivables

Group	31 March 2024 £'000	31 March 2023 £'000
Items in the course of collection[1]	**84,215**	47,771
Trade receivables	**23,666**	17,703
Revenue allowance for expected credit losses	**(1,545)**	(1,058)
Trade receivables net of revenue allowance for expected credit losses	**22,121**	16,645
Other receivables	**4,151**	1,822
Net investment in finance lease receivables (note 23)	**1,325**	2,144
Contract assets – capitalisation of fulfilment costs	**3,446**	2,910
Accrued income	**3,250**	5,241
Prepayments	**4,442**	5,522
Sub-total: trade and other receivables – corporate	**38,735**	34,284
Total	**122,950**	82,055

1 Items in the course of collection represent amounts collected for clients by retailer partners. An equivalent balance is included within trade and other payables (settlement payables). Refer to note 20.

The Group's exposure to the credit risk inherent in its trade and other receivables is discussed in note 28.

The Group reviews trade receivables past due but not impaired on a regular basis and in determining the recoverability of the trade receivables the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date.

Included in trade receivables are past due debtors with a carrying amount of £2.1 million (2023: £2.9 million). The ageing of the trade receivables past due is as follows:

	Less than 1 month £'000	1–2 months £'000	2–3 months £'000	More than 3 months £'000	Total £'000
Carrying value at 31 March 2024	**1,241**	**347**	**386**	**175**	**2,149**
Carrying value at 31 March 2023	1,258	551	232	894	2,935

The expected credit losses associated with accrued income balances are immaterial based on historical loss experience for those customers, adjusted for information about current and reasonable supportable future conditions.

Movement in the revenue allowance

	31 March 2024 £'000	31 March 2023 £'000
Balance at the beginning of the year	**1,058**	1,058
Acquisition of business	**–**	251
Amounts utilised in the year	**(644)**	(878)
Increase in allowance	**1,131**	627
Balance at the end of the year	**1,545**	1,058

Age of revenue allowance

	Less than 1 month £'000	1–2 months £'000	2–3 months £'000	More than 3 months £'000	Total £'000
Carrying value at 31 March 2024	**289**	**120**	**106**	**1,030**	**1,545**
Carrying value at 31 March 2023	230	110	116	602	1,058

The expected credit losses associated with items in the course of collection are immaterial.

Company	31 March 2024 £'000	31 March 2023 £'000
Amounts owed by Group companies (non-current)	**12,025**	11,477
Trade and other receivables (non-current)	**12,025**	11,477
Amounts owed by Group companies (current)	**–**	1,548
Accrued income	**–**	12
Prepayments	**75**	970
Trade and other receivables (current)	**12,100**	2,530
Total	**12,100**	14,007

Amounts owed by subsidiaries are unsecured, have no fixed date of repayment and are repayable on demand. Expected credit losses are immaterial.

19. Cash and cash equivalents and restricted funds held on deposit (non-corporate)

	31 March 2024 £'000	31 March 2023 £'000
Corporate cash	**26,392**	22,546
Clients' funds	**17,276**	12,041
Gift card voucher cash	**9,779**	29,527
Prepay savers cash	**27,368**	8,181
Retailer partners' deposits	**5,955**	6,156
Sub-total: non-corporate cash	**60,378**	55,905
Cash and cash equivalent – assets	**86,770**	78,451
Bank overdraft	**–**	(525)
Total	**86,770**	77,926

During the year the Group operated cash pooling amongst certain corporate cash accounts, whereby individual accounts could be overdrawn without penalty provided the overall position was in credit.

Restricted funds held on deposit (non-corporate)	31 March 2024 £'000	31 March 2023 £'000
Prepay savers' cash[1]	**23,179**	42,000
Gift card voucher cash[2]	**55,019**	40,000
Total	**78,198**	82,000

1 On 13 August 2007 a declaration of trust constituted the Park Prepayment Protection Trust (PPPT) to hold customer prepayments. Park Prepayments Trustee Company Limited, as trustee of the trust, holds this money on behalf of the agents.

The conditions of the trust that allow the release of cash to the Group are summarised below:

1. Purchase of products to be supplied to customers.
2. Supply of products to customers less any amounts already received under condition 1 (above).
3. Amounts required as a security deposit to any credit card company or other surety.
4. Amounts payable for VAT.
5. Amount equal to any bond required by the Christmas Prepayments Association (CPA).
6. Residual amounts upon completion of despatch of all orders in full.

Products for this purpose means goods, vouchers, prepaid cards or other products ordered by customers. Prior to any such release of monies under condition 6 above, the trustees of PPPT require a statement of adequacy of working capital from the directors of Park Retail Limited, stating that it will have sufficient working capital for the year. A summary of the main provision of the deeds and a copy of the trust deed is available at www.getpark.co.uk.

