PayPoint Group

Annual Report 2023

Enabling
payments and commerce

Who we are

The PayPoint Group enables payments and commerce for the public and private sector, connecting millions of consumers online and offline with over 60,000 retailer partner and SME locations.

Our Group businesses serve 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 DPD; to the millions of consumers who pay bills, get cash, make card payments or pick up parcels every day at thousands of locations across the UK.

Our purpose

We deliver innovative services that make people’s lives a little easier every day.

Making
people’s lives a little easier

For more information go to
corporate.paypoint.com

Financial highlights

Revenue from continuing operations

£167.7m

+15.6%

(FY22: £145.1m)

Net revenue from continuing operations[1]

£128.9m

+11.9%

(FY22: £115.1m)

Underlying EBITDA[2]

£61.3m

+5.2%

(FY22: £58.2m)

Underlying profit before tax[3] (profit before tax excluding adjusting items)

£50.8m

+5.8%

(FY22: £48.0m)

Cash generation[4]

£62.3m

+15.6%

(FY22: £53.9m)

Net corporate debt[5]

£72.4m

+65.0%

(FY22: £43.9m)

Profit before tax

£42.6m

-45.8%

(FY22: £78.5m)

Ordinary reported dividend per share

37.0p

+5.7%

(FY22: 35.0p)

Ordinary paid dividend per share

34.6p

+3.0%

(FY22: 33.6p)

Diluted earnings per share excluding adjusting items

60.3p

+8.8%

(FY22: 55.4p)

1 Net revenue is an alternative performance measure. Refer to note 4 to the financial information 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.
3 Underlying profit before tax (profit before tax excluding adjusting items) is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation.
4 Cash generation is an alternative performance measure. Refer to the Financial review – cash flow and liquidity for a reconciliation from profit before tax.
5 Net corporate debt (excluding IFRS 16 liabilities) is an alternative performance measure. Refer to note 1 to the financial statements for a reconciliation to cash and cash equivalents.

Contents

PayPoint Group at a glance

Enabling

payments and commerce for the public and private sector

This has been another strong year for the PayPoint Group where we have made significant steps to materially enhance our platform and capabilities to deliver sustainable, profitable growth and enhanced rewards for our shareholders.

What we do:
We enable payments and commerce for the public and private sector, connecting millions of consumers with over 60,000 retailer partner and SME locations.

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, Home delivery

Who we work with

Read more on page 20

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 24

Payments & Banking

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

How we do it

- Digital payments – MultiPay and PayPoint OpenPay
- Cash through to digital payments – eMoney
- Cash payments – bill payments and top-ups

Who we work with

Read more on page 28

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 32

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

Our strategy

Embed PayPoint Group at the heart of SME and convenience retail businesses

Become the definitive technology-based e-commerce delivery platform for first and last mile customer journeys

Grow integrated payments platform across cards, Direct Debit and Open Banking

Reinforce leadership position in gifting, rewards and prepaid solutions

Building a delivery-focused and inclusive organisation

Read more on page 18

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 38

PayPoint Group in numbers

PayPoint sites
28,478

Card payment sites
31,777

Parcel transactions
56.4m

Card payment transactions
386.7m

Retailer partner and SME locations
62,610

PayPoint Trustpilot score
4.9/5

Investment case

We enable payments and commerce for the public and private sector,

connecting

millions of consumers with brands, retailers and SMEs

Materially enhanced platform and capabilities, underpinned by partnership philosophy

In the past year, we have materially enhanced our platform and capabilities across the Group, including the new opportunities delivered through the acquisition of the Appreciate Group. This will unlock and deliver sustainable, profitable growth and enhanced rewards for shareholders, underpinned by our business-wide partnership philosophy and intensity of execution.

Strong SME and retailer partner proposition

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 services provided through our in-store technology to drive retention and deliver more opportunities to earn for our partners.

Expanded integrated payments platform

We continue to diversify our digital payments client base and expand the range of digital solutions that we can deliver to support our clients across multiple sectors, including local and central government, local authorities, housing associations and charities.

Excellence in e-commerce customer experience and technology

Collect+ is the number one carrier agnostic, out-of-home network, driving excellent volume growth and a superior in-store experience, supported by the impactful investment in 'print in store' devices over the last two years. The service is a 'must-have' for retailer partners, delivering additional revenue and footfall.

Enterprise platform for future growth in new and existing markets

With the addition of Love2shop and prepaid solutions to our capabilities, our materially enhanced platform gives us the potential to unlock new markets, partners and revenue streams, combined with our partnership philosophy and an intensity and focus on execution.

Growth-focused deployment of financial resources

We remain committed to maintaining our strong capital discipline and cash flow, whilst continuing to invest in growth areas across the Group to further enhance our capabilities, unlock opportunities and accelerate our growth.

Acquisition of Appreciate Group

Creating further value & opportunities

The UK's number one digital platform for employee and customer rewards, helping brands and businesses attract, retain and delight customers and employees.

- Customer engagement platform, driving consumer rewards, gifting and retention across multiple channels.
- Employee rewards and engagement platform, helping businesses drive satisfaction, retention and rewards for their people.
- Leading technology platform with powerful CRM and end to end customer lifecycle management.
- **8 million prepaid products** distributed every year, working in partnership with over **140 retail brands** online and on the High St in over **23,000 locations.**

LOVE2SHOP

Corporate and Consumer

- Employee rewards and engagement
- Customer rewards, gifting and retention
- FY23 billings of £207m*

Park Christmas Savings

Consumer

- Prepaid savings solutions for key events
- Over 330,000 families helped over last two year
- FY23 billings of £161m*

* Full year of billings pre and post acquisition.

Q&A

with Julian Coghlan

Managing Director, Love2shop

What have been your first impressions since joining the PayPoint Group in February?

It's clear from the first few months that there is a fantastic cultural alignment between the two businesses. The PayPoint Group has great, experienced people at all levels and my team have been made to feel very welcome. The breadth of solutions that the wider Group now has is powerful and Love2shop just adds to those capabilities, creating lots of opportunities to expand into new verticals and markets.

And what do you believe the benefits are of being part of a larger business now?

One of the key benefits is about broadening our reach much wider and further than we would have operating as a standalone business. The opportunities and connections to new markets, customers and opportunities are significant, as well as Love2shop benefitting from the breadth of skills, experience and resources across the PayPoint Group. This collaborative, partnership approach is at the heart of how the Group does its business, and I can see clearly how this will benefit our extensive range of partners and clients.

Why do you think Love2shop are set for further growth over the next few years?

We have the market leading multi retailer prepaid technology platform and product available in a wide choice of formats (physical and digital) for gifting, reward, recognition, incentives and broader prepaid solutions. We are committed to investing further in our brand, product, people and technology to ensure our solutions remain market-leading. In our Corporate business, we help businesses solve real challenges around the retention and acquisition of customers along with helping businesses with their own employee reward and recognition programmes. Moreover, our prepaid Christmas model (Park Christmas Saving) is relevant for today's market and economic challenges, and can expand to help consumers with other events in the future.

What opportunities are you most excited about for the next 12 months?

The whole team are looking forward to becoming further integrated into the Group, taking advantage of the clear customer and technology synergies and getting deeper into the wider capabilities that can help our current customer base. I'm particularly excited about the Fed (Federation of Independent Retailers) deal recently announced, working together to create a network of Park Super Agents within the PayPoint retailer partner network – this is a great example of what the PayPoint Group brings to help expand and grow our propositions. Similarly, the development of our broader prepayment products and technology platform, to assist with innovative payment opportunities beyond our current propositions and verticals, is another area that will have a big focus for us in the next 12 months.

Acquisition of Appreciate Group continued

The UK gifting market

Love2shop has a well-established technology platform, more than 400,000 customers, a network of popular brand partners and significant headroom for growth across the large and growing UK gift card and voucher market, which is valued in excess of £7.2 billion per annum.

Total current UK Gift card market valued at over £8bn

67% B2C

33% B2B

Opportunity to grow market share in key areas

Budget/Saving – Park Christmas Savings proposition targeting cost-conscious consumers

Corporate Rewards/Incentives – Appreciate Business Services providing employee reward solutions in a segment forecasting long-term growth

B2C – Love2shop brand building its position at the first choice for consumer gifting

Consumer segments

16–34	25.9%
35–54	37.0%
55+	37.1%

Consumer usage

63.5% purchased via physical stores

70.8% for gifting

21.8% for self-use

Spend and loyalty

66.7% spend more than the value of the gift card

31% of 35–54 year olds become regular customers after using a gift card with the brand

Source: UK Gift Card and Voucher Association

Growth in digital rewards and engagement

Significant revenue opportunities across three key areas of the business identified at time of acquisition

Prepayment saving

1. FY24 cycle for Christmas saving – launch of digital tools and proactive support for agents to reduce saver churn and improve recruitment
2. Partnership launched with The Fed to establish third channel of 1,500 PayPoint retailer Super Agents managing 30–50 new savers each, saving c.£400 each, expanding geographical reach through extensive PayPoint network
3. Leverage Collect+ network for distribution of vouchers, inc. on-demand print/greeting card solution maximising existing investment in label printers

Corporate rewards & gifting

1. Continuing Appreciate Business Services in broadening out corporate client base and open up opportunities within PayPoint client base for rewards and gifting
2. Add Appreciate services to existing PayPoint government frameworks, inc. G-Cloud
3. Develop white-label solutions and further uses of prepaid cards for corporates/large retailers in public and private sector specific use vouchers for credit unions to issue for purchase of white goods
4. Cross-sell of PayPoint integrated payments platform into Appreciate client base

Consumer gifting

1. Expansion of physical gift cards into retailer partner network of over 18.000 independent retail stores and opportunity to displace incumbents within larger retailers
2. Develop Love2shop Local proposition, enabling redemption across a range of SMEs and retailers across the PayPoint Group

Enabling enterprise level solutions

Adding Love2shop and prepaid solutions to our capabilities creates a materially enhanced platform across the Group, which gives us the potential to unlock new markets, partners and revenue streams

Retail

The Fed – new partnership announced to create a Park Christmas Savings Super Agent network of 1,500 retailer partners, combining PayPoint One, Parcels and Park Savings and creating an earning opportunity of circa £1k per annum for participating retailers

Clients

Local Authorities – expanding range of disbursement solutions to local authorities with Love2shop Essentials, leveraging prepaid solutions and enabling funds to be issued for specific uses e.g. clothing, food

Carriers

Parcel Carriers – in addition to our core Pick Up Drop Off service, we are enhancing our proposition with Love2shop gift card solutions to enable carriers to issue customers rewards/service apologies and improve their employee engagement programmes

New Sectors

Multi-channel retailer – combining our expertise in gifting, loyalty, card processing and technology to provide online and in-store solutions, supporting their multichannel growth ambitions and strategic goals

Events and Brand Activation – enhancing a successful major events business with our prepaid solutions and PayFac capability to expand their offering, improve the event-goer experience and expand their brand activation programme via our network of 28k stores

Chief Executive's review

Building

a materially enhanced platform to deliver sustainable and profitable growth

“This has been another strong year for the PayPoint Group where we have made significant steps to materially enhance our platform and capabilities to deliver sustainable, profitable growth and enhanced rewards for our shareholders.”

Nick Wiles
Chief Executive

Expanded capabilities and partnership philosophy opening up new revenue opportunities

Strategically, we were particularly delighted to complete the acquisition of Appreciate Group (now known as Love2shop) in February 2023, one of the UK’s leading digital platforms for employee and customer rewards, helping brands and businesses attract, retain and delight customers and employees. Appreciate Group has a well-established technology platform, more than 400,000 customers, a network of popular brand partners, and significant headroom for growth across the large and growing UK gift card and voucher market, which is valued in excess of £8 billion per annum. As indicated previously, the acquisition is expected to be earnings enhancing in FY24 and will deliver attractive returns for shareholders, opening up further revenue opportunities and expanding our capabilities in the gifting, rewards and prepaid savings markets.

Our partnership philosophy across the Group, combined with an intensity and focus on execution, is already unlocking new markets and revenue opportunities for us. We were particularly delighted to announce our new partnership with The Federation of Independent Retailers (The Fed) on 3 May 2023 to create a network of Park Christmas Savings Super Agents. This is the first major initiative announced following the completion of the acquisition of Appreciate Group. The deal will see our two organisations working together to create an initial network of 1,500 Super Agents in FY24 for the Christmas 2024 savings season, with retailers recruiting savers in their area and creating an additional opportunity to earn over £1,000 per annum from the service. This is reflective of the strength of our relationship with The Fed, their executive team and member base, and more broadly the partnership approach that we have adopted across the Group to enhance our relationships and unlock further growth opportunities across new and existing markets.

Furthermore, our Open Banking partnership with OBConnect has enhanced our integrated payments platform and already yielded positive results, particularly with our new PayPoint OpenPay service with Ovo to support Alternative Fuel Payments and rolling out our Confirmation of Payee service with the Department of Energy Security and Net-zero. We see Open Banking as a key growth area where we can partner with organisations in the public and private sector to enhance their payment offering and improve customer support to those in need.

Accelerated revenue growth and momentum across all business divisions

Shopping

In Shopping, our retailer partner and SME propositions have been enhanced further with strong take up and positive feedback from our partners. The overall PayPoint network and PayPoint One estate have grown again this year and our broader commitment to our retailer partners to deliver further value and opportunities to earn has delivered an increase to retailer commission paid out of over +15% year on year. New services and transaction volumes have driven this positive impact to retailer partner revenues, including our Counter Cash solution, which is now enabled in 5,680 sites, with 1,930 sites transacting regularly and over £42.9 million withdrawn in the financial year, and good growth in our FMCG consumer engagement proposition, PayPoint Engage, delivering brand campaigns leveraging our PayPoint One platform, advertising screens and i-movo vouchering capability.

In Handepay, we have ended the year with our strongest ever sales performance in H2 FY23 and have returned the EVO merchant book back to growth, ending the year at 18,397 sites, with the sales team now at full headcount and in spite of recruitment challenges experienced earlier in the financial year.

This positive progress since H1 FY23 has been driven by the enhanced proposition, new Android terminal and the increased optimisation of our sales efforts in the Handepay business; and in PayPoint, improved cards pricing and next day settlement were launched for new and existing merchants. As we move into the new financial year, we look forward to accelerating our cards business further and proactively targeting the mid-market merchant segment with a dedicated team. We will continue our focus on equipping our people with better data, AI tools and analytics to have quality conversations with retailer partners/SMEs and a stronger focus on retention and yielding improved conversion rates. In addition, the positive performance of Business Finance via YouLend across both PayPoint and Handepay was particularly pleasing, supporting our retailer and SME partners during the current economic challenges.

We have continued our extensive efforts to strengthen our retailer partner relationships and drive adoption of these new opportunities to earn, including regular face to face store visits and ‘cash and carry’ days, new retailer forums, more direct communications and our strengthened relationships with the key trade associations, including the Association of Convenience Stores (ACS), the Scottish Grocers’ Federation (SGF) and the Federation of Independent Retailers (the Fed). The feedback and support received from these organisations has been critical to our continued commitment to support our retailer partners in delivering vital community services across the UK and responding to changing consumer needs in the UK convenience sector.

Chief Executive's review continued

E-commerce

In E-commerce, our year-on-year performance has been excellent, driven by our strength in the clothing and fashion categories, the continued expansion of new services with carrier partners, including Amazon and Wish.com, and the in-store experience from investment made in Zebra label printers over the past 18 months. In each of our carrier relationships, we have developed plans for the year ahead to grow volumes further through our network and to continue enhancing the in-store customer experience. We were also pleased to support Royal Mail business customers in 1,455 sites in September and October to keep mail moving during the recent industrial action.

Payments & Banking

In Payments and Banking, we continue to diversify our digital payments client base and strengthen our integrated payments platform as we expand the range of digital solutions that we can deliver to support our clients across multiple sectors, including government, local authorities and housing associations. Our Payment Exception Service, delivered for the Department for Work and Pensions, recorded significant growth year on year, after launching in August 2021 and making a contribution for half of the previous financial year. We were delighted that the service received three industry accolades for Social Inclusion in Financial Services at the recent Payment Awards, FSTech Awards and Card and Payments Awards, underlining the vital role our solutions play in serving some of the most vulnerable people in the UK.

Similarly, over £246 million of Energy Bills Support Scheme vouchers were redeemed across our extensive network of over 28,000 retailer partners from October 2022 to March 2023, providing a £400 payment over the winter months to households across the UK. This vital support for consumers to help with the Cost of Living leveraged our CashOut digital capability. All of these efforts have been underpinned with greater 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.

Further progress on our ESG commitments

Our Environment, Social and Governance (ESG) strategy has also developed further in the year, as we consider our social responsibility and impact as an Executive team and business towards each of these key areas. In July 2022, we fulfilled our commitment to ensure all employees are paid a minimum of the Real Living Wage and Electric Vehicle charging points have now been installed at our head office, supporting the use of electric vehicles by our employees and visitors. An inaugural Pride Month programme was launched in June 2022, as part of our 'Welcoming Everyone' activities, providing educational content, further meetings of our LGBTQ+ network and events to bring colleagues together, building on our commitments to diversity, equity and inclusion and supporting our vision to create a dynamic place to work. We also partnered with Citizens Advice and Advice Scotland to support important Cost of Living targeted consumer campaigns across our network, via receipt advertising, social media and retailer communications.