2 On 16 February 2010 a declaration of trust constituted the Park Card Services E-money Trust (PCSET) to hold the e-money float in accordance with regulatory requirements. The e-money float represents the value of the obligations of Love2shop to cardholders and redeemers.

Restricted funds held on deposit (non-corporate) are largely invested in deposit accounts with maturity dates of up to one year. The timing of the release of the monies to the Group from PPPT is as detailed above and is expected to be within 12 months of the year end. The release of monies from the e-money Trust occurs as the obligations fall due.

Notes to the consolidated financial statements continued

19. Cash and cash equivalents and restricted funds held on deposit (non-corporate continued

Clients' own funds

Clients' own funds held in trust but not recognised on the Consolidated statement of financial position amounted to £60.5 million (2023: £124.3 million) and relate to Payments and Banking revenue streams, other than Digital (see note 3).

20. Trade and other payables

Group	31 March 2024 £'000	Re-presented[1] 31 March 2023 £'000
Settlement payables[2]	**84,215**	47,771
Payables in respect of clients' funds and retailer partners' deposits[3]	**23,231**	18,197
Payables in respect of gift card vouchers and prepay savers[4]	**113,829**	118,954
Sub-total: trade payables – non-corporate	**137,060**	137,151
Trade payables – corporate	**34,735**	42,484
Other taxes and social security	**3,236**	4,874
Other payables	**4,072**	4,117
Accruals	**14,320**	15,171
Deferred income	**3,959**	3,363
Contract liabilities – deferral of set-up and development fees	**267**	710
Sub-total: trade and other payables – corporate	**60.589**	70,719
Total	**281,864**	255,641
Disclosed as:		
Current	**281,864**	255,526
Non-current (payables in respect of vouchers and cards)	**–**	115
Total	**281,864**	255,641

1 See note 1 for explanations of the re-presentations.

2 Payable in respect of amounts collected for clients by retailer partners. An equivalent balance is included within trade and other receivables (items in the course of collection). Refer to note 18.

3 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 (note 19).

4 Payables in respect of gift card vouchers include balances due to both customers and retailers in respect of flexecash © cards and amounts due to retailers for Love2shop vouchers and cards. Payables in respect of prepay savers include Love2shop savers' prepayment balances for products that will be supplied prior to Christmas 2024, upon confirmation of order. Until orders are confirmed, savers' prepayments are repayable on demand.

Revenue is deferred for service fees, net of discount.

The movement in deferred income is as follows:

	31 March 2024 £'000	Re-presented[1] 31 March 2023 £'000
Balance at the beginning of the year	**3,363**	4,039
Revenue deferred in the year	**13,427**	814
Revenue recognised in the year	**(12,831)**	(1,490)
Balance at the end of the year	**3,959**	3,363

1 See note 1 for an explanation of the re-presentation.

Company (Current)	31 March 2024 £'000	31 March 2023 £'000
Amounts owed to Group companies	**21,893**	77,909
Other payables	**313**	1,439
Accruals	**4,416**	3,950
Total	**26,622**	83,298

21. Provisions

Group	31 March 2024 £'000
Balance at the beginning of the year	**–**
Provision recognised in relation to the group restructuring	**1,850**
Balance at the end of the year	**1,850**

Company	31 March 2024 £'000
Balance at the beginning of the year	**–**
Provision recognised in relation to the group restructuring	**230**
Balance at the end of the year	**230**

During the year PayPoint conducted a group-wide review of its organisational structure to identify efficiencies which will enable future reinvestment in the business. The review resulted in the redundancy of 75 roles across both segments, announced to employees on 8 March 2024. Following this, the Group initiated, on 15 March, a 1-month consultation period for employees impacted by the restructuring. All related payments are to be made to those employees between April and October 2024.

22. Deferred tax liability

	31 March 2023 £'000	Acquisition of business £'000	(Charge)/ credit to consolidated statement of profit or loss £'000	Charge to OCI £'000	31 March 2024 £'000
Property, plant and equipment	**223**	**–**	**(2,334)**	**–**	**(2,111)**
Intangible assets	**(15,676)**	**–**	**1,908**	**–**	**(13,768)**
Defined benefit pension scheme	**(89)**	**–**	**(51)**	**82**	**(58)**
Share-based payments	**409**	**–**	**(31)**	**–**	**378**
Short-term temporary differences	**2,918**	**–**	**(2,825)**	**–**	**93**
Total	**(12,215)**	**–**	**(3,333)**	**82**	**(15,466)**

	31 March 2022 £'000	Acquisitions/ disposals of businesses £'000	(Charge)/ credit to consolidated statement of profit or loss £'000	Charge to OCI £'000	31 March 2023 £'000
Property, plant and equipment	1,222	194	(1,193)	–	223
Intangible assets	(5,306)	(10,736)	366	–	(15,676)
Defined benefit pension scheme	–	(29)	26	(86)	(89)
Share-based payments	190	–	219	–	409
Short-term temporary differences	188	2,989	(259)	–	2,918
Total	(3,706)	(7,582)	(841)	(86)	(12,215)

At the statement of financial position date, the Group had recognised unused tax losses of £nil (2023: £11.4 million) from Love2shop.

Deferred tax assets have not been provided on brought forward trading losses of £20.7 million (2023: £20.7 million) arising from the Love2shop acquisition as, at the year end, the Group does not believe it is probable that the entities in which these losses reside will be able to utilise them against future taxable income.

23. Leases

a) Finance lease liabilities

	Property £'000	Plant and Equipment £'000	Vehicles £'000	Total £'000
At 31 March 2024				
Current balance	**438**	**305**	**136**	**879**
Non-current balance	**3,611**	**223**	**122**	**3,956**
Total lease liabilities	**4,049**	**528**	**258**	**4,835**
Interest charge for the year (note 9)	**230**	**24**	**21**	**275**
At 31 March 2023				
Current balance	479	371	12	862
Non-current balance	4,049	568	–	4,617
Total lease liabilities	4,528	939	12	5,479
Interest charge for the year	28	3	1	32

	31 March 2024 £'000	31 March 2023 £'000
Balance at beginning of year	**5,479**	260
Acquisition in the year	**–**	5,448
Additions in the year	**410**	–
Payment of lease liabilities (financing cash flows) - principal	**(1,008)**	(229)
Payment of lease liabilities - interest	**(275)**	(32)
Interest on unwind of lease liabilities	**275**	32
Remeasurement in the year	**(46)**	–
Balance at end of year	**4,835**	5,479

The remeasurement in the year relates to hosting services in the Love2shop segment (see note 15).

b) Right-of-use assets

	Property £'000	Plant and equipment £'000	Vehicles £'000	Total £'000
At 31 March 2024	**2,799**	**526**	**273**	**3,598**
Depreciation charge for the year ended 31 March 2024	**(401)**	**(370)**	**(137)**	**(908)**
At 31 March 2023	3,178	946	18	4,142
Depreciation charge for the year ended 31 March 2023	(159)	(33)	(41)	(233)

The right of use assets are shown within Property and Plant and equipment in note 15.

Notes to the consolidated financial statements continued

23. Leases continued

c) Net investment in finance lease receivables

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Current balance	**1,325**	2,144
Non-current balance	**512**	1,711
Total net investment in finance lease receivables	**1,837**	3,855
Interest income (revenue) on net investment in finance lease receivables	**1,059**	1,140

The decrease in the net investment in finance lease receivables and interest income on net investment in finance lease receivables in the current year is due to the fact that most new sales are now operating leases.

Age of allowance for net investment in finance lease receivables

	Less than 1 month £'000	1–3 months £'000	3–6 months £'000	More than 6 months £'000	Total £'000
Carrying value at 31 March 2024	**67**	**128**	**180**	**522**	**897**
Carrying value at 31 March 2023	42	72	22	818	954

Contractual undiscounted cash flows for net investment in finance lease receivables

		Undiscounted lease receivables							
	Unearned finance income £'000	Less than 1 month £'000	1–3 months £'000	3–6 months £'000	6 months – 1 year £'000	1 years – 3 years £'000	3 years – 5 years £'000	More than 5 years £'000	Total £'000
31 March 2024	**(469)**	**172**	**330**	**462**	**699**	**616**	**27**	**–**	**1,837**
31 March 2023	(898)	106	181	530	702	1,124	1,978	132	3,885

d) Operating lease receivables

Contractual undiscounted cash flows for operating lease receivables

	Undiscounted lease receivables		
	Less than 1 year £'000	1–2 years £'000	Total £'000
31 March 2024	**2,329**	**794**	**3,123**
31 March 2023	620	328	948

24. Loans and borrowings and lease liabilities

Group	Loans and borrowings £'000	Lease liabilities £'000
At 31 March 2023	94,415	5,479
Drawdowns on revolving credit facility	44,500	–
Repayments of revolving credit facility	(33,500)	–
Repayment of amortising term loan	(10,833)	–
Repayment of block loans	(627)	–
Sub-total: repayments	(44,960)	–
Interest charge	7,228	–
Interest paid	(7,248)	–
Lease liability acquired in the year	–	410
Payment of lease liabilities	–	(1,283)
Interest on unwind of lease liabilities	–	275
Reassessment of lease liability in the year	–	(46)
At 31 March 2024	**93,935**	**4,835**
Disclosed as:		
Current		
Amortising term loan	16,000	–
Accrued interest	435	–
Lease liabilities	–	879
Total – current	**16,435**	**879**
Non-current		
Revolving credit facility	57,500	–
Amortising term loan	20,000	–
Lease liabilities	–	3,956
Total – non-current	**77,500**	**3,956**
Balance at end of year	**93,935**	**4,835**
Other liability-related changes		
Interest paid	**(7,248)**	**–**