Update on claims against PayPoint

As announced on 29 March 2023, the Group received 'letter before action' correspondence from a small number of market participants relating to 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 Ofgem resolution to the case did not include any infringement findings.

Claims have now been served by Utilita Energy Limited and Utilita Services Limited ("Utilita") and Global-365 plc and Global Prepaid Solutions Limited ("Global-365"). The Group is continuing to take legal advice on these two claims and its position is unchanged. It rejects both claims in their entirety and intends to vigorously defend its position.

The Group 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.

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

Outlook and dividend

Our enhanced platform and expanded capabilities across the Group, combined with our business-wide partnership philosophy and intensity of execution, give the Board confidence in delivering further progress in the current financial year and meeting expectations.

The opportunity to deliver enterprise level solutions, combining our extensive capabilities, is significant and enables us to deepen our relationships with existing clients as well as expanding into new verticals.

Trading early in the current financial year has been positive, as we have confirmed in our Q1 FY24 trading update, continuing the performance seen in FY23. We have detailed execution plans in place to capitalise on the positive momentum built up in our key growth areas of card processing, Open Banking, parcels, integrated payments and the new Love2shop division, delivering profitable growth in our retail and card estates, further enhancements to our proposition and positive new business growth in key target sectors.

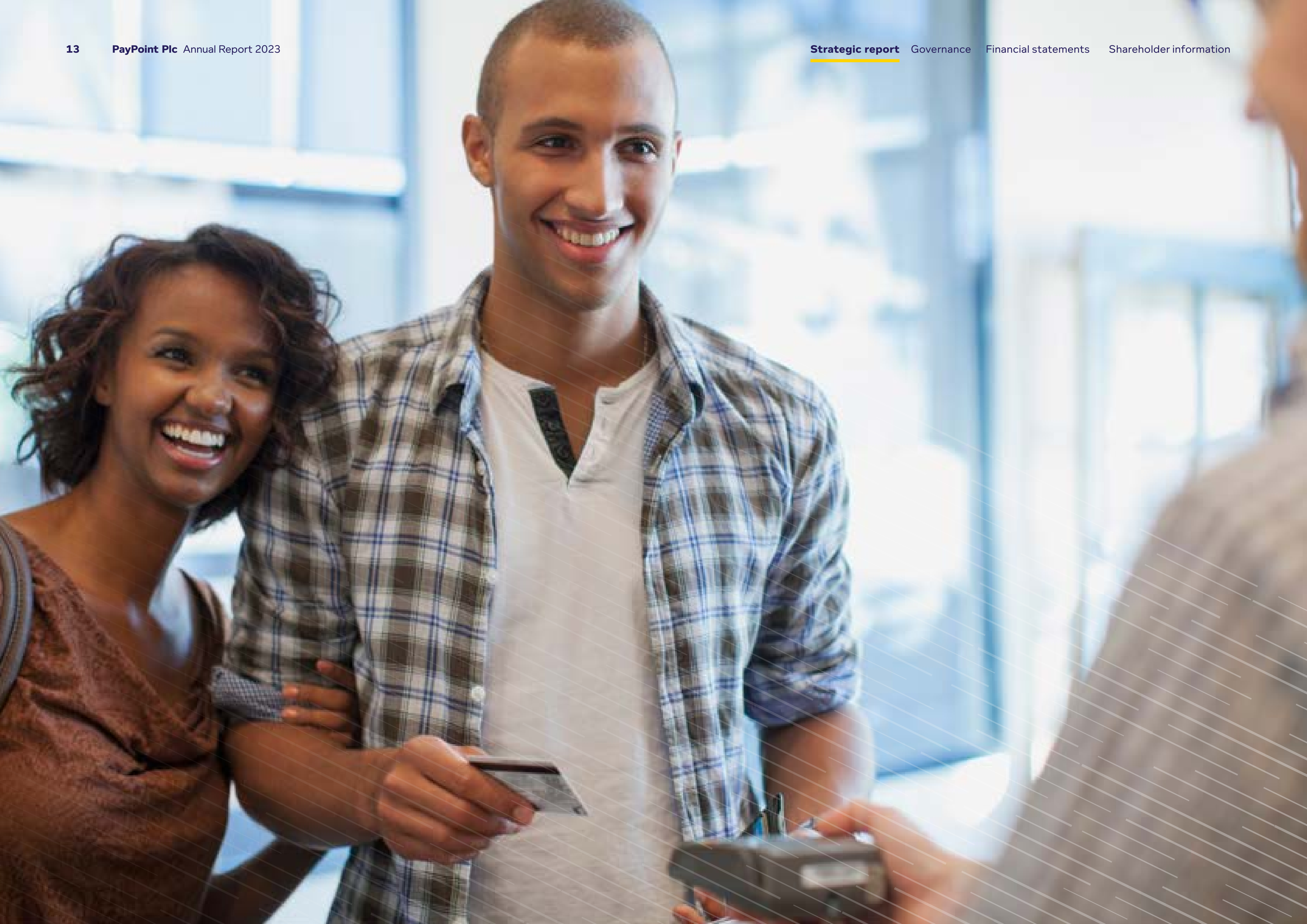
As we continue to integrate the Appreciate Group into our business, we have been giving careful thought as to the key performance metrics for the L2S activities, considering the importance of growing billings as an early indicator of progress, strong cash generation and its contribution to the EBITDA of the business as a whole and the recognition of profit from a business model which incorporates, management / service fees, interest on cash balances and revenue from non-redemption income. In the current year we are focused on driving the immediate key performance indicator of billings in Park Christmas Savings and Love2shop through our extensive plans to grow the core business, expand areas of cooperation across the business and unlock new revenue opportunities as we leverage the expanded capabilities of the wider Group.

In confirming our own positive trading outlook, we are alert to the potential impact on consumers from the broader economic challenges, including any changes to consumer behaviours in the energy sector, all of which we monitor closely across the business.

The Board has proposed an ordinary final dividend of 18.6p per share, an increase of 3.3% vs the final dividend declared on 26 May 2022 of 18.0 pence per share, consistent with our progressive dividend policy of a target cover range of 1.5 to 2.0 times earnings excluding exceptional items, reflecting our long-term confidence in the business, the strength of our underlying cash flow, and the enhanced growth prospects across the Group.

Our compelling characteristics of strong cash flow and resilient earnings remain constant, and our materially enhanced platform is positioned to deliver sustainable and profitable growth for our shareholders, and further progress in the delivery of these objectives in the current year.

Nick Wiles
Chief Executive
27 July 2023



Market overview

Our markets
Expanding
opportunities

Key trends and changes in the FY22/23 financial year in the UK markets in which PayPoint operates include:

"We are committed to supporting our clients, retailer partners, and consumers in navigating the current macroeconomic challenges. We offer a wide range of solutions to help them manage their finances, grow their businesses, and succeed in the long-term."

Steve O'Neill
Corporate Affairs and Marketing Director

Macro economic factors

- The Consumer Prices Index (CPI) grew to 10.2% in March 2023, driven by increased food and energy costs[1].
- The GfK UK Consumer Confidence Index rose six points to -30 in April 2023 (vs -36 in March 2023), and up 19 points from a historic low of -49 in September 2022 and -45 in January2023[2].
- UK retail sales volumes rose by 0.6% in the three months to March 2023 when compared with the previous three months; the first three-month on three-month rise since August 2021[3].
- GDP is projected to contract in 2023 as tighter financial conditions weigh on consumer spending – which accounts for around two-thirds of the economy[4].

Convenience retail

- Lumina Intelligence's current full-year valuation estimate for the UK convenience market is £47.1 billion, up 4.1% from £45.2 billion in 2022[5].
- Convenience shoppers are reducing frequency of visits (-4%). However, high inflation and an increase in basket size has driven an increase in average basket spend of £7.70, +12.7% year-on-year with the average basket size up 4% to 2.8 items[6].
- In-store purchasing has increased year-on-year up 2.4%, with delivery occasions losing 2.2% of share. Shoppers are using delivery services less frequently due to a shift towards returning to pre-pandemic habits as well as increased price sensitivity[7].
- PayPoint One basket data shows the average goods only convenience store average basket spend (May 2022 to April 2023) increased to £7.06 vs £6.92 the previous period. 66% of the purchases were made by cash and 34% by card which is a 3% decrease in cash use on the previous period[8].
- Total UK convenience store numbers remained resilient in 2022, with marginal growth of 0.6% to 47,861[9].
- In 2022 the sector saw the biggest growth in the number of Co-Operatives up 78 (+2.3%) to 3,394 and a decline of 71 (-1.5%) to 4,790 in Forecourt convenience stores[10].
- In a Consumer Home Delivery review 2022/23, IMRG found consumers prefer to collect orders, purchased via click and collect from a convenience store (60%) than a retailer's own store (48.7%)[11].

Card payments

- In 2021, 57% of all payments in the UK were made using cards[12].
- From February 2022 to February 2023, there were 25.8 billion card transactions in the UK[13].
- In the financial year, card payment volumes increased by 4.5% year on year across the PayPoint Group, with growth seen across the Handepay, PayPoint and RSM 2000 books.
- Latest UK Finance data shows £57.7 billion was spent on debit cards in February 2023 up 8.2% on February 2022 and £17.3 billion on credit cards which was a 9.8% increase on the previous year. The number of debit card transactions were up 9% to 1,800 million and credit transactions were up 7.1% year on year to 304 million transactions[14].
- In the SME markets that our Handepay business serves, businesses employing 0–49 people, account for 99% (5.47 million) of the total UK business population, 77% (4.1 million) of the businesses have no employees, with 12% (1.1 million) classed as micro-businesses with 0–9 employees. Retail, auto trade and hospitality businesses make up circa 14% of the SME sector[15].

Cash Economy

- From October 2022 to March 2023, £249 million in £400 payments were distributed across our network of 28,000 stores for the Governments Energy Bills Support Scheme.
- Our Payment Exception Service, run for the Department for Work and Pensions won three industry awards for Social Inclusion in Financial Services and has grown year on year underlining the continuing importance of delivering cash payments to those without access to a standard bank account.
- Latest data from LINK's March 2023 report show ATM transactions were 127 million, 5.4% lower than March 2022 and that each month in 2023 has seen volumes below 2022, however it was 11% higher than March 2021 which was still during a period of lockdown. The value withdrawn also fell by 1.7% compared to March 2022, a smaller reduction than volumes as the average withdrawal value continued to rise and the £6.8 billion withdrawn in March remains a very significant amount of cash.
- ATM coverage across the UK in 2023 continues to be broadly stable and consistent, with a very slow decline in non-branch free-to-use ATMs in the last year. Branch and charging ATM numbers continue to decline at a faster rate as bank branches close and host locations decide they no longer need charging ATMs or no longer take in enough cash to replenish them[16].
- PayPoint's Counter Cash service, which offers cashback without purchase and balance enquiries over the counter continues to grow and is now available in over 5,680 PayPoint stores across the UK with over £1m of withdrawals per week with almost a third of the withdrawals for amounts not available from traditional cash machines.

Market overview continued

Parcels

- According to IMRG's Consumer Home Delivery Report UK, online retail sales fell -10.5% year on year in 2022.
- Consumers choosing a third-party click and collect location prefer a staffed location (55%) rather than a self-serve locker-type site (13%), and they generally would travel two to five miles (68.2%) to pick up the item[17].
- Click & collect from a retailer's store is the standout consumer choice, but when asked if they could choose a click & collect location, more consumers selected a convenience store/supermarket (60%) than the retailer's own store (48.7%)[18].
- UK, non-food retail sales are forecasted to increase from £242.7bn to £248.9bn in 2023 – an increase of £6.2bn or 2.6% in value terms. However, volume growth is predicted to decline 4.9% which reflects an inflationary rise in prices rather than an actual increase in the quantity of goods purchased[19].
- This contrasts with the strong performance seen in the Collect+ network which has seen excellent volume growth year on year in Collect+, driven by strong partnership approach with carrier partners, our positive reputation as the leading carrier agnostic Out of Home network, and backed up by continued investment into the in-store customer experience.
- The Out of Home (OOH) market comprises click and collect, returns and send propositions. The click and collect market is 11% of all volumes with 150 million parcels per year and is expected to double by 2025[20]. Returns and send volumes are estimated at c.185 million and c.380 million parcels per year respectively[21].

Bill payments and top-ups

- 2022 was a much more stable year for the energy supplier market with only four suppliers exiting the market leaving 23 active suppliers, down from 51 suppliers at the beginning of 2021[22].
- In October 2022, the UK Government introduced the Energy Bills Support Scheme which gave every household a £400 discount on their household energy bills which was paid in instalments over six months from October 2022 to March 2023.
- In August 2022, Ofgem announced the Default Tariff Cap would be updated on a quarterly basis rather than every six months so that it can reflect the changes in the cost of energy sooner.
- The dual fuel energy price cap for prepay customers for April to June 2023 decreased to £3,325 from the high of January to March 2023 of £4,358[23].
- Non-Big Six energy providers combined market share increased marginally to 29.6% at the end of January 2022 (29% as of 31 March 2021)[24].
- At the end of 2022, 31.3 million smart and advanced meters were in homes and businesses across the UK, with 55% of all meters are now smart or advanced. A total of 3,7 million meters were installed in 2022 a decrease of 4% on 2021 total[25].
- PayPoint data shows the average number of customer energy top-ups per year is slightly down at 38.3 vs. 38.9 top-up transactions with the overall average spend increasing to £708.25 vs £578.80 the previous year due to the increase in energy prices[26].
- The number of mobile prepay (pay-as-you-go) subscriptions declined to 21.5 million in April 2022, from 22.2 million in April 2021[27].

Open Banking

- Over 7 million consumers and businesses (of which 750,000 are SMEs) are using innovative Open Banking enabled products and services to manage their money and to make payments[28].
- In 2022, Authorised Push Payment (APP) fraud losses were £485.2 million (down 17%) with protections such as Confirmation of Payee cited as having an impact on the reduction. With our partners obconnect we have processed 25 million CoP requests in the last year, with an estimated 12% of those could have prevented fraudulent transactions[29].
- Open Banking payments have more than doubled, with over 68 million Open Banking payments in 2022 (up from 25 million in 2021)[28].
- Since going live with our PISP payment solution at the beginning of May 23, PayPoint has processed over 57,000 payments for our first energy client with the number rising each day as customers begin to adopt this new payment method.
- OpenBanking.org have highlighted some of the most common financial challenges and how Open Banking enabled tools can offer ways for consumers to take greater control of their finances, by consenting to share their banking data, they can get a clear view of all their incomings and outgoings to help them better understand their finances, access affordable credit, particularly if they don't meet traditional lending criteria and to understand their eligibility to switch to an affordable energy tariff[30].

Gift Cards and Vouchers

- The UK Gift Card market is estimated to be worth £7.2 billion in 2022, up from £6.8 billion in 2021. The year-on-year growth was driven by the rise of contactless payments, and the growing trend of employers offering gift cards as a perk to employees[31].
- Gift cards continue to encourage additional spend, with around two-thirds of shoppers typically spending more than the value of gift card they received over 2022. Younger shoppers (Gen Z) are willing to spend triple the amount of a gift card they are redeeming[32].
- The B2C market has grown 13.3% against a backdrop of retail sales that have faced difficulties due to inflation and cost of living[32].
- The B2B sector represents 57.4% of the total market in 2022 below the highs of 67.3% seen in 2020 which bring the market more in line with the B2C market post Covid-19[32].
- The average monthly proportion of UK consumers purchasing gift cards for someone else remained robust over 2022, at 18.0% vs 18.5% in 2021[32].
- UK retail spend forecasted to be £380bn +3% on PY due to inflation +7.7%, triggering a -4.6% decline in volume of shoppers (particularly the less affluent)[32].
- In April 2023, 34.5% of UK consumers bought gifts and gift cards. A decline on PY April from 37.5%[32].
- 11% of those that did not purchase gift cards said this was because they have cut back on non-essential spending[32].
- Proportion of consumers purchasing gift cards for someone else in April was 15.8% compared to 16.7% on PY April (a notable decline)[32].
- 7.4% purchasing for self use was also lower than 7.8% on PY April[32].
- Digital continues to increase in popularity. The proportion of digital cards through employee benefit programme was 12.2%, +9.3% on the month prior[32].