At 31 March 2024 the Group reclassified its revolving credit facility from a current liability to a non-current liability, having adopted early the International Accounting Standard Board's *Non-current Liabilities with Covenants*, which amended IAS 1 *Presentation of Financial Statements*.

Group	Re-presented[1] Loans and borrowings £'000	Lease liabilities £'000
At 31 March 2022	51,534	260
Drawdowns on revolving credit facility	28,500	–
Drawdown of new amortising term loan	36,000	–
Sub-total: borrowings	64,500	–
Repayments of revolving credit facility	(9,000)	–
Repayment of amortising term loan	(10,833)	–
Repayment of block loans	(2,241)	–
Sub-total: repayments	(22,074)	
Interest charge	2,612	–
Interest paid	(2,157)	–
Lease liability acquired in the year	–	5,448
Payment of lease liabilities	–	(261)
Interest on unwind of lease liabilities	–	32
At 31 March 2023	94,415	5,479
Disclosed as:		
Current		
Amortising term loan	10,833	–
Accrued interest	455	–
Block loans	457	–
Lease liabilities	–	862
Total – current	11,745	862
Non-current		
Revolving credit facility	46,500	–
Amortising term loan	36,000	–
Block loans	170	–
Lease liabilities	–	4,617
Total – non-current	82,670	4,617
Balance at end of year	94,415	5,479
Other liability-related changes		
Interest paid	(2,157)	–

1 See note 1 for an explanation of the re-presentation.

Company loans and borrowings	Year ended 31 March 2024 £'000	Re-presented[1] Year ended 31 March 2023 £'000
Balance at the beginning of the year	**93,788**	48,666
Drawdowns on revolving credit facility	**44,500**	28,500
Drawdown of new amortising term loan	**–**	36,000
Sub-total: borrowings	**44,500**	64,500
Repayments of revolving credit facility	**(33,500)**	(9,000)
Repayment of amortising term loan	**(10,833)**	(10,833)
Sub-total: repayments	**(44,333)**	(19,833)
Interest charge	**7,205**	2,498
Interest paid	**(7,225)**	(2,043)
Balance at the end of the year	**93,935**	93,788
Disclosed as:		
Current		
Amortising term loan	**16,000**	10,833
Accrued interest	**435**	455
Total – current	**16,435**	11,288
Non-current		
Revolving credit facility	**57,500**	46,500
Amortising term loan	**20,000**	36,000
Total – non-current	**77,500**	82,500
Balance at end of year	**93,935**	93,788
Other liability-related changes		
Interest paid	**(7,225)**	(2,043)

1 See note 1 for an explanation of the re-presentation.

Notes to the consolidated financial statements continued

25. Share capital, share premium and merger reserve

	31 March 2024 £'000	31 March 2023 £'000
Called up, allotted and fully paid share capital		
72,693,673 (2023: 72,563,234) ordinary shares of 1/3p each	**242**	242

The increase in share capital in the current year resulted from 95,854 shares issued (of 1/3p each) for share awards which vested in the year and 34,585 matching shares issued (of 1/3p each) under the Employee Share Incentive Plan.

The share premium of £1.0 million (2023: £1.0 million) represents the payment of deferred, contingent share consideration in excess of the nominal value of shares issued in relation to the i-movo acquisition.

The merger reserve of £18.2 million (2023: £18.2 million) comprises £1.0 million initial share consideration in excess of the nominal value of shares issued on the initial acquisition of i-movo and £17.2 million share consideration in excess of the nominal value of shares issued in relation to the Appreciate acquisition.

26. Share-based payments

The Group's share schemes are described in the Directors' Remuneration Report on pages 100 to 199 and consist of the LTIP, DABS and RSA equity-settled share schemes.

284,735 share awards were issued under the RSA scheme in the year (2023: 237,476), vesting over one to three years, between 1 August 2024 and 8 September 2026 subject to continued employment. The RSAs do not contain any performance conditions other than to complete the required period of service.

84,649 share awards were issued under the DABS scheme in the year (2023: 55,374), vesting over three years to 31 July 2026 subject to continued employment. The DABS do not contain any performance conditions other than to complete the required period of service.

The share-based payments charge in the statement of profit or loss in the year was £1.7 million (2023: £1.3 million). Of this, £0.2 million (2023: £0.1 million) related to the Employee Share Incentive Plan. For each share purchased by the employee under the Employee Share Incentive Plan, the Company issues a free matching share which will vest subject to the employee remaining employed with the Group for three years from the date each share was purchased by the employee.

A total charge of £1.0 million (2023: £0.6 million), which was previously recognised directly in equity, for schemes which have now lapsed or vested, was transferred from the share-based payments reserve to retained earnings during the year. Of this, £0.1 million (2023: £0.1 million) related to shares which vested under the Employee Share Incentive Plan.

	Number of shares	
Share awards movement during the year	**31 March 2024**	**31 March 2023**
Outstanding at the beginning of the year	**691,326**	502,167
Granted	**369,384**	292,850
Lapsed	**–**	(59,350)
Exercised	**(67,361)**	(35,589)
Forfeited	**(139,563)**	(8,752)
Outstanding at end of the year	**853,786**	691,326

	Number of shares	
Remaining vesting period of outstanding share awards	**31 March 2024**	**31 March 2023**
Within one year	**278,838**	139,563
One to two years	**195,835**	269,094
Two to three years	**361,544**	213,907
Three years or more	**17,569**	68,762
Outstanding at end of the year	**853,786**	691,326

The fair value of the equity instruments granted during the year was determined based on the share price on the date of the grant. All awards granted and in issue are for free shares and therefore the weighted average exercise price for all outstanding schemes is £nil.

Awards	Grant date	Number of shares	Fair value (£)	Vesting date
RSA – 1 year	1 August 2023	2,253	5.34	1 August 2024
RSA – 2 years	1 August 2023	2,253	5.34	1 August 2025
RSA – 2 years	8 September 2023	23,575	5.58	8 September 2025
RSA – 3 years	8 September 2023	256,654	5.58	8 September 2026
DABS	31 July 2023	84,649	4.89	31 July 2026

27. Dividends

	Year ended 31 March 2024		Year ended 31 March 2023	
	£'000	pence per share	£'000	pence per share
Dividends paid on ordinary shares:				
Final ordinary dividend for the prior year	**13,516**	**18.6**	12,414	18.0
Interim dividend for the current year	**13,809**	**19.0**	12,693	18.4
Total ordinary dividends paid (financing cash flows)	**27,325**	**37.6**	25,107	36.4
Number of shares in issue used for proposed final ordinary dividend per share calculation	**72,693,673**		72,563,234	

The proposed final ordinary dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

28. Financial instruments and risk

The Group's financial instruments comprise cash and cash equivalents, monies held in trust, trade and other receivables, convertible loan notes, net investment in finance lease receivables, trade and other payables, payables in respect of cards and vouchers, loans and borrowings and lease liabilities, which arise directly from the Group's operations. The Group's policy is not to undertake speculative trading in financial instruments.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign exchange. The Directors review and agree policies for managing each of these risks which are summarised below. These policies have remained unchanged during the year. The Group uses hedges to manage the foreign exchange risk of purchasing PayPoint One terminals and card terminals.

The financial assets and liabilities of the Group and Company are detailed below:

Group	Note	31 March 2024 £'000	31 March 2023 £'000
Financial assets			
Restricted funds held on deposit (non-corporate)	19	**78,198**	82,000
Cash and cash equivalents	19	**86,770**	78,451
Net investment in finance lease	23	**1,837**	3,855
Convertible loan notes	14	**3,689**	3,750
Items in the course of collection	18	**84,215**	47,771
Trade receivables net of revenue allowance for expected credit losses	18	**22,121**	16,645
Contract assets	18	**3,446**	2,910
Other receivables	18	**4,151**	1,822
		284,427	237,204

Group	Note	31 March 2024 £'000	Re-presented[1] 31 March 2023 £'000
Financial liabilities			
Revolving credit facility		**57,797**	46,701
Amortising term loans		**36,138**	47,087
Block loans		**–**	627
Loans and borrowings		**93,935**	94,415
Payables in respect of clients' cash and retailer partners' deposits	20	**23,231**	18,197
Payables in respect of gift card vouchers and prepay savers	20	**113,829**	118,954
Trade payables – corporate	20	**34,735**	42,484
Other payables	20	**4,071**	4,117
Lease liabilities	23	**4,835**	5,479
Bank overdraft	19	**–**	525
		274,636	284,171

1 See note 1 for explanations of the re-presentations.

Notes to the consolidated financial statements continued

28. Financial instruments and risk continued

Company	Note	31 March 2024 £'000	31 March 2023 £'000
Financial assets			
Amounts owed by group companies (non-current)	18	**12,025**	11,477
Financial assets (non-current)		**12,025**	11,477
Convertible loan notes	14	**3,689**	3,750
Cash and cash equivalents		**7**	1,186
Other receivables		**–**	982
Amounts owed by group companies (current)	18	**–**	1,548
Financial assets (current)		**3,696**	7,466
Total		**15,721**	18,943