- Proportion of gift card buyers purchasing digital cards in April increased to 26.8% from 25.9% during the month prior – a continuing trend[32].
- This is at the expense of online purchasing on physical gift cards: 33.1% of gift buyers in April 2023 compared to 40.4% in PY[32].
- Multistore gift cards see more significant YOY decline: share of 33.9% in April 2023 compared to 41.1% in April 2022. However, they should be well placed to benefit from the post pandemic return to physical shopping as a hobby. Retail gift cards have experienced a lower decline as a result of this activity[32].
- 18.2% purchased experience gift cards in April compared to 26.6% in 2022. Those purchasing for leisure activities also saw a decline from 18.2% in 2022 to 14% in 2023[32].
- 39.5% of consumers receiving at least one gift card over the last three years through work rewards or incentives[33].

Open Banking Payments

68m in 2022 – more than double the 25m in 2021

1 https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/march2023
2 https://www.gfk.com/press/UK-Consumer-confidence-up-six-points-in-April 3 https://www.gfk.com/press/UK-consumer-confidence-tumbles-to-new-low-of-49-in-September
3 https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/march2023
4 https://www.natwest.com/content/dam/natwest/business-insights/documents/nw-retail-and-leisure-outlook-2023.pdf page 5
5 Source: Lumina Intelligence Convenience Market Data 2023
6 Lumina Intelligence CTP 12WE-05.03.23 & Convenience Strategy Forum Debrief – Q1 2023
7 Lumina Intelligence CTP 12WE-05.03.23 & Convenience Strategy Forum Debrief – Q1 2023
8 PayPoint internal data
9 Source: PayPoint Dashboard Report page 25 (Lumina Intelligence, July 2022)
10 Source: PayPoint Dashboard Report page 25 (Lumina Intelligence, July 2022)
11 IMRG Consumer Home Delivery Review 2022/23 – page 27
12 https://www.ukfinance.org.uk/system/files/2022-8/UKF%20Payment%20Markets%20Summary%202022.pdf page 3
13 UK Finance Card Spending Update for February 2023
14 UK Finance Card Spending Update for February 2023
15 https://researchbriefings.files.parliament.uk/documents/SN06152/SN06152.pdf page 4
16 https://www.link.co.uk/media/2199/monthly-report-mar-23-final.pdf 17.
17 IMRG's Consumer Home Delivery Report UK
18 IMRG's Consumer Home Delivery Report UK
19 Metapack e-commerce delivery report 2023
20 https://www.imrg.org/uploads/mediadefault/0001/08/2477f50ad2fee946cdf5ed23ebb8df21f2489d09.pdf?st.
21 OC&C analysis
22 https://www.ofgem.gov.uk/retail-market-indicators
23 https://www.ofgem.gov.uk/energy-data-and-research/data-portal/all-available-charts?keyword=breakdown%20of%20the%20default%20tariff%20price%20cap&sort=relevance
24 https://www.ofgem.gov.uk/energy-data-and-research/data-portal/all-available-charts?keyword=breakdown%20of%20the%20default%20tariff%20price%20cap&sort=relevance
25 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1143890/Q4_2022_Smart_Meters_Statistics_Report.pdf
26 PayPoint Data – Databased on regular customers only, ones transacting before the beginning of the two-year period and in the last three months of the date range
27 https://www.ofcom.org.uk/__data/assets/pdf_file/0018/240930/Communications-Market-Report-2022.pdf
28 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1150988/JROC_report_recommendations_and_actions_paper_April_2023.pdf
29 https://www.ukfinance.org.uk/system/files/2023-05/Annual%20Fraud%20Report%202023_0.pdf
30 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1150988/JROC_report_recommendations_and_actions_paper_April_2023.pdf
31 https://www.openbanking.org.uk/insights/how-open-banking-can-help-consumers-manage-cost-of-living-challenges/
32 GCVA Consumer Report May 2023
33 GCVA-State-of-the-Nation-March-2022

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 60,000 retailer partner and SME locations

Shopping

Creating a better in-store experience

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 EPoS, parcel services, Counter Cash, card and bill payments, home delivery and digital vouchering

Read more on page 20

E-commerce

Delivering great customer journeys

We enable the delivery of best-in-class customer journeys for e-commerce brands over the first and last mile in c.10,000 locations through our Collect+ brand, helping consumers pick up and drop off online shopping or send parcels across the UK

Read more on page 24

Payments & Banking

Delivering a channel-agnostic payment platform

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 28

Love2shop

Delivering 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 32

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 60,000 SME and retailer partner locations across multiple sectors, including food services, convenience retail, garages and hospitality.

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, 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 all our business divisions, whether through PayPoint One, helping our convenience retailer partners run their businesses more efficiently, or our proprietary e-commerce 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 your 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

698.6m

Retailers and SMEs

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

Retailer and SME locations

62,610

Employees

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

No. of employees

944

Investors

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

Dividends paid per share

34.6p

Local communities

We provide essential 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

Strategic Priority: Embed the PayPoint Group at the heart of SME and convenience retail businesses

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

Retail services – we help our retailer and SME partners keep pace with changing consumer needs, service expectations and demographics. Our retail services platform, PayPoint One, is live in over 18,453 stores across the UK and offers everything a modern convenience store needs, including EPoS, parcel services, card and bill payments, home delivery and digital vouchering.

This empowers our retailer partners to grow their businesses profitably, achieving higher footfall and increased spend. We also provide access to cash solutions via our network of 3,470 ATMs and our pioneering Counter Cash service, offering cashback without purchase and balance enquiries over the counter, is now enabled in 5,680 sites.

Card payments – we provide card payments services for over 30,000 SMEs and convenience retailers across the hospitality, convenience retail, auto trade, clothing and household goods sectors via our PayPoint, Handepay, Merchant Rentals and RSM 2000 brands.

FY23 Progress

- Further expansion of Counter Cash, now enabled in 5,680 sites and with 1,930 sites transacting regularly in the year, with over £42.9 million withdrawn in the financial year, offering vital access to cash over the counter and complementing existing ATM estate.
- SME and retailer proposition enhanced across Handepay and PayPoint card services: new Android terminal launched in Handepay with positive merchant feedback, supported by one-month contracts and next day settlement delivered in last financial year; improved pricing and next day settlement launched for new PayPoint card payment merchants from 1 July 2022 and to existing customers in October 2022, boosting cash flow to our retailer partners.
- Strongest ever sales performance delivered by end of the financial year and a largely full-strength sales team recruited across Handepay and PayPoint, following recruitment challenges experienced in H1 FY23. This positive momentum has been supported by our most competitive and attractive proposition ever and allied with a more detailed focus on customer service and retention, leveraging our AI and data analytics capabilities.
- Positive performance of Business Finance via YouLend with over £12.5 million lent, supporting our retailer and SME partners during the current economic challenges.
- New acquiring partnership with EVO, becoming the single acquirer across the Group. The move enables our merchant estate acceleration plans and mid-market segment focus, increases our efficiency as an ISO and begins the journey to becoming a fully integrated Payment Facilitator.
- FMCG – good progress with a number of FMCG brand campaigns delivered in the second half and strong pipeline of future activity, partnering with Coca-Cola, Amazon, AG Barr and JTI. Our consumer engagement solution for brands, PayPoint Engage, leverages our PayPoint One platform, advertising screens and i-movo vouchering capability to help our retailer partners drive sales and help brands engage thousands of consumers across our network, with redemption rates of up to 40%.
- Retailer engagement – positive progress made on retailer partner Net Promoter Score and satisfaction, supported by regular engagement with key trade associations, launch of new retailer forums with the Scottish Grocer's Federation and National Federation of Retail Newsagents and a comprehensive communications programme to drive new services and opportunities to drive revenue for our retailer partners.

FY24 Priorities

- Continue to enhance retailer proposition, driving retention and delivering more opportunities to earn for retailer partners.
- Launch next generation retail technology into PayPoint network.
- Build on strong momentum in Cards business, with a continued focus on sales and retention and the development of our SME proposition.
- Begin the process to become a Payment Facilitator, bringing all new business under a single acquirer.

The transformation of the PayPoint Group over the past few years has driven new growth opportunities

Key drivers

- Growth in PayPoint One and service fee.
- Growth in card payments and acquisition of Handepay/Merchant Rentals.
- Enhancement of retailer proposition and engagement, inc. Counter Cash, FMCG, MyStore+, Home Delivery.

KPI's

PayPoint One sites

18,453
(FY22: 18,120)

Card payment transactions

386.0m
(FY22: 369.3m)

Risks

1 Competition and Markets
4 Operating Model
10 Operational Delivery

	FY22		FY23
Net revenue	£58.7m	+5.6%	£62.0m
Percentage of Group	51.0%		48.1%

How we deliver

Retail Services

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

Card payments

- PayPoint & Handepay/Merchant Rentals & RSM 2000.

Subdivision Performance

Retail Service

	FY22		FY23
Net revenue	£28.3m	+6.7%	£30.2m
Percentage of Group	24.6%		23.4%

Cards

	FY22		FY23
Net revenue	£30.4m	+4.6%	£31.8m
Percentage of Group	26.4%		24.7%

Our strategy continued

Shopping continued

Enhancing

the retailer proposition & consumer experience

Case study

Shopping

PayPoint One Sites

18,453

Q&A

with Anthony Sappor

Retail Proposition and Partnerships Director

What have been the key developments for PayPoint's retailer proposition over the last 12 months?

We have continued to evolve and improve our proposition to deliver more value and opportunities to earn for our retailer partners, whether through our Counter Cash service, the fantastic growth in parcels, our most competitive cards proposition or the new opportunities that we have delivered via our FMCG activity working with leading brands in the sector.

How are you looking to evolve your technology offer in the future?

It's important to never stand still when it comes to in-store technology and we have spent a lot of time listening to feedback from our retailer partners on how we develop our next generation of technology. The first step will be delivered this year through our PayPoint Connect proposition, creating an improved, integrated technology offer into third party EPoS systems which will enable an enhanced customer experience, greater access to new services and a growing opportunity for cards business. This will be supported through a new, mobile device, PayPoint Mini, which will become our principal in-store device for new customers later this year.

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

With the addition of the Love2shop gifting capability to the Group, there are many opportunities to enhance and grow the solutions that we offer to support FMCG brands through our PayPoint Engage platform. This already leverages our PayPoint One platform, advertising screens and i-movo vouchering capability to help our retailer partners drive sales and help leading brands engage thousands of consumers across our network.

Our strategy continued

E-commerce

Strategic Priority: Become the definitive technology-based e-commerce delivery platform for first and last mile customer journeys

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

We deliver all of this in over 10,000 locations through our Collect+ brand, helping consumers pick up and drop off online shopping or send parcels across the UK.

We work with a comprehensive range of partners, including Amazon, eBay, Yodel, Fedex, DPD, DHL, HubBox, Wish.com, Royal Mail and Parcels2Go.

Our proprietary PUDO software solutions are built in-house, with a singular focus on the delivery of great consumer experiences and confidence in the crucial first and last mile of parcel journeys. These solutions are easily deployable in thousands of diverse locations across multiple sectors through the PayPoint Group. Our unique blend of in-depth parcel operations experience, consumer interaction and agile IT development capability has been built over years of delivering best-in-class customer experiences.

FY23 Progress

- Excellent parcel transaction growth of +69.8% year on year, driven by our strength in clothing/fashion categories, the continued expansion of new services with carrier partners and the in-store experience from investment made in Zebra label printers over the past 18 months.
- New partnerships launched in Q4 FY23 with InPost for locker to store parcels and Yodel for store to store parcels.
- Partnership launched with Wish.com in H1 FY23, one of the largest e-commerce marketplaces in the world, enabling consumers to click-and-collect at over 1,600 Collect+ sites.
- Amazon returns rollout expanded to over 2,000 sites and further integrations rolled out for Print In Store, which saw significant growth in H2 FY23.
- Rapid rollout of 1,455 Collect+ sites in September and October to support Royal Mail business customers, helping keep mail moving during industrial action.

FY24 Priorities

- Deliver carrier expansion plans ahead of peak 2023 trading, including rolling out additional sites and volume for Amazon, DPD and Yodel.
- Expand successful print in-store service to entire Collect+ store network.
- Launch new Yodel Store to Store service for Vinted, building on excellent volume growth over last 12 months.

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'

	FY22		FY23
Net revenue	£4.9m	+46.5%	£7.3m
Percentage of Group	4.3%		5.6%

Key drivers

- Development of e-commerce delivery platform yielding strong year on year transaction growth.
- Continued investment in technology and in-store experience, inc. label printers and app.
- Reshaped carrier relationships, expansion of brand portfolio and service provision.

KPI's

Parcel transactions
56.4m
(FY22: 33.3m)

Parcel net revenue
£7.3m
(FY22: £4.9m)

Risks

1 Competition and Markets
2 Emerging Technology
3 Transformation
10 Operational Delivery

How we deliver

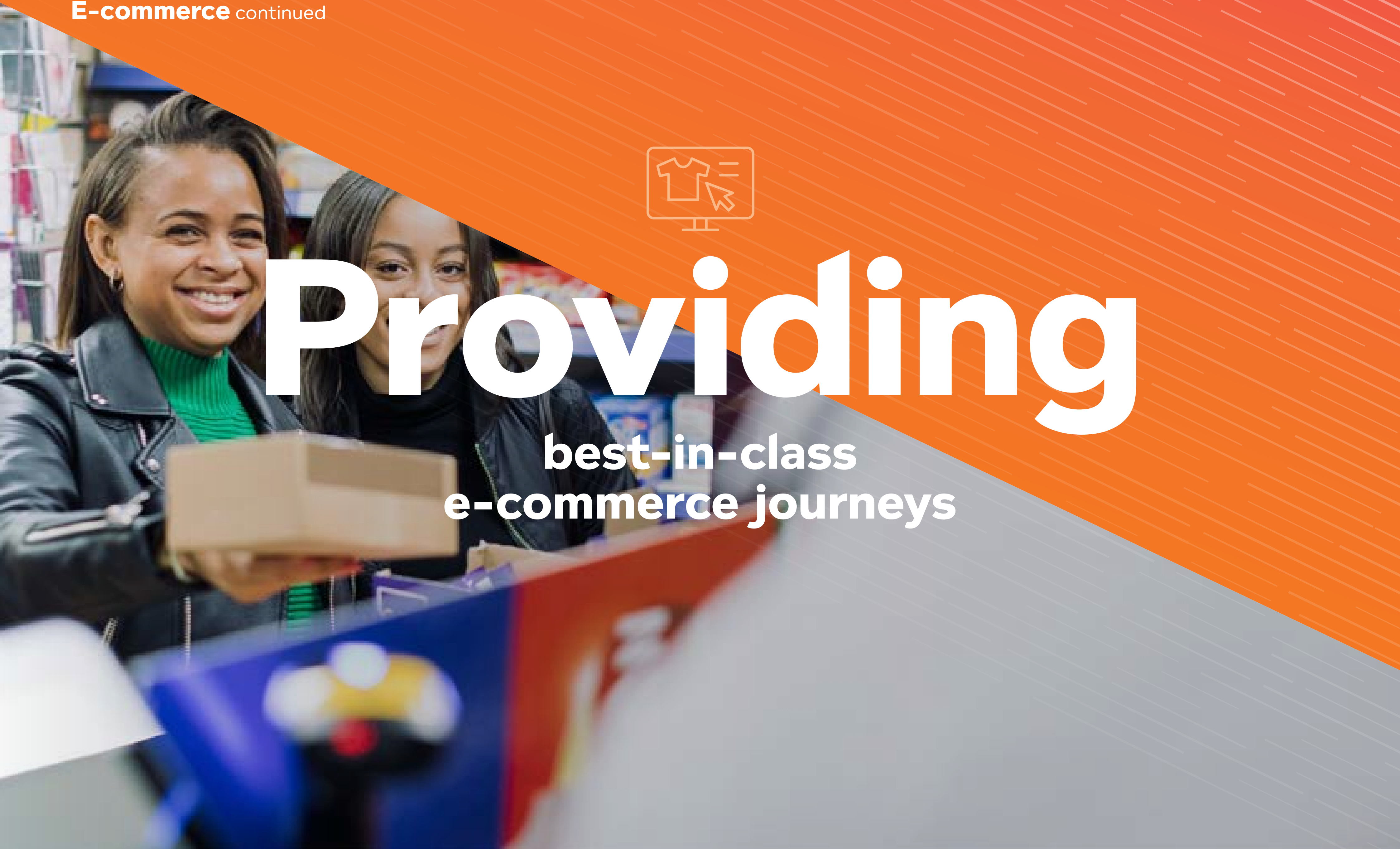
- Consumer parcel pick up, drop off and send.
- No.1 carrier-agnostic Out Of Home (OOH) network, with best-in-class technology and consumer experience.
- Leadership in consumer data and insights to drive sector innovation.

Our partners

Our strategy continued

E-commerce continued

Providing best-in-class e-commerce journeys



Case study

E-commerce

Parcel transactions

56.4m

Parcel net revenue

£7.3m

Q&A

with Nick Williams

Parcel Services Director

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

Our positive performance has been driven by three important areas: the investment we have made over the past few years in 'print-in-store' technology which has unlocked additional volume; the strong relationships we have with our carrier partners; and, of course, our fantastic retailer partners who 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?