Company	Note	31 March 2024 £'000	31 March 2023 £'000
Financial liabilities			
Revolving credit facility – non-current	24	**57,500**	–
Amortising term loan – non-current	24	**20,000**	36,000
Financial liabilities (non-current)		**77,500**	36,000
Revolving credit facility – current	24	**297**	46,701
Amortising term loans – current	24	**16,138**	11,087
Trade and other payables		**–**	4,889
Amounts owed to group companies		**21,893**	77,909
Financial liabilities (current)		**38,328**	140,586
Total		**115,828**	176,586

(a) Credit risk

The Group's financial assets are cash and cash equivalents, monies held in trust, trade and other receivables, convertible loan notes and net investment in finance lease receivables. The Group's credit risk is primarily attributable to its trade and other receivables and net investment in finance lease receivables. To mitigate against credit risk, PayPoint credit checks clients, SME and retailer partners, holds retailer security deposits, operates terminal limits, monitors clients and retailer partners for changes in payment profiles and in certain circumstances, has the right to set-off monies due against funds collected. Additionally, the majority of Love2shop's trade receivables are subject to credit insurance, further reducing the Group's risk. The Group's maximum exposure, at 31 March 2024, was £284.4 million (2023: £237.2 million).

The Group has treasury policies in place which manage the concentration of risk with individual bank counterparties. Each counterparty has an individual limit determined by their credit ratings. In accordance with the Group's treasury policies and exposure management practices, counterparty credit exposure limits are monitored and no individual exposure is considered significant in the ordinary course of treasury management activity. The Company does not expect any significant losses from non-performance by these counterparties.

The Company, PayPoint Plc, has issued parental guarantees in favour of clients of its subsidiaries under which it has guaranteed amounts due to clients, by the subsidiaries, for settlement of funds collected by retailer partners.

(b) Liquidity risk

The Group's policy throughout the year ended 31 March 2024 regarding funds placed on deposit has been to maximise the return on funds whilst minimising the associated risk.

Refer to part (e) of this note for details of the Group's borrowing facilities. The following shows the exposure to liquidity risk. The amounts are gross and undiscounted, and include contractual interest payments:

31 March 2024 £'000	Carrying amount	Contractual cash flows Total	2 months or less	2–12 months	1–2 years	2–5 years	5 years or more
Non-derivative financial liabilities							
Revolving credit facility	**57,797**	**65,679**	**968**	**3,354**	**61,357**	**–**	**–**
Amortising term loans	**36,138**	**38,723**	**4,535**	**13,517**	**20,671**	**–**	**–**
Lease liabilities	**4,835**	**6,047**	**128**	**977**	**912**	**1,606**	**2,424**
Payables in respect of clients' cash and retailer partners' deposits	**23,231**	**23,231**	**23,231**	**–**	**–**	**–**	**–**
Payables in respect of gift card vouchers and prepay savers	**113,829**	**113,829**	**113,829**	**–**	**–**	**–**	**–**
Trade payables – corporate	**34,735**	**34,735**	**34,735**	**–**	**–**	**–**	**–**
Other payables	**4,071**	**4,071**	**4,071**	**–**	**–**	**–**	**–**

31 March 2023 £'000	Carrying amount	Contractual cash flows Total	2 months or less	2–12 months	1–2 years	2–5 years	5 years or more
Non-derivative financial liabilities							
Revolving credit facility	46,701	56,331	744	2,713	3,255	49,619	–
Amortising term loan	47,087	50,874	3,469	10,284	37,121	–	–
Block loans	627	654	81	403	170	–	–
Lease liabilities	5,479	6,954	248	887	982	1,893	2,944
Payables in respect of clients' cash and retailer partners' deposits	18,197	18,197	18,197	–	–	–	–
Payables in respect of gift card vouchers and prepay savers[1]	118,954	118,954	118,820	19	–	34	81
Trade payables – corporate[1]	42,484	42,484	42,484	–	–	–	–
Other payables	4,117	4,117	4,117	–	–	–	–

1 See note 1 for an explanation of the re-presentation.

(c) Foreign exchange risk

The Group's currency exposures comprise those transactional exposures that give rise to the net currency gains and losses recognised in the statement of profit or loss. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or functional) currency of the operating unit involved. At 31 March 2024, these exposures were £nil (2023: £nil).

The Group uses hedges to manage the foreign exchange risk related to PayPoint One terminal and card terminal purchases.