Parcels is an important part of any modern convenience store's offering and Collect+ has the widest range of carriers, fits seamlessly into the operations of a store and delivers incremental revenue for participating retailers. Consumers increasingly want greater convenience when shopping online and our retailer network is ideally placed to meet that need, right at the heart of communities nationwide.

What's your focus for the next 12 months?

Clearly we want to build on the positive momentum in the past year to provide further opportunities for our retailer partners. Given it's success, we want to expand our print in-store service to the entire Collect+ store network, which will support the launch of a new Yodel Store to Store service for Vinted. We will also continue our expansion into student union sites in selected universities, as well as trialling a locker solution with OOHPod in Northern Ireland.

Our strategy continued

Payments & Banking

Strategic Priority: Grow integrated payments platform across cards, Direct Debit and Open Banking

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

Digital – we have continued our diversification to digital payments, helping organisations seamlessly and effectively serve their customers. Our channel agnostic, multisector payments platform (MultiPay) has delivered strong growth year on year, supporting integrated payments across cash, Direct Debit, cards, Open Banking and support tools. Our CashOut service, delivered via i-movo, also enables the rapid dispersal of funds through secure digital channels and is actively used by local and central government, including over £246 million of Energy Bills Support Scheme vouchers to support consumers with their energy bills over the winter period and the Department for Work and Pensions Payment Exception Service, digitising benefit payments and replacing the Post Office Card Account.

Cash through to digital – we enable consumers to access digital brands and services through a comprehensive portfolio of gifting, e-banking and gaming partners, including Amazon, Google Play, Monzo, Revolut, JPMorgan Chase, Xbox, PlayStation, Paysafe, Monzo and Love2shop. Consumers simply pay for a 'pin on receipt' code in cash in any of our 28,478 retail locations and then can use that value online with the digital brand or service chosen. For our challenger bank partners, consumers can deposit cash into their accounts across our extensive retail network.

Cash – we provide vital access to cash payment services across the UK by helping millions of people every week control their household finances, make essential payments and access in-store services. Our UK retail network of more than 28,000 stores is bigger than all banks, supermarkets and Post Offices put together, putting us at the heart of communities nationwide.

FY23 Progress

- Continued strong progress in digital transactions, with growth of +53.0% year on year, and further expansion of our client relationships with our enhanced integrated payments platform, including launching Direct Debit with POBL Housing, our new PayPoint OpenPay service with Ovo to support Alternative Fuel Payments, and rolling out our Confirmation of Payee service with the Department of Energy Security and Net-zero, leveraging our Open Banking capability.
- Our Payment Exception Service, delivered for the Department for Work and Pensions, recorded significant growth year on year with net revenue +179% to £4.4m (FY22: £1.6m) and transactions +317% to 12.5m (FY22: 3.0m). The service received three industry accolades for Social Inclusion in Financial Services at the recent Payment Awards, FSTech Awards and Card and Payments Awards, underlining the vital role our solutions play in serving some of the most vulnerable people in the UK.
- Over £246 million of Energy Bills Support Scheme vouchers redeemed across our extensive network of over 28,000 retailer partners from October 2022 to March 2023. PayPoint partnered with 9 energy providers to deliver the Energy Bills Support Scheme, providing a £400 payment over the winter months to households across the UK. This vital support for consumers to help with the Cost of Living leveraged our CashOut digital capability.
- Cash through to digital – good progress in expanding client base and services provided in gifting (Netflix and Google Play) and neo banks (Monzo and JP Morgan Chase), to complement existing gaming portfolio.
- Cash through to digital consumer awareness campaign for gifting expanded with over 10,000 display units rolled out to stores across the UK ahead of key Christmas trading period, including major multiple groups like Midcounties Co-operative.

FY24 Priorities

- Drive further growth in our integrated payments platform, MultiPay, with a continued sector focus on housing, charities and local government.
- Build on strong momentum in Open Banking, working with obconnect, to expand services for existing and new clients.
- Reinforce PayPoint's position as the leader in disbursement services for central and local government.

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

Key drivers

- Built payment channel agnostic platform, supporting diversification to digital.
- Investment in capabilities to secure business in new sectors, including government, newspapers, housing and charities.
- Further strengthen relationships and new service adoption in energy and existing clients.
- Accelerated decline of cash in legacy business.

KPI's

Digital transactions

52.3m
(FY22: 34.2m)

Digital transaction value

£1.3bn
(FY22: £756.6m)

Risks

1 Competition and Markets
2 Emerging Technology
3 Transformation
10 Operational Delivery

Subdivision Performance

Digital

	FY22		FY23
Net revenue	£7.8m	+102.7%	£15.7m
Percentage of Group	6.8%		12.2%

	FY22		FY23
Net revenue	£51.5m	+9.1%	£56.2m
Percentage of Group	44.7%		43.6%

Subdivision Performance

Cash through to digital

	FY22		FY23
Net revenue	8.2m	-16.5%	£6.9m
Percentage of Group	7.1%		5.4%

Cash

	FY22		FY23
Net revenue	£35.5m	-5.4%	£33.6m
Percentage of Group	30.8%		26.0%

Our strategy continued

Payments & Banking continued

Creating

a payment channel agnostic platform

Case study

Payments & Banking

Q&A

with Jo Toolan

Client Services Director

How do you think PayPoint's integrated payments platform has evolved over the past 12 months?

Our enhanced capabilities, particularly in Open Banking, Direct Debit and digital payments, have given us fantastic opportunities to expand the range of services we provide to our existing clients and as well as providing new opportunities in new sectors, particularly in housing, local and central government.

What do you think has driven the success here?

We have worked hard to develop our partnership philosophy with our clients, taking the time to understand their needs, challenges and how we can help address them with our extensive solutions and enhanced platform. The other key factor here has been our improved engagement with our broader industry stakeholders, including Ofgem, UK Finance, Pay.UK and the Department of Energy Security and Net-zero. PayPoint is very much at the heart of delivering vital digital services across the UK.

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

Open Banking will continue to grow in importance, working closely with our partner, OBConnect. We are all excited by what Open Banking enables for our clients in how they service their customers, building on the positive results we have seen with our new PayPoint OpenPay service delivered with Ovo to support Alternative Fuel Payments and rolling out Confirmation of Payee for the Department for Energy Security and Net-zero.

Digital transactions

52.3m

Our strategy continued

Delivering

gifting and rewards for the moments that matter

Love2shop

Strategic Priority: Reinforce leadership position in gifting, rewards and prepaid solutions

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

FY23 Progress

- Park Christmas Savings completed fulfilment of its Christmas 2022 order book – this was 2% lower than prior year which was a significant improvement on recent trends and ahead of expectations, underpinned by record levels of retention and conversion. The savings cycle for Christmas 2023 is well under way and as part of the strategy to return to growth, the order book is expected to be c2% higher than prior year, the first growth in the order book in 6 years.
- Love2shop Business saw strong levels of new business growth in client numbers, increasing by 19% on prior year.
- 49 new retail partners added across the Love2shop platforms, adding to appeal and breadth of choice for consumers, including Sports Direct, The Entertainer and B&M, and Trustpilot score increased to 4.8/5.
- Building on the strong momentum in both Park Christmas Savings and Love2shop, integration work is already well under way, unlocking commercial revenue enhancements and continuing our focus on organisational alignment.
- A small profit was generated in March 2023, before taking into account any acquisition related amortisation and financing costs. This is due to the seasonal nature of the business where profit is primarily generated in Q3 of the financial year.

FY24 Priorities

- Strengthen Love2shop's position as the market-leading, multi-retailer gifting provider.
- Grow Park Christmas Savings billings, through enhanced marketing activity and launch of Super Agent network across PayPoint retailer base.
- Unlock further growth in Corporate business for Love2shop, leveraging client base across PayPoint Group.
- Accelerate technology development plans to enhance client integrations and capabilities.

Our strategy continued

PayPoint Group

Building
a delivery-focused and inclusive organisation

KPI's

Employee engagement – collaboration score

71
(FY22: 72)

Risks

6 People

10 Operational Delivery

PayPoint Group

PayPoint Group

Strategic Priority: Building a delivery-focused and inclusive organisation

Underpinning the PayPoint Group's future success is the continued development and investment in our people, systems and organisation.

We aim to create a dynamic place to work for our people, enabling us to deliver for our customers by collaborating and being good colleagues to each other, creating a positive and inclusive environment where everyone can learn, grow and shine.

FY23 Progress

- Good progress against our ESG programme, including commitment to ensure all employees are paid a minimum of the Real Living Wage delivered in July 2022, 5 electric vehicle charging points installed at our Welwyn Garden City head office in November 2022, and Diversity, Equity and Inclusion training delivered in January 2023.
- Comprehensive programme of 'Welcoming Everyone' activities delivered, building on our commitments to diversity, equity and inclusion and supporting our vision to create a dynamic place to work: including our inaugural Pride Month programme launched in June 2022, providing educational content and further meetings of our LGBTQ+ network; International Women's Day events across the Group; and an external speaker session focused on life over 50.
- Love2shop (formerly known as Appreciate Group) recognised as one of the UK's Best Workplaces™ 2023 by Great Place to Work® UK.
- Partnered with Citizens Advice and Advice Scotland to support important Cost of Living targeted consumer campaigns across our network, via receipt advertising, social media and retailer communications.
- Continued progress on improving our IT service delivery through the transformation into cross-functional product engineering teams with full responsibility for service delivery and product development of each service, the completion of infrastructure consolidation work resulting in reduced energy use at the PayPoint head office, the highest levels of service availability delivered with 100% uptime achieved on core processing systems and a continued focus on cyber-security, with the rollout of a new SAST and DAST scanning tool across engineering teams and the launch of a Bug Bounty programme.

FY24 Priorities

- Complete successful integration of Love2shop and launch of Northern Hub.
- Deliver secure and resilient technology platform and services to all partners and launch improvements to core billing/settlement systems.
- Make further progress on our ESG approach across the enlarged business to deliver responsible and sustainable value for shareholders.
- Continue our 'Welcoming Everyone' programme.
- Execute with intensity and accountability.

Key performance indicators

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

Financial

Net revenue
(£ million) (UK)

£128.9m

11.9%

Description and purpose: Revenue from continuing operations less commissions paid to retailers and Park Christmas 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. FY23 includes one month contribution of Appreciate Group.

See Financial Review – 'Overview' on page 72

Underlying EBITDA
(£ million) (UK)

£61.3m

5.2%

Description and purpose: This measures our earnings from continuing operations before interest, tax, depreciation and amortisation 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 – 'EBITDA' on page 73

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

£50.8m

5.8%

Description and purpose: 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 – 'Overview' on page 72

Cash generation from continuing operations excluding exceptional items (£ million) (UK)

£62.3m

15.6%

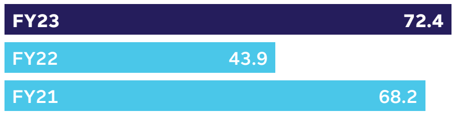
Description and purpose: Profit before tax from continuing operations excluding exceptional items, tax, depreciation and amortisation, and adjusted for corporate working capital movements (excludes movement in clients' funds, retailers' deposits, and card and voucher deposits). This represents the cash generated by operations which is available for investments, capex, taxation and dividend payments.

See Financial Review – 'Group cash flow and liquidity' on page 77

Net corporate debt
(£ million) (UK)

£72.4m

65.0%



Description and purpose: Net corporate debt represents cash and cash equivalents excluding cash recognised as clients' funds, retailer partners' deposits, and cash 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 deleverage over the next few years.

See Financial Review – 'Net corporate debt' on page 76

Dividends paid per share
(pence) (Group)

34.6p

3.0%

Description and purpose: Dividends (ordinary and additional) paid during the financial year divided by number of ordinary shares in issue at reporting date. Dividends paid per share provides a measure of the return to shareholders.

See Financial Review – 'Dividends' on page 78

Diluted earnings per share excluding adjusting items
(pence) (Group)

60.3p

8.8%

Description and purpose: Diluted earnings per share excluding adjusting items (earnings from continuing operations before 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 12 to the financial statements on page 163

Non-financial

Network stability one-mile urban population cover (%)

99.3%
0.1ppts

FY23	99.3
FY22	99.2
FY21	99.4

Description and purpose: Total urban population covered within a one-mile radius of a PayPoint site. This is monitored to ensure PayPoint is above our minimum service level agreement of 95%.

Network stability five-mile rural population cover (%) (UK)

98.5%
0.3ppts

FY23	98.5
FY22	98.2
FY21	98.3

Description and purpose: Total rural population covered within a five-mile radius of a PayPoint site. This is monitored to ensure PayPoint is above our minimum service level agreement of 95%.

Retailer partner site churn (%) (UK)

7.2%
1.9ppts

FY23	7.2
FY22	5.3
FY21	3.6

Description and purpose: The percentage of the retailer partner network that on an annual basis exits PayPoint. This is calculated by taking the number of retailers which exited PayPoint in the period (excluding suspended sites), divided by the average number of total UK retailer partner sites for the period. This helps track the movement in total UK retailer partner sites.

Employee engagement (%) (UK)

71%
(0.1)ppts

FY23	71.0
FY22	72.0
FY21	77.0

Description and purpose: 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.

How we operate efficiently & responsibly

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.

During the year we made good progress towards delivering the commitments outlined in last year's report including the installation of electric charging points, ensuring all of our people are paid a minimum of the Real Living Wage and the development of a more energy efficient terminal to replace the PayPoint One. Further information regarding our progress along with targets for the current financial year can be found on pages 39 and 40.

The ESG Working Group has been expanded to include colleagues from Love2shop following the acquisition of Appreciate in February 2023. The purpose of the Working Group is to review 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. Updated targets incorporating Love2shop can be found on pages 39 and 40.

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

Our commitments and targets

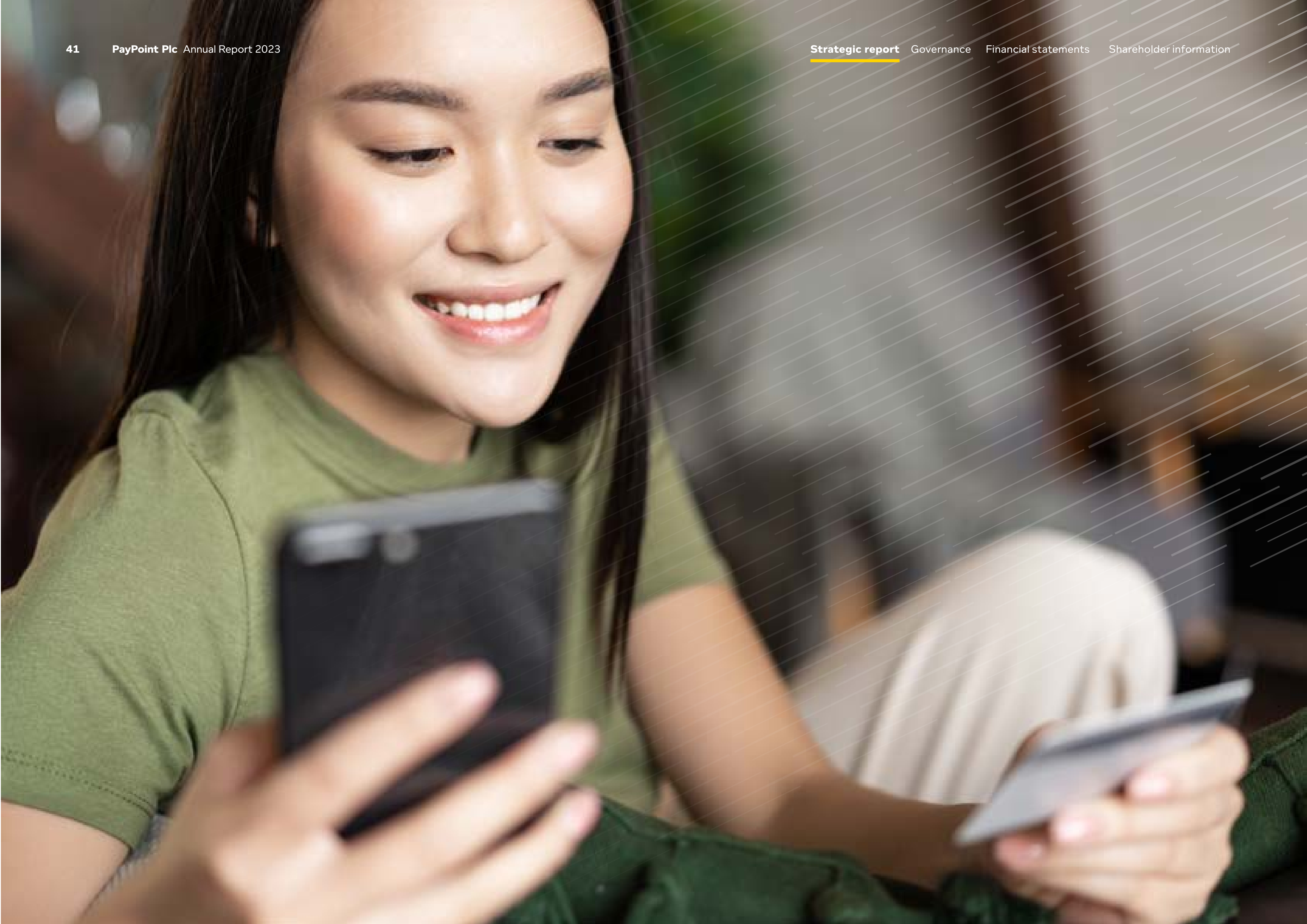
The PayPoint Group is a low impact, low carbon intensive business. We remain committed to improving what we do, including achieving Net-zero in our own operations by 2030 and Net-zero across our entire value chain by 2040[1].

We commit to:	By	Delivered in year	23/24 priorities & targets
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	• Moving to carbon-neutral gas and electricity contracts in Haydock at contract renewal in 2024 (already achieved in Welwyn Garden City). This is energy that has been generated in a way that offsets the CO_2 emitted. • Retiring diesel company cars, introducing an electric company car option in addition to hybrid model in FY23 and stopping ordering new hybrid models by the end of 2025, subject to the required charging infrastructure being in place. • Assessing options to reduce company car mileage.	• New hybrid vehicles introduced to fleet in April 2023 replacing diesel company cars and petrol hire cars. • Territory optimisation dashboard rolled out which, in conjunction with Salesforce Maps, helps to ensure that field sales journeys are planned efficiently and therefore reduce unnecessary mileage. • Actions taken to reduce energy usage in offices including closure of under utilised office space. Sub metering solution installed in WGC offices to identify opportunities for further reductions.	• Carbon neutral gas and renewable electricity to be procured for Haydock at contract renewal. • Year on year reduction in emissions per fleet car. • Update business travel policy to reflect environmental considerations and promote use of public transport and car sharing. • Continue to identify and implement actions to reduce electricity usage in company premises.
2. Achieve a 30% reduction in emissions generated by use of sold products by 2030, compared to 2022	• 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.	• Good progress made with development of more energy efficient terminal to replace the PayPoint One – roll out to commence in 2023. • New Saturn card terminals rolled out to replace legacy card terminal. Emissions are greater than the legacy terminals due to the additional capabilities required to integrate additional services such as EPoS and loyalty which avoids the need for additional separate devices in store. • Regular communications to retailers including Citizens Advice Bureau campaign and pointing to advice issued by trade organisations.	• Reduction in average emissions per new retailer network terminal to be achieved by March 2024.

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.

Responsible business continued

We commit to:	By	Delivered in year	23/24 priorities & targets
3. Support a reduction in employee commuting emissions by encouraging the transition to electric vehicles	• Charging points to be installed at office locations in FY23. • Electric car leasing scheme to be considered for introduction in FY23. • Relaunching our cycle-to-work scheme with an enhanced purchase limit in FY23. • Continue hybrid working policy delivered in 2021. • 'Think before you travel' guidance to be developed and issued.	• Electric car charging points installed at our Welwyn Garden City offices with plans to introduce at other sites where possible. • Cycle to work scheme relaunched. • Electric car leasing scheme agreed and will be rolled out during 2023. • Hybrid working continues albeit with some teams spending more time in the office.	• Electric charging point to be installed at Haydock premises. • Roll out electric/hybrid car leasing scheme to all employees. • Promotion of car sharing and cycle to work scheme.
4. Engage and educate our people on ESG matters to drive engagement and build ESG considerations into our every day	• Regular programme of communication and training to be implemented.	• ESG commitments and progress shared in Staff briefings. • Diversity and inclusion training rolled out in January 2023.	• Online training module to be completed by all employees. • Commitment to offer every employee a volunteering opportunity during the year.
5. Achieve Net-zero across our entire value chain by 2040	• Achieving the targets set out above. • 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.	• CO_2 equivalent emissions reduced from 9,548 tonnes in the year ending March 2022 to 7,129 tonnes for the year ending March 2023. Reductions achieved as a result of the switch to 100% carbon neutral gas and 100% renewable electricity in Welwyn Garden City premises, lower levels of procurement and the sale of PayPoint's investment in Snappy Shopper.	• Understand digital data storage and take action to reduce it as a way of reducing scope 3 emissions. • Demonstrate progress in transition from board to digital cards in Love2shop.
6. Ensure all of our employees are paid a minimum of the Real Living Wage from July 2022	• Increasing salaries at pay review in July 2022 and reviewing annually thereafter.	• Salaries increased in July 2022 and again in January 2023 in recognition of the increased cost of living. All employees paid a minimum of £11.14 per hour with salaries to be reviewed again in July 2023.	• Continue with commitment to pay all employees a minimum of the Real Living Wage.
7. Continue to develop an inclusive culture	• Embedding of 'Welcoming Everyone' approach to inclusion (see page 52).	• Pride month recognised with a number of activities including an online forum, educational learning and colour the rainbow day to increase awareness and support inclusivity in the workplace. • Online event held with external speaker from 55 redefined, celebrating live for the over 50's and challenging ageism. • Score of the Employee Survey question 'I feel comfortable being myself at work' was 81, 7 higher than the external benchmark. This was also recognised as our top strength. • Women's network event held for international Women's Day with attendance from all sites including our new colleagues in Liverpool.	• Launch Women in Tech forum to identify and implement actions in support of increasing the number of women in technology roles across the Group.



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 2023	Year ended 31 March 2022	Year ended 31 March 2021
Scope 1 (fuel combustion)	tonnes CO_2e	**101**	151	60
Scope 2 (purchased electricity)	tonnes CO_2e	**71**	293	320
Total scope 1 & 2	tonnes CO_2e	**172**	444	380
No. of employees 31 March 2023		**714**	670	519
Total scope 1 & 2 per employee	tonnes CO_2e	**0.24**	0.66	0.73
Scope 3	tonnes CO_2e	**6,957**	9,104	4,740
Total scope 1,2 & 3 per employee	tonnes CO_2e	**10**	14.25	9.87

NB. Data for the year ended 31 March 2023 includes data for Love2shop with effect from 28th February 2023.
A pro rata number of Love2shop employees has been included in order to calculate scope per employee

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 39 and 40.

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 new 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 from 0.66 to 0.24 tonnes CO_2e per employee. This reflects continued energy saving initiatives in our offices and switching energy contracts for our head office to carbon-neutral gas and renewable electricity. Emissions from gas and electricity used in company facilities have reduced by over 70% as a result of these actions.

Tonnes CO_2e per employee across our entire value chain (scope 1, 2 and 3) decreased during the year from 14.25 to 10 tonnes CO_2e per employee which is driven by a reduction in the purchase of manufactured goods, the sale of the company's investment in Snappy Shopper as well as benefitting from the transition to renewable energy more generally.

All gas and electricity used in the Welwyn Garden City offices is now carbon-neutral/renewable, and we are committed to implementing this in our Haydock office at contract renewal in 2024. We have 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. We will be rolling out an electric/hybrid car leasing scheme to all employees in 2023 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.

Being a responsible business means that we need to be mindful of our environmental impact beyond our own operations. An ESG questionnaire is used in our procurement process to ensure that ESG matters are considered in decision-making and to ensure that our existing suppliers are aligned with our ESG policies and commitments.

Our next phase 3 Energy Saving Opportunity Scheme assessment is due in December 2023 (the last assessment was completed in November 2019).

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:

- Increased use of our CashOut secure digital vouchering capability which enabled over £246 millions of Energy Bills Support Scheme vouchers to be redeemed across the PayPoint Network.
- 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.
- Our parcels service 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

TCFD

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 2023.

We consider our climate-related financial disclosures to be consistent with the TCFD Recommendations and Recommended Disclosures and are therefore compliant 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, with the exception of the year-on-year comparatives for GHG emissions, as we did not have directly comparable data for the period before the acquisition of the Appreciate Group.

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 including in relation to sustainability, the environment and carbon emissions. The Executive Board sets PayPoint's climate and TCFD responsibility agendas and recommends strategy to the Board, thus ensuring ESG considerations are embedded into strategic decision-making. Our ESG Working Group, which includes Executive Board members, oversees PayPoint's environment, climate and TCFD matters and provides formal updates to the Board at least twice a year. This feeds into strategic decisions around procurement for our own use (in particular energy contracts), management of our employees and offices, and the CO_2 emissions of the equipment that we supply to our retailer partners and agents. The corporate governance organisation chart on page 89 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, environment and carbon-emission strategy. The ESG Working Group that was formed last year is now fully embedded and has overseen various sustainability initiatives throughout the year. The Group's members are informed about climate related issues through reviews of emerging regulation sand trends. See the corporate governance organisation chart on page 89 for more details.

Strategy

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term	PayPoint has furthered its comprehensive assessment of its business activities to identify any climate-related physical and transition risks and opportunities over the short, medium, and long-term. For the assessment, we considered the short-term to be 0–5 years, the medium-term 5–15 years and the long-term 15–30 years. These timelines align with our business strategy planning schedules. These risks all arise from our UK operations in Financial and Retail Services. They do not currently have a material financial impact. 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 2023 to reward progress made in the delivery of ESG commitments including climate related commitments. Further detail can be found on page 115. 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 48 to 49.
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 particularly in our own operations, but even across our entire value chain, 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 68 of the risk management section. Climate and carbon emissions form part of our financial and strategic planning and decision-making process as follows: • We review our own energy usage and replace contracts with lower carbon emitting alternatives as the current ones come up for renewal. The pricing of these new contracts may represent additional costs or savings compared to the current ones. • We consider climate impact from our working practices and as a result have replaced our car fleet with hybrid vehicles, installed car charging points where possible and reviewed our hybrid office and field sales working arrangements. • We take climate considerations into account when renewing the equipment that we supply to our retailer partners so that overall, we are reducing the emissions from our terminals. • 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.
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 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 to 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 450 (out of over 28,000) of our retailers in our 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.

Responsible business continued

Risk management

Describe the organisation's processes for identifying and assessing climate-related risks	PayPoint recognises the impact climate change is having globally and that it presents a risk and uncertainty to our business. As last year, 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 we focus on key risks which could impact achievement of our strategic goals and business performance. 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 emerging regulations, consumer trends and societal shifts. These are reviewed bythe 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. See our risk management framework on page 61 for further detail. We work towards a medium to low risk profile, ensuring we have mitigating controls to bring each risk within the risk appetite set by the Board. The Board are updated on climate risks and set targets to reduce carbon emissions in alignment with perceived risks. 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	We have embedded into our culture the consideration of climate and environmental risks and opportunities as part of all business decisions. 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 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.

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.
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 43. The largest scope 3 areas are Purchased Goods & Services covering terminal and IT purchases and Use of Sold Products covering 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 sets absolute targets during the year to manage climate-related risks and opportunities which were approved by the Board. The targets include reducing carbon emissions in our own business, scope 1 and 2, and across our value chain with the target of being fully Net-zero by 2040. We have also set more detailed targets of how we plan to achieve our Net-zero aims and these are detailed on pages 39 and 40. 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 emissions 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

	Risk	Potential impact	Mitigation strategy
Governance and regulatory	Non-compliance with increased emissions regulations and reporting obligations	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	Substitution of existing products and services with lower emissions options	Costs to adopt and implement new products and processes	• Careful management of the roll out of more energy efficient terminals.
Market	Changes to markets and consumer trends	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 and PayPoint's	• 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.
	Increased manufacturing costs	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.
	Increased energy prices	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	Lost business opportunities if unable to meet customer and partner climate requirements	Reduction in revenue	• Environmental policy continually assessed and updated to ensure PayPoint meets customer and partner climate requirements.
	Increased concern from shareholders and other stakeholders	Reduction in capital availability	• Transparency through our annual TCFD disclosures in the Annual Report.

Physical Risks

	Risk	Potential impact	Mitigation strategy
Weather	Changes in precipitation patterns and extreme variability in weather patterns	Increased costs from damage to buildings	• Ongoing improvement of our buildings.
	Rising temperatures	Increased cooling costs	• Switch to renewable electricity contract at our main office. • 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.

	Opportunity	Potential impact	Status
Resource efficiency	Recycling	Reduced construction costs	• We engage with our electrical waste suppliers to ensure there is a high component of reuse and recycling of our retired terminal and IT equipment.
	Office space kept under review	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.
	Reduced water consumption	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.
	Terminal economic life	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 reduced manufacturing requirements, transport and disposal costs. • We refurbish all our terminal models to ensure their economic life is maximised.
Energy source	Use of lower-emission energy sources	Increased reputational benefits	• We have already switched our electricity and gas contracts to carbon neutral contracts for our head office and plan to do the same for our Northern offices as they come up for renewal.
	Use of new technologies	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. We have increased our car fleet to over 30 hybrid cars which will reduce our car fleet CO_2 by close to 50%. We have one diesel car left in circulation, and plan to retire it this year. • 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	Development and migration to lower emission products and services	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	Reduced electricity consumption	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

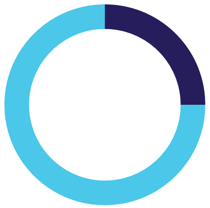
We hold ourselves accountable for delivering positive and inclusive outcomes for society including our people, retailer and client partners, consumers and the wider community.

Social

People and culture

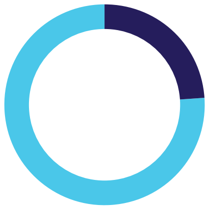
Gender balance as at 31 March 2023

Board



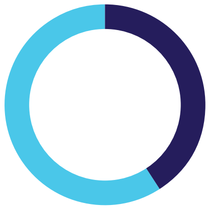
- Female 25%
- Male 75%

Executive Board



- Female 24%
- Male 76%

All employees



- Female 43%
- Male 57%

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. We were delighted to welcome employees from Appreciate Group to the PayPoint Group in February 2023 meaning that we now employ c1,000 people across the Group. Talent retention and attraction remained a key priority during the year although employee turnover reduced compared to the prior year as the external recruitment market slowed.

A key focus during the year has been how we support our people with the cost of living. A number of actions were implemented to support our people including:

- All employees paid in excess of the Real Living Wage with effect from July 2022.
- C175 employees received an additional pay rise in January 2023 when our minimum salary was increased to £11.14 per hour.
- Promotion of existing benefits and free advice.
- Wagestream launched in June in 2023 offering financial planning, budgeting tools, advice and salary advances.
- A simple food offering was made available in offices from December 2022.
- A bonus advance of £300 was paid in December 2022 to participants below Executive Board.

Engagement

We continued to use the Glint engagement survey to monitor the engagement of our people with 82% of people responding to our employee survey conducted in September 2022. The overall engagement score remained stable at 71 and we were delighted to receive very positive scores in the areas of authenticity, communication and performance management which were all significantly ahead of external benchmarks. We were particularly proud of the feedback received in relation to authenticity which reflects the impact of our 'Welcoming Everyone' approach and in particular the work of our LGBTQ+ forum (see page 52).

Each team is responsible for developing and implementing actions that are relevant to them and at a Group level plans are developed in conjunction with our employee forum. This year the actions were focused on supporting employees with the cost of living and building connection and engagement in a hybrid setting.

Our employee forum held two formal meetings during the year to discuss topics including Group strategy and priorities, the employee survey and supporting employees with the cost of living. New representatives were elected in July 2022 and the forum now consists of 14 representatives from around the business. The forum is chaired by our HR Director, 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.

Love2shop participate in the Great Place to Work survey and were delighted to be named as one of the UK's best places to work in April 2023. 81% of Love2shop employees agreed that it is indeed a Great Place to Work and the business achieved a score of 78% in the Trust Index.

We continue to see a high level of participation in our share incentive plan with a 40% participation rate across the Group. We also continued 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 and the continued cost of living crisis, all eligible employees received an enhanced bonus of £700.

Promoting mental health and wellbeing

Wellbeing at the PayPoint Group provides resources and opportunities to support our people across four key pillars of wellbeing, enabling them to be their best self and in turn, deliver brilliant results. Our strategy was updated during the year to include support for social wellbeing in addition to physical, mental and emotional wellbeing and financial wellbeing.

We update people regularly with useful resources and awareness events including support for financial wellbeing in light of the increased cost of living and resources to support with stress during stress awareness month. Our Employee Assistance Programme was relaunched to the business including 'My Healthy Advantage App' offering support in all areas of wellbeing. We have also launched '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 Team Leading, Software Development, Accounting and Project Management. During the period we hired a number of apprentices into our technology team. We also ran a Management Development Programme for line managers and aspiring line managers across the group.

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].

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

Responsible business continued

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'.

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 embedded our Welcoming Everyone approach supported by updated equality & diversity training rolled out to all employees and the launch of an updated and rolled out to all employees in December 2022. Our LGBTQ+ forum, open to all employees, was launched to provide a safe space for people to share experiences and suggest and discuss ideas to enhance inclusivity at the PayPoint Group for those in the LGBTQ+ community including a number of events to recognise Pride month. We introduced a new question to our employee survey to measure inclusivity and were delighted that 'I feel comfortable being myself at work' achieved a score of 81 which is 7 points above the external benchmark and recognises the positive impact of the LGBTQ+ forum within the business.