(d) Interest rate risk

The Group's interest-bearing financial assets at 31 March 2024 comprised cash and cash equivalents which totalled £86.8 million (2023: £77.9 million) and restricted funds held on deposit (non-corporate) £78.2 million (2023: £82.0 million). The Group is also exposed to interest rate risk through use of its financing facility which incurs interest charges based on SONIA plus 1.75% (2023: SONIA plus 1.75%).

All funds earn interest at the prevailing rate. Cash and cash equivalents are deposited on short-term deposits (normally weekly or monthly) or held in current accounts. The majority of restricted funds held on deposit are held in deposit accounts. The Group seeks to maximise interest receipts within these parameters. The Group also minimises interest cost by effective central management of cash resources to minimise the need for utilisation of the financing facility.

(e) Borrowing facilities

The Group carried out a refinancing, completed on 6 June 2024, following which its borrowing facilities consist of:

- a £45.0 million non-amortising term loan expiring in June 2028;
- a £90.0 million unsecured revolving credit facility expiring in June 2028; and
- a £30.0 million accordion facility (uncommitted) expiring in June 2028 with an option, subject to lender approval, to extend by a further year.

At 31 March 2024, £57.8 million (2023: £46.7 million) was drawn down from the previous £90.0 million revolving credit facility, including accrued interest of £0.3 million. The outstanding balance of the previous amortising term loan was £36.0 million, plus accrued interest at the year-end of £0.1 million. In the prior year the Group also had £0.6 million of outstanding block loan balances, which were repaid in full in the current year.

Interest is payable at SONIA plus 1.75% (2023: SONIA plus 1.75%). The Group has the ability to roll over the revolving credit facility drawdown for an additional period between one and six months.

The Group is required to adhere to a net debt leverage of no more than three times EBITDA and an interest cover of no less than four times. The Group operated within these limits during the financial year ended 31 March 2024.

(f) Fair value of financial assets and liabilities

The following financial assets/liabilities are measured at fair value through the profit or loss: convertible loan note instruments purchased from Optus Homes and OBConnect (classified as Level 3). The fair values of the convertible loan note instruments were measured using the income approach (discounted cash flow) – see note 14. There have been no transfers between Level 1, 2 or 3 in the current year or prior year.

The aggregate amount of the Group's day one discounts yet to be recognised in the Statement of consolidated profit or loss is £2.5 million, comprising £2.8 million at 31 March 2023, £7.3 million generated in the year, less £7.6 million released in the year. The fair value of this financial liability differs from the transaction price due to the discounts offered to corporate customers.

The Directors consider there to be no material difference between the book value and the fair value of the Group's financial instruments at 31 March 2024, or 31 March 2023.

Notes to the consolidated financial statements continued

28. Financial instruments and risk continued

(g) Market price risk

The Group's exposure to market price risk comprises interest rate and currency market exposure. Excess Group funds are invested in money market cash deposits with the objective of maintaining a balance between accessibility of funds and competitive rates of return.

(h) Capital risk management

The Group's objectives when managing capital (the definition of which is consistent with prior year and is the Group's assets and liabilities including cash) are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders. The Group manages its capital by continued focus on free cash flow generation and managing the level of capital investment in the business. The final dividend for the year ensures a prudent level of earnings coverage for the dividend and that leverage is not substantially increased.

(i) Financial instrument sensitivities

Financial instruments affected by market risk include deposits, hedges, trade receivables and trade payables. Any changes in market variables (exchange rates and interest rates) will have an immaterial effect on these instruments.

29. Related-party transactions

Remuneration of the Executive Directors, who are the key management of the Group, was as follows during the year:

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Short-term benefits and bonus[1]	**1,647**	1,615
Pension costs[2]	**43**	39
Long-term incentives[3]	**658**	503
Other	**4**	4
Total	**2,352**	2,161

1 Includes salary, taxable benefits and annual bonus award.

2 Pension contributions.

3 Long-term incentives represents the current year charge to the Statement of profit or loss.

Directors' remuneration is disclosed on page 108 of the Directors' Remuneration Report.

Company related-party transactions

The following balances existed between the Company and its wholly owned subsidiaries:

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Amounts owed by subsidiaries	**12,025**	13,025
Amounts owed to subsidiaries	**(21,893)**	(77,909)
Interest paid to subsidiaries	**(4,837)**	(2,052)
Interest received from subsidiaries	**383**	702
Cash dividends received from subsidiaries	**3,500**	–

As an associate of PayPoint Plc, Snappy Shopper was a related party prior to its disposal in the prior year. In the period up to the disposal date, related-party transactions consisted of £155,204 revenue, with £38,850 of accrued revenue at 31 March 2023.