We also continued to support other aspects of diversity and inclusion within the business including a session led by an external speaker from 55 Redefined to address age related bias and the opportunity for older people to contribute in the workforce, and Women's Network and Menopause Support Group sessions facilitated by HR. We also continue to work with local schools to support the development of aspirations in young people (socio-economic diversity).

The overall gender balance across all employees within the business on 31 March 2023 was 43% female and 57% male. We recently published our sixth 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. The talent pool for IT and field sales remains predominantly male and progress has therefore been slow.

We are launching a new Women in Tech forum in order to better understand the challenges facing women in these roles and identify what more can be done to support the development of our existing people as well as attract more diverse applicants.

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 2023 modern slavery statement will be available on our website in September 2023.

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 96 in the Audit Committee report.

2 https://corporate.paypoint.com/downloads/csr/gender_pay_report_2020.pdf.
3 https://corporate.paypoint.com/downloads/investorcentre/ethical-principles-2020.pdf.

A strong and supportive proposition for retailer partners and SMEs

We provide a broad range of innovative services and technology, connecting millions of consumers with over 60,000 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 proposition to help respond to consumer trends and drive revenue opportunities in a challenging economic environment. During the period, this included the launch of the new Saturn Android terminals in the Handepay Cards Business, the continued roll out of Counter Cash, which is now enabled in 5,680 sites, and PayPoint Engage – our FMCG consumer engagement proposition, delivering brand campaigns leveraging our PayPoint One platform, advertising screens and i-movo vouchering capability. Further enhancements to our proposition following the acquisition of Love2shop include the recently announced partnership with The Fed to launch a network of Park Christmas Savings Super Agents.

Our Business Finance offering via Youlend across both PayPoint and Handepay provides support to our retailer and SME partners during the challenging economic environment.

We have continued our extensive efforts to strengthen our retailer partner relationships and drive adoption of these new opportunities to earn, including regular face to face store visits and ‘cash and carry’ days, new retailer forums, more direct communications and our strengthened relationships with key trade associations including the Association of Convenience Retail Stores (ACS), the Scottish Grocers’ Federation, ‘SGF’ and the National Federation of Retail Newsagents ‘The Fed’. We continue to offer free ACS membership to PayPoint One retailer partners, providing access to industry events, advice and best practice.

Responsible business continued

Enabling clients to provide vital services in the community

We partner with over 500 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 10,000 locations through our Collect+ brand, helping consumers pick up and drop off online shopping or send parcels across the UK. We were pleased to support Royal Mail business customers in 1,455 sites in September and October to keep mail moving during the recent industrial action.

During the reporting period, we delivered further expansion of our client relationships. In total 46 new client services went live with 42 taking digital payments/CashOut solutions including the launch of Direct Debit with POBL Housing.

Our integrated payments platform MultiPay was further enhanced as a result of our Open Banking partnership with OB Connect which enabled the introduction of our new PayPoint OpenPay service with Ovo to support Alternative Fuel Payments and the roll out of our Confirmation of Payee service with the Department of Energy Security and Net-zero.

Our Payment Exception Service, delivered for the Department for Work and Pensions, received three industry accolades for Social Inclusion in Financial Services at the recent Payment Awards, FSTech Awards and the Card and Payments Awards, underlining the vital role our solutions play in serving some of the most vulnerable people in the UK.

Similarly, over £246 million of Energy Bills Support Scheme vouchers were redeemed across our extensive network of over 28,000 retailer partners from October 2022 to March 2023, providing a £400 payment over the winter months to households across the UK providing vital support for consumers to help with the Cost of Living.

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 28,000 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.

The PayPoint Counter Cash service, offering cashback without purchase and balance enquiries over the counter, is now live in over 5,600 stores, with over £42.9 million withdrawn in the last financial year.

Park Christmas Savings, now part of the PayPoint Group, is the UK's biggest Christmas savings club, helping over 330,000 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 recently launched partnership with The Fed will see the creation of an initial network of 1,500 Super Agents for the Christmas 2024 savings season, enabling retailer partners to offer another vital service to customers in their community.

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 85% of our ATM network is 'speech enabled', enabling people with visual impairments to withdraw cash independently.

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.

During the year the Committee organised a number of company-wide events including a World Food Festival in aid of Cancer Research, Haydock Charity Quiz Night, Sepsis Awareness month and numerous bake sales. The Committee also continued to support our people with their own fundraising efforts. In total over £22,000 was donated to local and national charities.

In April 2023 we signed a partnership with Children With Cancer and are working with them to develop a plan that achieves our objectives of:

1. Align closely with ESG, purpose and business strategy.
2. Engage, motivate and be relevant and meaningful to our employees.
3. Raise the profile of PayPoint with our clients, customers and the local communities in which we operate.
4. Provide development and teambuilding opportunities for our employees via volunteering activities and events as well as fundraising.

We 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 a number of virtual careers fairs and interview skills events. Face to face events returned in 2022 and we were able to support a number of workshops and careers fairs in the local community with positive feedback received from the schools involved, as well as hosting a Work Experience Week held in July 2022 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 and 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 38.

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: Zoe Smallshaw

Zoe works in the recruitment team and was nominated under the collaborative and good colleague values. Zoe works relentlessly sourcing great candidates to support headcount growth in field sales and was recognised for her strong internal relationships, communication and positivity.

Value award winner: Chris Sadler

Chris is a software engineer who was instrumental in building the Confirmation of Payee service. He was nominated for his can do and results focussed approach to get the service live on a tight deadline and support the first clients to use the service.

Responsible business continued

Q&A with Simon Coles, Chief Technology Officer

Innovating

How we deliver vital financial support to customers

What key innovations have you been most proud of the team delivering in the past year?
There are three that stand out: the fantastic work we did to deliver the Government's Energy Bills Support Scheme, the launch of PayPoint OpenPay, and the creation of a store-to-store Collect+ delivery service. All of these leveraged our extensive capabilities such as our voucher and parcel management platforms, combined with strong supply-chain partnerships we've worked hard to create over the past couple of years. EBSS and OpenPay are making a real positive impact to customers lives across the UK, and Collect+ store-to-store helps retail marketplaces optimise last mile deliveries and better manage their carbon impact.

Increasingly, innovation in embedded finance will require us to combine our own capabilities with those of our key partners, and I'm very optimistic about the opportunities this approach is creating for us.

How important were PayPoint to the delivery of the Energy Bills Support Scheme (EBSS)?
PayPoint have always played a pivotal role in supporting some of the most vulnerable customers in society, and this scheme was no different. As a response to the Cost of Living crisis, the Government put in place a support package to provide a £400 payment to all households over the winter months. We worked collaboratively with industry partners, including the Department for Energy Security and Net-zero and 9 energy suppliers, to mobilise our CashOut service across our extensive network of retailer partners. Over £246 million of EBSS vouchers were redeemed over 6 months and with 94% of customers saying they found it easy to use and receive this vital support.

What role did the new PayPoint OpenPay service play this year?
One of our strengths has always been how we combine existing capabilities in our integrated payments platform with newer solutions, such as Open Banking – PayPoint OpenPay is a perfect example of that.

Working in partnership with OVO to help deliver Alternative Fuel payments to their customers, the service delivered a unique, cost-effective alternative to cheques and bank transfers, giving them the means to offer customers the choice of depositing the payment into their bank account using a QR code or collecting payments in cash at one of PayPoint's 28,000 retailers. In addition, OVO commissioned the use of our Confirmation of Payee name and bank account checking service, part of our extensive Open Banking solutions, to protect their customers against fraud.

Over 30% of customers redeemed payments straight into their bank account, and their feedback confirmed the ease and convenience of the PayPoint OpenPay service. For the customers who opted for cash, the service provides a quick, simple, and familiar in-store experience. Supporting Access to Cash is very important to PayPoint and the way OpenPay blends cash access with digital innovation has made it easy for our customers to access these funds in whichever way works best for them.

Governance

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.

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 79 to 127 and in the Risk Management Report, on pages 61 to 68. In addition, our anti-bribery and corruption policy is set out in the Audit Committee Report on page 96. 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 39 to 40. 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 39 to 40.

Updated disclosures in accordance with TCFD can be found on pages 44 to 49.

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 2022 we received a Fast Payer Award from Good Business Pays which recognised that PayPoint was one of only 8% of 5000 reporting businesses that pay not just on time but quickly.

Finally, the following table sets out our Group Non-Financial Information statement, prepared in order to comply with sections 414C and 414CB of the Companies Act 2006. A description of our business model and strategy, as well as the non-financial KPIs relevant to our business, can be found on pages 18 to 37.

Reporting requirement	Where to find further information	Page	Relevant policies if applicable
Environmental matters	Responsible business	38 to 49	Environmental
Employees	Responsible business Principal risks Audit Committee Report	52 65 96 to 103	Diversity Recruitment and Selection Health and Safety Whistleblowing Code of Ethics
Society and communities	Responsible business	50 to 55	Charitable donations
Respect for human rights	Responsible business and https://www.paypoint.com/modern-slavery-act	51 –	Modern Slavery Statement Human Rights
Anti-bribery and corruption	Audit Committee Report	96 to 103	Anti-bribery and Corruption

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 2023, we are recommending a final dividend of 18.6 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 Nick Wiles, Chief Executive, Gill Barr, Non Executive Director and Rakesh Sharma, SID and Chair of the Remuneration Committee, have all met with the forum to discuss topics including business strategy & priorities, executive remuneration and the results of the employee survey. Feedback from the forum has influenced decision including the action taken by the company to support employees with the cost of living as outlined on page 51. Further information about how the Company engages with all of its stakeholders can be found on pages 59 to 60 of this report.

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

Nick Wiles
Chief Executive
27 July 2023

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 2023
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 51 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 business strategy and priorities, the results of the employee survey and supporting employees with the cost of living. In April 2023, Rakesh Sharma attended the forum to discuss Executive Remuneration.	Gill Barr, the Board representative of the Employee Forum, facilitates the flow of communication between the forum and the Board. During the year the Chief Executive met with the forum to discuss strategy and priorities and in April 2023 Rakesh Sharma attended the forum to discus Executive Remuneration. The HR Director 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 employee forum helped shape survey actions with a particular focus on the cost of living. Actions implemented included an additional salary increase to lower paid employees in January 2023, an advance bonus payment in December 2022 and the introduction of a simple food offering in our offices.
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 18.6 pence per share has been declared for approval by shareholders.
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. Independent retailers are also represented by a retailer partner forum, which has regular meetings across the year. 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 'NFRN'.	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 continued roll out of Counter Cash, introduction of PayPoint Engage and Park Christmas Savings. Positive progress made in retailer partner net promoter score.

Responsible business continued

Our stakeholders	How we engage	Key topics discussed	How the Board engages/is kept informed	Key outcomes in 2023
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.	Maintaining an excellent Trustpilot score in Handepay. New Saturn Android terminal launched and loyalty app being rolled out.
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 continued growth in Counter Cash, redemption of EBSS vouchers providing vital support with the cost of living and the introduction of Park Christmas Savings.
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 will 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.	Further enhancements to MultiPay platform as a result of Open Banking partnership with OB Connect enabling new OpenPay service to support Alternative Fuel Payments and Confirmation of Payee services. Payment Exception Service delivered for the Department for Work and Pensions received three industry accolades. 46 new client services went live in the year.
Local communities Our network places 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 HR Director updates the Board via a formal presentation each January.	Page 52 details our charitable work and support provided for young people in the community.

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 achieve this. Risks are assessed through PayPoint's risk management and internal control framework which are designed to identify and manage risk. Processes apply throughout the Group and are designed to 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 98 of the Audit Committee section.

Risk appetite

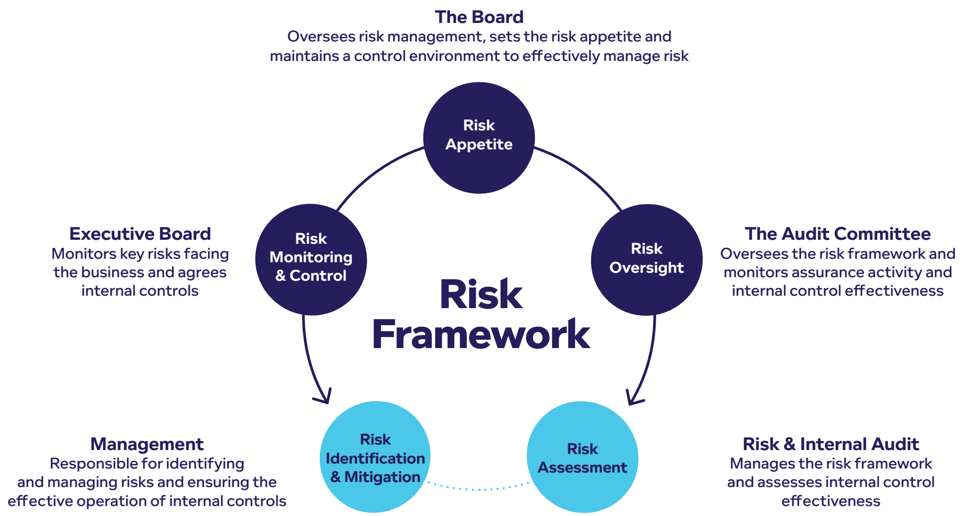
PayPoint's risk appetite is set by the Board and aligns the level of risk considered acceptable in achieving strategic objectives, increasing financial returns and adhering with statutory requirements. The Board and the Executive Board have key roles in ensuring the internal control framework maintains 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 and Head of Risk and Executive Board members and discussed with 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.

This year, attention will be focussed on aligning the Appreciate and legacy PayPoint risk frameworks, and around streamlining the processes for identifying and controlling risks in readiness for compliance with HMRC's SAO framework and the expected 'UK SOX' regime.



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

Like all businesses, we face a number of risks and uncertainties and successful management of existing and emerging risks is critical to the achievement of strategic objectives and to the long-term success of any business. Therefore, risk management is an integral part of PayPoint's Corporate Governance.

Changes to principal risks

New risks and disclosures

This year, principal risks from the Love2Shop business have been considered and incorporated, and our risks are assessed below on a Group-wide basis.

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

Credit and Operational – This risk is renamed as Credit and Liquidity / Treasury Management as operations are now considered under Operational Delivery. This is because operation of our processes and controls are now more intrinsically linked with operational delivery of key projects than with credit management.

Other principal risks have remained the same as last year, although they now include a consideration of how they affect Love2Shop as well as the existing PayPoint business.

Receding risks

There were no receding risks. The outlook of all the risks has been reassessed, as shown in the table below.

Emerging risks

ESG and Climate Risk remains an emerging risk. We recognise the impact climate change is having globally; however, we are intrinsically a low-carbon producing company and climate change does not pose an immediate risk to our operations. However, 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 can be found on page 39.

Last year 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. The risks presented by climate change have been embedded into our enterprise risk management framework including financial planning processes, business cases and our overall risk identification and management processes detailed on page 48.

The table on pages 63 to 68 sets out our principal and emerging risks, including details of the potential impact, mitigation strategies and status. The table also details risk movement during the year and risk appetite. They do not comprise all risks faced by the Group and are not set out in order of priority.

Principal risks

Change in status and trend

Increased Stable Decreased

Market

PayPoint risks	Group risks	Mitigation strategies	Status	Change
1. Competition and markets	PayPoint's markets and competitors continue to evolve; failure to anticipate and respond to these will reduce market share, revenue and profits. The decline in cash usage is expected to continue, which will reduce revenue from those affected business areas. Inflationary and cost of living pressures may impact fee margins and discretionary spend, which will in turn affect growth opportunities in parts of the business. Keen pricing by competitors may further serve to narrow profit margins, as would excessive reliance on key clients or market segments.	The Executive Board regularly reviews markets, competitor activity, trading opportunities and potential acquisitions and so oversees and challenges strategic direction. It also closely monitors consumer and technological trends and engages with clients, retailers and other stakeholders to improve our proposition. PayPoint continually develops products, services and systems to adapt to changes in consumer trends and technology and make strategic acquisitions where appropriate.	Risk is increasing as competition has intensified, and cost of living pressures are causing a downward push on margins. Also, the use of cash continues to decrease, which reduces our income from certain parts of the business. However, we continue to strengthen our card and digital payment businesses. Levels of global investment in our Fintech competitors slowed in the last year, which presents opportunities for PayPoint in the digital space. Finally, the recent acquisition has further diversified the Group into the gifting and rewards business.	Increased **Risk appetite** **Medium**
2. Emerging technology	There is risk to our business if our offering fails to keep pace and we do not exploit new technologies and markets to evolve our proposition. New and emerging technologies are changing the way consumers pay for goods and services; failure to keep up with alternative payment solutions will reduce our market share and profitability.	PayPoint continually develops products with the latest technology and evolves them to take advantage of new and expanding markets. The Executive Board closely monitors emerging technologies and the impact they may have on PayPoint. We also develop and implement our own innovative technology where possible. Emerging technology from recent acquisitions has been developed further and used to deepen and widen our customer relationships.	Risk is stable as recent acquisitions have accelerated our ability to mitigate the impact of emerging technologies, and the re-platforming of our digital proposition will better enable us to expand our presence in digital payment markets. We are engaged in various government schemes involving new technology, for example, the Department for Work and Pensions Payment Exception Service. We are rolling out a new, updated version of our retailer terminal – the PayPoint mini, and have developed solutions in our open banking and open pay propositions. We are also tracking the fast evolution of generative AI, as this has potential to be highly transformative.	Stable **Risk appetite** **Medium**

Principal risks and uncertainties continued

Principal risks

Change in status and trend

Increased Stable Decreased

Strategic

PayPoint risks	Group risks	Mitigation strategies	Status	Change
3. Transformation	Our business relies on implementation of continued innovation to keep pace with emerging technology and changing markets. Furthermore, we need to remain agile to continually improve our processes and controls, as failure to do so would reduce efficiency, increase costs, and increase the likelihood of poor customer service. Failure to invest and improve would also reduce our capacity to capitalise on opportunities for growth.	The Executive Board drives, challenges and assesses our response to change as part of the strategic planning process. PayPoint is committed to diversifying its product offering and client base by delivering innovative, efficient and robust processes in a range of sectors, and by continuous improvement in existing systems and processes.	Risk is increasing; the acquisition of Appreciate is now complete and work has started to integrate their operations where appropriate, and to add their system improvements into the Group roadmap. Our other major projects include Payment Facilitation and the roll out of the PayPoint mini terminal, a project that started in 2021.These require considerable investment in technology and systems as well as infrastructure channels and in developing people.	Increased Risk appetite **Medium**

Business

PayPoint risks	Group risks	Mitigation strategies	Status	Change
4. Operating model	It is important we have a diversified and varied operating model, so we are not overly exposed to any particular markets, clients, suppliers or SMEs. Our core business relies on an appropriate mix of clients operating in diverse industry sectors, retailers and redemption partners, supported by a robust supply chain and operating processes. Failure to maintain attractive propositions for clients retailers and redemption partners may result in losses of key clients, or a reduction in fees and margins.	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. We have further diversified our business this year through the acquisition of Appreciate Group which gives us access to new markets, SMEs, retailers, clients and technology. We maintain strong relationships with suppliers to reduce concentration risk in this area.	Risk is stable; recent acquisitions have diversified our operations into the gifting ad rewards business. We continue to renew contracts with clients and onboard new retailers, merchants and redemption partners in line with expectations. We have built on the counter cash, FMCG and newspaper propositions with campaigns and onboarding new SMEs, with more in the pipeline. We have however noted that retailers and SMEs are under increasing financial pressure, which may lead to an increase in defaults. We are monitoring this situation carefully.	Stable Risk appetite **Medium**

Principal risks

Change in status and trend

Increased Stable Decreased

PayPoint risks	Group risks	Mitigation strategies	Status	Change
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. Recent acquisitions have increased the number of regulated entities, which further increases the regulatory risk. Commitments made to Ofgem in 2021 regarding its Competition law concerns have been implemented.	Our Legal and Compliance teams work closely with management on all legal and regulatory matters and adopt strategies to ensure PayPoint is appropriately protected and complies with regulatory requirements. 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. The compliance team has been expanded and developed to meet the ever-changing requirements of both existing and new legislation, and external counsel is engaged where required. We respond promptly and comprehensively to all legal and regulatory enquiries.	Risk is increasing due to two key factors. Firstly, following completion of the Appreciate acquisition, additional support has been required to ensure a coherent group approach to compliance is implemented. Secondly, as referenced in Note 34, two claims have now been 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. Key new regulations this year have been the PSR and Consumer Duty, which we are addressing in line with regulatory deadlines.	Increased **Risk appetite** **Low**
6. People	Failure to attract and retain key talent impacts many areas of our business including service delivery and achieving strategic objectives. Maintaining a strong culture of ethical behaviours and employee wellbeing is also vital in ensuring our business, people, customers and other stakeholders are safeguarded, and our operations remain efficient and profitable. Maintaining competitive remuneration levels ensures we retain our talent pool.	The Executive Board defines and advocates PayPoint's purpose, vision and values, and an employee forum comprising employees from across the business engages directly with the Executive Board on employee matters. We continue to invest in, and support our people. We have well established processes for recruiting and retaining key talent and developing our people, and there is continued focus on culture, ethics and diversity.	Risk is increasing. Following completion of the Appreciate Group acquisition, we announced a rationalisation of our Northern offices, which has caused some staff turnover. Inflationary pressures mean salaries remain high and, hybrid working serves to exacerbate this trend. Therefore, there remain a number of vacancies, especially in specialist fields. However, we have recruited some extra staff in accordance with our planned headcount increase for the year. Recruitment and retention have eased somewhat from earlier in the year due to redundancies and recruitment freezes elsewhere. Employee engagement surveys remain positive and key actions around cost-of-living support, better employee interaction and flexible working have been implemented.	Increased **Risk appetite** **Low**

Principal risks and uncertainties continued

Principal risks

Change in status and trend

Increased   Stable   Decreased

Operational

PayPoint risks	Group risks	Mitigation strategies	Status	Change
7. Cyber Security	Cyber-attacks may significantly impact service delivery and data protection causing harm to PayPoint, our customers and other stakeholders. Recent acquisitions have increased the number of IT environments, products and systems we need to protect. PayPoint has multiple cyber security systems, capabilities and controls however cyber-attacks are constantly evolving and remain a persistent threat.	The Executive Board assesses PayPoint's cyber security and data protection framework, and the Cyber Security and IT Sub-Committee of the Audit Committee maintain oversight. Our IT security framework is comprehensive, with multiple security systems and controls deployed across the Group. We are ISO27001 and PCI DSS Level 1 certified, and systems are constantly monitored for attacks with response plans implemented and tested. Employees receive regular cyber security training, and awareness is promoted through phishing simulations and other initiatives. We have implemented simple reporting 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. Due to the current geopolitical instability, the NCSC has issued a warning regarding targeted threats to organisations supporting critical services in the UK. Group security standards and systems are being applied to our acquired IT environments and 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.	Increased Risk appetite **Low**
8. Business interruption	Our clients and stakeholders rely on our systems, products and services being resilient to maintain continuous service delivery. Failure to maintain stable infrastructure or processes, or to promptly recover services following an incident may result in financial loss, reputational harm and potential regulatory scrutiny. Interruptions may be caused by system failure, cyber-attack, failure by a third party, or failure of an internal process. Recovery may be hampered by a lack of resilience planning and testing.	The Executive Board reviews PayPoint's business continuity framework and the Cyber Security and IT Sub-Committee of the Audit Committee maintains oversight. Business continuity, disaster recovery and major incident response plans are maintained and tested with failover capabilities across third party data centres and the cloud. Systems are routinely upgraded with numerous change management processes and resilience embedded where possible. Risk from supplier failure is managed through contractual arrangements, alternative supplier arrangements and business continuity plans.	Risk is increasing. The acquisition of Appreciate and our expansion into different product contribute to an increasing complexity of our operations. We have not suffered any significant outages during the year, however system disruption is an inherent business risk. Therefore, we have upgraded the processing environments for our core switch and some core services that are hosted in the data centres. This has resulted in a reduction in critical incidents, and availability of the core processing switch has improved. Better staff training and retention has enhanced our ability to detect and recover from service issues.	Increased Risk appetite **Low**

Principal risks

Change in status and trend

Increased | Stable | Decreased

PayPoint risks	Group risks	Mitigation strategies	Status	Change
9. Credit and liquidity / Treasury management	PayPoint has material credit exposures with large retailers, redemption partners, and other counterparties; in the event of a default, significant financial loss may result, as demonstrated with the McColl's collapse. We process large volumes of payments daily, therefore effective operational controls are essential to ensure funds are settled accurately, securely and promptly. We have a number of debt / banking covenants and interest expenses which must be managed carefully. Absent or ineffective controls in these processes could result in fraud, liquidity risk, reputational damage or other financial loss.	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. Residual risk associated with potential default of gift card providers is mitigated through insurance. Settlement systems and controls are continually assessed and enhanced with new systems and 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.	Risk is stable. Credit losses remain low. Cost of living pressures may impact our retailers, which may increase the default rate. 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 Appreciate and our cash generation remains robust.	Stable **Risk appetite** **Low**
10. Operational delivery	Successful delivery of key initiatives and strategic objectives is central to achieving our day-to-day and transformation aims. Successful operational delivery depends on effective forecasting, planning and well controlled execution both within the Group and in its supplier chain. 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 over BAU activities. 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. The Appreciate acquisition will require considerable management time and effort to integrate. The combined group is now large enough to qualify for the SAO regime, which means the risk and control documentation must be reviewed and brought in line with HMRC requirements. There have been a number of new products in the year, e.g. EBSS and Open Banking, which have been challenging and demanded prioritisation of resources.	Stable **Risk appetite** **Low**

Principal risks and uncertainties continued

Principal risks

Change in status and trend

Increased Stable Decreased

Emerging risks

PayPoint risks	Group risks	Mitigation strategies	Status	Change
11. ESG and Climate	Focus on environmental, social and governance matters continues to increase, and our business needs to be environmentally responsible to create shared value for all stakeholders. Climate risk is a key priority for governments and organisations globally, and PayPoint needs to play its part in reducing carbon emissions and its environmental impact. Approximately 17% of our revenue is derived from energy and fuel markets and as the UK transitions to Net-zero carbon emission economy by 2050, we need to closely monitor the impacts on our business to ensure our revenue streams 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. We will be rolling out our new PayPoint terminal, which generates lower emissions than previous models. We are moving toward electric cars for our company fleet and 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. Love2shop was named one of the UK's best places to work in April 2023.	Stable **Risk appetite** **Medium**

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 63 to 68) 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 time frame 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 February 2026 broadly in line with this period.

Assessment of prospects

The Directors assess the Group's prospects through the annual strategy day and review of the Group's three-year Plan. The strategy day in February 2023 and Plan review day in March 2023 both considered the impact on future plans of the Appreciate Group acquisition on 28 February 2023. The planning process forecasts the Group's financial performance including cash flows which allows 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 the context of our clients, parcel partnerships, merchants and retailer requirements
We continue to evolve and execute our strategy and invest for growth. We recently acquired the Appreciate Group and are integrating this business at pace so that the commercial synergies can commence realisation in the 2023/24 financial year including the launch of super-agents via our retailer partner network.

Through a broad range of products and services combined with our effective sales team we continue to successfully embed PayPoint Group at the heart of SME and convenience retail businesses. In the e-Commerce division, we are continuing to roll out Zebra printers which will enable store to store deliveries, further improving the e-commerce delivery platform for first and last mile customer journeys. In the Payments and Banking division, we continued facilitating government support in the current economic climate and grew our integrated payments solution across cards and Direct Debit together with the addition of Open Banking to our portfolio of payment methods.

The Group's inherent resilience to risk
The Group has an inherent resilience to risk, provided by the diversified nature of our operations across many sectors. The business remains highly cash generative which has enabled the Group to continue to invest in key areas of growth and support its longer-term viability. The Appreciate acquisition has further broadened our products set, client base and has enabled more opportunities to provide more key services across all our customers (retailers, SMEs, clients, redemption partners and parcel partnerships). This will ensure we are more integral to all of our customers.

Expectations of the future economic environment
Uncertainty remains over macroeconomic risks. This has resulted in higher inflation and cost of borrowing, reduced consumer confidence and the UK government facing higher budget deficits. However, the diversity of our proposition ensures the business can adapt to ongoing and unexpected changes. This was demonstrated this year as we supported the government with its cost-of-living support.

The Group's financial position
The Group retains a strong financial position and has a £75m revolving credit facility (RCF) expiring February 2026 together with a total of £46.8m amortising term loans. The arrangement also includes a £30m accordion (uncommitted) facility. At 30 June 2023 the Group had utilised £44.5m of the RCF. The available balance of £30.5m and the corporate cash provides the Group with liquidity of c£35m. This level of liquidity is deemed sufficient for all the viability scenarios analysed. The Group has proven robust performance and cash generation in previous economic downturns.

Assessment of viability

To assess our viability, we modelled different scenarios identified by considering the potential impact of the principal risks (as shown in the table on pages 63 to 68). Our development of scenarios included reviewing the risks of both the PayPoint and Appreciate businesses. Risks are broadly unchanged and the additional investments required to realise our integration and targets are included in the Plan financial projections. We have reassessed the enlarged group's scenarios to reflect the progress made in delivering our strategy. In total, nine 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.

The principal risk not specifically modelled was Risk 6 – people as failure in recruiting and retaining the right talent in the organisation would have similar impacts to scenario A and B.

In total, four severe but plausible individual scenarios have been modelled, with a fifth reverse stress test scenario. These scenarios and the assumptions within are detailed in the table on page 70.

We also considered the combined impact of scenarios A and B as these are the most likely to materialise together. 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 D, due to the one-off nature of scenarios C and D, with scenario A already including a significant one-off item creating similar financial pressure.

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 and reducing variable incentives and temporary suspension of dividend payments.

Conclusion

Having assessed the Group's current position, potential impacts of principal risks, proven management of 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 (9) Credit and operational	**Transactions/merchants/estate** In areas of the business where declines have been experienced, these have been doubled. In areas of the business in growth, this growth has been reduced to zero. **Margins, revenue rates per transaction/merchants or estate** In areas where there is a decline, this has been doubled and growth reduced to zero. Economic backdrop will also cause a credit risk of c£11m if several of our largest retailers fail. **Costs** No cost savings assumed. All the above are assumed to impact for FY23/24 with a slow recovery in FY24/25 back to planned levels in FY25/26. **Dividends** Dividends are reduced in line with dividend policy.
Scenario B Failure with our transformation and integration projects impacts the profit delivery from the planned growth.	Risk (3) Transformation Risk (10) Operational delivery	**Revenue Growth** Planned transformational revenue growth rates are assumed to halve over the life of the plan. **Costs/synergies** Costs are assumed to increase by 20% and the benefit of synergies halved across the three-year plan.
Scenario C Legislation or regulatory reforms cause a situation of non-compliance.	Risk (5) Regulatory and legal (grouping all the one-off hits together)	**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 amount of the possible fines and associated costs of £30m is incurred in FY23/24. **Dividends** Reduced in line with dividend policy.
Scenario D Cybersecurity and business continuity.	Risk (7) Cyber security Risk (8) Business interruption	**Revenue** No revenue generation for three weeks. **Costs** Compensation payment equal to the lost revenue. **Dividends** Reduced in line with dividend policy.
Scenario E Reverse stress test.	N/A	Adopting the principles of Scenarios A and B, a continuous monthly impact has been modelled to understand when our funding limits would be reached. Similarly, for scenarios C and D, which are one offs, a single month impact has been calculated to reach funding limits. In this stress test, it is assumed no dividends are paid. The outcome of these tests were a sustained EBITDA reduction of £3m per month, indefinitely or a one-off reduction in EBITDA of £40m would take the Group to its funding limits. At this point the Group would require further mitigations to those listed above and engaging financiers for further support or relaxation of covenants.

Financial review

The transformation of the business continues apace, with our compelling characteristics of strong cash flow and resilient earnings remaining constant.

Growing

Financial review continued

"The Group has delivered a strong performance, with net revenue growth across all divisions and a profit before tax excluding adjusting items in the PayPoint segment of £50.3 million, up 4.8% vs FY22."

Alan Dale
Finance Director

£m	Year ended 31 March 2023	Year ended 31 March 2022	Change %
PayPoint segment	**160.1**	145.1	10.3%
Love2shop segment	**7.6**	–	n/m
Total revenue continuing operations	**167.7**	145.1	15.6%
PayPoint segment	**125.5**	115.1	9.1%
Love2shop segment	**3.4**	–	n/m
Total net revenue continuing operations[1]	**128.9**	115.1	11.9%
PayPoint segment	**(75.2)**	(67.1)	12.1%
Love2shop segment	**(2.9)**	–	n/m
Total costs continuing operations	**(78.1)**	(67.1)	16.4%
PayPoint segment	**50.3**	48.0	4.8%
Love2shop segment	**0.5**	–	n/m
Underlying profit before tax	**50.8**	48.0	5.8%
Adjusting items:			
Amortisation of intangible assets arising on acquisition	**(2.6)**	(2.4)	–
Exceptional items	**(5.6)**	2.9	n/m
Profit before tax from continuing operations	**42.6**	48.5	(12.4)%
Profit before tax from discontinued operations	**–**	30.0	n/m
Profit before tax	**42.6**	78.5	n/m
Underlying EBITDA[3]	**61.3**	58.2	5.2%
Cash generation from continuing operations excluding exceptional items	**62.3**	53.9	15.6%
Net corporate debt[2]	**(72.4)**	(43.9)	65.0%

1 Net revenue is an alternative performance measure. Refer to note 4 to the financial information for a reconciliation to revenue.
2 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.
3 Underlying EBITDA is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation.