30. Notes to the statements of cash flow

Group	Note	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Profit before tax		**48,182**	42,574
Adjustments for:			
Depreciation of property, plant and equipment	15	**7,318**	4,922
Amortisation of intangible assets	13	**13,347**	5,555
Exceptional item – non-cash movement on convertible loan note		**186**	–
Exceptional item – non-cash impairment loss on reclassification of investment in associate to asset held for sale	14	**–**	1,252
Loss on disposal of fixed assets		**111**	1,090
Finance income	9	**(1,390)**	(987)
Finance costs	9	**8,408**	2,718
Share-based payment charge	26	**1,669**	1,330
Cash-settled share-based remuneration		**(339)**	–
Operating cash flows before movements in working capital		**77,492**	58,454
Movement in inventories		**(108)**	737
Movement in trade and other receivables		**(4,638)**	(1,301)
Movement in finance lease receivables		**2,018**	2,366
Movement in contract assets		**(536)**	(853)
Movement in contract liabilities		**(443)**	(78)
Movement in provisions		**1,850**	–
Movement in trade and other payables – corporate		**(9,929)**	3,688
Movement in lease liabilities		**–**	(90)
Movement in working capital – corporate		**(11,786)**	4,469
Cash generated from operations		**65,706**	62,923

Company	Note	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Profit/(loss) before tax		**79,148**	(1,261)
Adjustments for:			
Exceptional item – non-cash movement on convertible loan note		**186**	–
Exceptional item – non-cash impairment loss on reclassification of investment in associate to asset held for sale	14	**–**	1,252
Non-cash dividends from subsidiaries		**(98,000)**	–
Finance income		**(383)**	(703)
Finance costs		**12,043**	4,549
Share-based payment charge		**1,112**	923
Operating cash movement before movements in working capital		**(5,894)**	4,760
Movement in receivables		**2,561**	16,610
Movement in payables		**36,452**	25,288
Movement in provisions		**230**	–
Cash generated from operations		**33,349**	46,658

31. Contingent liability

Ofgem Statement of objections

In FY24, a number of companies in the PayPoint Group, including PayPoint Plc, received two claims relating to issues addressed by commitments accepted by Ofgem in November 2021 as a resolution of Ofgem's concerns raised in its Statement of Objections received by the PayPoint Group in September 2020. The Ofgem resolution did not include any infringement findings.

The first claim was served by Utilita Energy Limited and Utilita Services Limited (subsequently renamed Luxion Sales Limited) ("Utilita") on 16 June 2023. The second claim was served by Global-365 plc and Global Prepaid Solution Limited ("Global 365") on 18 July 2023. PayPoint can confirm that a first Case Management Conference (CMC) was held on 31 October 2023 at the Competition Appeal Tribunal relating to these claims. The focus of the first CMC was to agree disclosure and a timetable for proceedings. PayPoint can also confirm that a second CMC was held on 26 April 2024 to agree further disclosure and the appointment of expert witnesses for all parties. A provisional date for a third CMC was set for 28 October 2024. Both claims have been listed for a joint trial at the Competition Appeal Tribunal starting on 10 June 2025.

The Group's position remains unchanged: it is confident that it will successfully defend the claim by Utilita, which does not provide any clear evidence to support the cause of action or the amount claimed, and also that it will successfully defend the claim by Global 365, which fundamentally misunderstands the energy market and the relationships between the relevant Group companies and the major energy providers, whilst also over-estimating the opportunity available, if any, for the products offered by Global 365. As a result, no accounting provision has been made for these claims.

The Group will continue to update the market on a quarterly basis as part of its financial reporting cycle.

Notes to the consolidated financial statements continued

31. Contingent liability continued

HMRC assessment

In February 2024, HMRC raised an assessment on the Group's tax position for the accounting period ended 31 March 2021. The Group has appealed the assessment on the grounds that it is not valid from a tax technical and administrative perspective and no provision has therefore been recognised.

32. Events after the reporting date

Share buy-back

On 13 June 2024, the Group announced a share buy-back programme of at least £20 million over the next 12 months. See page 75 for details of the programme. This is a non-adjusting event, having no impact on the current period financial statements.

Investment in Aperidata Limited

On 20 May 2024, the Group acquired, for consideration of £0.2 million, a 19.9% equity stake in the ordinary shares of Aperidata Limited, which provides its customers with credit rating and open banking services. On 23 May 2024 the Group purchased a convertible loan note of nominal amount £1.0 million from Aperidata Limited. The loan note has the option to convert into ordinary shares on 23 May 2027, increasing the Group's stake to 42.8%. The May 2024 transactions referred to above are non-adjusting events, having no impact on the current period financial statements.

Refinancing

On 6 June 2024, the Group completed a refinancing, which provides total financing facilities of £135 million. Details of the facility are set out in note 1.

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R Sharma[1]
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