The completion of the acquisition of Appreciate Group plc (Appreciate) in February 2023 was the latest step in the three years of our transformation away from our traditional cash markets towards digital. Our Corporate activity started in April 2020 with the buyout of our JV partner in Collect+, our parcels business, then acquisitions of i-movo for digital vouchering, Handepay/Merchant Rentals for cards business and RSM2000 for Direct Debits.

In addition, investments have been made in OBConnect, our Open Banking partner and Optus Homes in the Housing sector.

PayPoint sold its Romanian business at the start of the prior year and that is the discontinued operations in the table above. The focus of the review therefore is on continuing operations.

The Appreciate acquisition is now referred to as our Love2shop (L2S) division and is reported as a separate segment. The financial review discusses the whole Group as well as the two segments so that shareholders can understand the one-month L2S impact separately from our historic PayPoint business which had another strong year.

Profit before tax from continuing operations of £42.6 million (2022: £48.5 million) decreased by £5.9 million (12.4%). The decrease reflects current year exceptional costs incurred of £5.6 million against the prior year exceptional income of £2.9 million.

The underlying profit before tax increased by £2.8 million (5.8%) to £50.8 million (2022: £48.0 million). This result includes £0.5 million profit on the L2S segment for one month. This is due to the seasonal nature of the business where profit is primarily generated in Q3 of the financial year. The historic PayPoint segment underlying profit before tax increased by £2.3 million (4.8%) to £50.3 million (2022: £48.0 million).

Total revenue from continuing operations increased by £22.6 million (15.6%) to £167.7 million (2022: £145.1 million). Net revenue from continuing operations increased by £13.8 million (11.9%) to £128.9 million (2022: £115.1 million), the one month of L2S segment contributing £3.6 million. There were increases across all our PayPoint segment business divisions with E-commerce doing particularly well with 46.3% increase in net revenue over the year.

Total costs from continuing operations increased by £11.0 million to £78.1 million (2022: £67.1 million). The increase in costs was driven by the £2.9 million one-month additional cost base from L2S segment together with increases in transactional costs of revenue in relation to the growth of net revenue in Payments and Banking. Exceptional costs of £5.6 million, which are one-off, non-recurring and do not reflect current operational performance, consisted of £4.0 million acquisition costs plus £0.3 million interest cost as part of the acquisition proof of funds requirement and £1.3 million in relation to the loss on disposal of our investment in Snappy Shopper Ltd in October 2022. The prior year exceptional income was the reversal of the i-movo deferred, contingent consideration liability.

During the year the Group updated its presentation of the expense for amortisation of intangible assets arising on acquisition. In order for the user to better understand the operational performance of the business, the Group has changed from presenting "Operating Profit before exceptional items" to "Operating Profit before adjusting items". The impact of the re-presentation is to decrease prior year "Administrative expenses – excluding adjusting items" by £2.4 million.

EBITDA is a new performance indicator highlighted this year, as it is widely used by investors, analysts and other interested parties to evaluate profitability of companies. Our key focus and KPI is on Underlying EBITDA to understand the operational performance, which excludes exceptional items and amortisation of intangible assets arising on acquisition.

EBITDA / Underlying EBITDA (£m)	Year ended 31 March 2023	Year ended 31 March 2022
Profit before tax	**42.6**	48.5
Add back:		
Net interest expense	**2.6**	2.0
Depreciation	**4.9**	4.8
Amortisation – including amortisation of intangible assets arising on acquisition	**5.6**	5.8
EBITDA (£m)	**55.7**	61.1
Exceptional items	**5.6**	(2.9)
Underlying EBITDA (£m)	**61.3**	58.2

Cash generation from continuing operations excluding exceptional items grew to £62.3 million (2022: £53.9 million), delivered from underlying profit before tax of £50.8 million (2022: £48.0 million). There was a net working capital inflow of £1.2 million primarily as a result of the net investment in finance lease receivable reducing in line with expected repayments and new terminal lease sales being made under the one month operating lease proposition.

Net corporate debt increased by £28.5 million to £72.4 million (2022: £43.9 million) due to financing the acquisition of Appreciate which had a £61.9 million cash element. At 31 March 2023 loans and borrowings were £94.4 million (2022: £51.5 million) which included £0.6 million (2022: £2.1 million) of asset financing in Merchant Rentals.

PayPoint segment

Continuing operations

£m	Year ended 31 March 2023	Year ended 31 March 2022	Change %
Revenue	**160.1**	145.1	10.3%
Shopping	**62.0**	58.7	5.6%
E-commerce	**7.3**	4.9	46.3%
Payments & Banking	**56.2**	51.5	9.1%
Net revenue	**125.5**	115.1	9.1%
Other costs of revenue	**(17.6)**	(11.0)	60.1%
Depreciation and amortisation (costs of revenue)	**(7.2)**	(7.6)	(5.2)%
Depreciation and amortisation (administrative expenses) excluding amortisation of intangible assets arising on acquisition	**(0.4)**	(0.5)	(5.0)%
Other administrative costs – excluding exceptional items	**(47.7)**	(46.0)	3.6%
Net finance costs – excluding exceptional costs	**(2.3)**	(2.0)	(14.7)%
Total costs	**(75.2)**	(67.1)	12.1%
Underlying Profit before tax (excluding adjusting items)	**50.3**	48.0	4.8%

Shopping net revenue increased by £3.3 million (5.6%) to £62.0 million (2022: £58.7 million). Service fees net revenue increased by £1.3 million (8.3%) driven by additional PayPoint One sites and implementing the annual RPI increase. Cards net revenue increased by £1.3 million (4.3%) from Handepay/Merchant Rentals performance partially offset by PayPoint cards. ATM and Counter Cash net revenue decreased by £0.4 million (4.2%) due to a reduction in transactions driven by the continuing trend of reduced demand for cash across the economy. FMCG revenue also increased by £0.3 million (330.0%) to £0.4 million (2022: £0.1 million) following further campaigns run in the year.

E-commerce net revenue increased by £2.4 million (46.3%) to £7.3 million (2022: £4.9 million), driven by strong growth in total transactions which increased by 69.6% 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.

Financial review continued

Payments & Banking net revenue increased by £4.7 million (9.1%) to £56.2 million (2022: £51.5 million). Cash bill payments net revenue decreased by £1.7 million (6.5%) as a result of a decrease in bill payment transactions from the increase in energy prices, Energy Bills Support Scheme (EBSS) and the continued switch to digital payments. Cash top-ups net revenue decreased by £0.5 million (6.2%) with volumes down 10.3% driven by the continuing structural declines in the prepaid mobile sector. Digital net revenue increased by £7.9 million (102.7%) driven by our Cash Out services including a full year of the DWP Payment Exception Service, delivered via i-movo, and MultiPay transactions increased 24.6% as a result of more clients taking the digital services. Cash through to digital, eMoney, net revenue decreased by £1.3 million (16.5%) as a result of a 19.6% decrease in volumes as the category is returning to pre-Covid-19 levels and a new baseline is set for the category.

Commission to retailers cost increased by £4.6 million (15.2%) to £34.4 million (2022: £29.8 million). This increase in payment to our retailer partners is as a result of them processing increased transactions as well as ones with higher commission rates per transaction (e-Commerce and digital).

Total costs from continuing operations (excluding adjusting items) increased by £8.1 million (12.1%) to £75.2 million, primarily driven by transactional costs of revenue in relation to the growth of net revenue, in particular the Energy Bills Support Scheme printing and postage. There were inflationary cost increases in administrative expenses of £1.0 million along with a one-off provision of £0.7 million for outstanding funds due from McColls with a claim for full recovery being progressed with the administrator. This was partially offset by £0.5 million lower depreciation and amortisation with some legacy assets coming to the end of their life.

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 2023	Year ended 31 March 2022	Change %
Service fees	**17.9**	16.6	8.3%
Card payments	**31.8**	30.4	4.3%
ATMs and Counter Cash	**9.4**	9.8	(4.2%)
Other shopping	**2.9**	1.9	56.6%
Total net revenue (£m)	**62.0**	58.7	5.6%

Net revenue increased by £3.3 million (5.6%) to £62.0 million (2022: £58.7 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 2023	Year ended 31 March 2022	Change %
Net Revenue (£m)	**17.9**	16.6	8.3%
PayPoint terminal sites (No.)			
PayPoint One Base	**6,787**	7,392	(8.2%)
PayPoint One EPoS Core	**10,775**	9,639	11.8%
PayPoint One EPoS Pro	**891**	1,089	(18.2%)
Total PayPoint One – revenue generating	**18,453**	18,120	1.8%
PayPoint One Base non-revenue generating	**709**	671	5.7%
Total PayPoint One	**19,162**	18,791	2.0%
Legacy (T2)	**142**	214	(33.6%)
PPoS	**9,174**	9,249	(0.8%)
Total terminal sites in PayPoint network	**28,478**	28,254	0.8%
PayPoint One average weekly service fee per site (£)	**17.8**	17.0	4.7%

As at 31 March 2023, PayPoint had a live terminal in 28,478 UK sites, an increase of 0.8% primarily as a result of new PayPoint One sites which increased by 2.0% to 19,162 sites.

Service fees is a core growth area and consists of service fees from PayPoint One and our legacy terminals. Service fee net revenue increased by £1.3 million (8.3%) to £17.9 million driven by the additional 333 PayPoint One revenue generating sites compared to the prior year. The higher price point EPoS Core sites increased by 1,136 due to new sales and upselling whilst EPOS Pro sites decreased by 198 due to normal churn and no longer being actively marketed.

The PayPoint One average weekly service fee per site increased by 4.7% to £17.8, benefiting from the increase in EPoS Core sites which are charged at a higher rate and the annual RPI increase. Retailers taking the Core version of the product represent 56.2% (2022: 51.3%) of all PayPoint One sites and the Pro version now just represent 4.6% (2022: 5.8%). Legacy terminals now just remain in a few of our multiple retailer partners but are being actively replaced.

Card payments and leases	Year ended 31 March 2023	Year ended 31 March 2022	Change %
Net Revenue (£m)			
Card payments – Handepay and Merchant Rentals	**19.9**	18.5	7.2%
Card payments – PayPoint and RSM 2000	**11.9**	11.9	(0.2%)
Services in Live sites (No.)			
Card payments – Handepay	**22,236**	22,796	(2.5%)
Card terminal lessees – Merchant Rentals	**34,132**	35,403	(3.6%)
Card payments – PayPoint	**9,541**	9,666	(1.3%)
Card payments – RSM 2000	**138**	147	(6.1%)
Transactions (Millions)			
Card payments – Handepay	**150.1**	145.0	3.9%
Card payments – PayPoint	**228.8**	217.8	5.1%
Card payments – RSM 2000	**7.1**	6.5	9.0%

Handepay and Merchant Rentals generated £19.9 million net revenue in the year. Handepay card payments transactions increased by 3.9% to 150.1 million, maintaining strong transaction volumes seen in the previous year but at a lower average transaction value of £29.30 (2022: £30.90). There were 22,236 Handepay card payments sites, a decrease of 560 sites (2.5%) since 31 March 2022. Handepay EVO sales increased in the year supported by the one-month operating lease proposition but sites have been impacted by higher churn, particularly in our Worldpay back book in this very competitive market. The sales momentum in the second half of the year has increased following the sales team being fully staffed and the launch of the new android device.

PayPoint card payments transactions increased by 5.1% to 228.8 million while net revenue decreased by 3.1% to £10.7 million, maintaining strong transaction volumes seen in the previous year but at a lower average transaction value £10.70 (2022: £11.30). Across our network there were 9,541 PayPoint card payments sites, a decrease of 125 sites (1.3%) since 31 March 2022.

ATMs and Counter Cash	Year ended 31 March 2023	Year ended 31 March 2022	Change %
Net Revenue (£m)	**9.4**	9.8	(4.2%)
Services in Live sites (No.)	**9,150**	6,310	45.0%
Transactions (Millions)	**30.1**	30.6	(1.7%)

Net revenue reduced by £0.4m (4.2%) to £9.4 million (2022: £9.8 million) as transactions reduced by 1.7% to 30.1 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 sites increased 45.0% to 9,150 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. Counter Cash contributed 7% of transactions (2022: 1%) with over £42.9 million withdrawn in the financial year.

Other: Other shopping services increased by £1.0 million (56.6%) to £2.8 million (2022: £1.8 million) this includes the partnership with Snappy Shopper and FMCG campaigns.

E-commerce

Parcels	Year ended 31 March 2023	Year ended 31 March 2022	Change %
Net Revenue (£m)	**7.3**	4.9	46.5%
Services in Live sites (No.)	**10,514**	10,049	4.6%
Transactions (Millions)	**56.4**	33.3	69.6%

E-commerce net revenue increased by £2.4 million (46.5%) to £7.3 million due to the increase in total parcels transactions by 69.6% to 56.4 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 Wish.com and Inpost. Parcel sites increased by 4.6% to 10,514 sites.

Payments & Banking

Net revenue (£m)	Year ended 31 March 2023	Year ended 31 March 2022	Change %
Cash – bill payments	**25.0**	26.7	(6.5%)
Cash – top-ups	**7.3**	7.8	(6.2%)
Digital	**15.7**	7.8	102.7%
Cash through to digital	**6.9**	8.2	(16.5%)
Other payments and banking	**1.3**	1.0	42.3%
Total net revenue (£m)	**56.2**	51.5	9.1%

Financial review continued

Payments & Banking divisional net revenue increased by 9.1% to £56.2 million as a result of continued growth in digital transactions, particularly within the cash-out sector, partially offset by fewer cash bill payments and top up transactions and margin erosion from prior year client contract renewals.

Cash – bill payments	Year ended 31 March 2023	Year ended 31 March 2022	Change %
Net revenue (£m)	**25.0**	26.7	(6.5%)
Transactions (millions)	**146.3**	157.2	(6.9%)
Transaction value (£m)	**4,245.9**	3,932.3	8.0%
Average transaction value (£)	**29.0**	25.0	16.0%
Net revenue per transaction (pence)	**17.1**	17.0	0.6%

Cash – bill payments net revenue only decreased by £1.7 million (6.5%) to £25.0 million changing from the much larger decrease trends seen in recent years. The increase in energy prices had seen customers in the front half of the year topping up more frequently and with increased average transaction values. Transactions were impacted in the second half of the year with the government's Energy Bills Support Scheme (EBSS), although this benefitted our digital business and the continued switch to digital payment methods. Cash – bill payments transactions decreased by 10.9 million (6.9%) to 146.3 million. Cash – bill payments net revenue per transaction increased by 0.1 pence (0.6%) due to higher average transaction value.

Cash – top-ups	Year ended 31 March 2023	Year ended 31 March 2022	Change %
Net revenue (£m)	**7.3**	7.8	(6.2%)
Transactions (millions)	**19.0**	21.2	(10.3%)
Transaction value (£m)	**236.8**	257.6	(8.1%)
Average transaction value (£)	**12.4**	12.1	2.5%
Net revenue per transaction (pence)	**38.4**	36.8	4.4%

Cash top-ups net revenue decreased by £0.5 million (6.2%) to £7.3 million. Cash top-ups transactions decreased by 2.2 million (10.3%) to 19.0 million due to further market declines in the prepaid mobile sector whereby UK Direct Debit pay-monthly options displace UK prepay mobile.

Digital	Year ended 31 March 2023	Year ended 31 March 2022	Change %
Net revenue (£m)	**15.7**	7.8	102.7%
Transactions (millions)	**52.3**	34.2	53.0%
Transaction value (£m)	**1,307.6**	756.6	72.8%
Average transaction value (£)	**25.0**	22.2	13.0%
Net revenue per transaction (pence)	**30.4**	22.5	35.0%

Digital (MultiPay, CashOut and Direct Debits) net revenue increased by £7.9 million (102.7%) to £15.7 million and digital transactions increased by 18.1 million (53.0%) to 52.3 million. MultiPay net revenue increased by £0.9 million to £4.1 million (2022: £3.3 million) with transactions growing by 6.6 million to 33.6 million. The DWP Payment Exception Service contributed £4.4 million net revenue in the period (2022: £1.6 million) following a full year of transactions compared to six months in FY22. Cashout revenue increased by £4.2 million (258.4%) to £5.9 million (2022: £1.6 million) driven by Governments EBSS scheme in the second half of the year with over £246 million worth of vouchers redeemed.

Cash through to digital	Year ended 31 March 2023	Year ended 31 March 2022	Change %
Net revenue (£m)	**6.9**	8.2	(16.5)%
Transactions (millions)	**8.5**	10.6	(19.6)%
Transaction value (£m)	**496.3**	505.2	(1.8)%
Average transaction value (£)	**58.1**	47.5	22.2%
Net revenue per transaction (pence)	**81.2**	77.4	4.9%

Cash through to digital (eMoney) net revenue decreased by £1.3 million (16.5%) to £6.9 million (2022: £8.2 million) and transactions decreased by 2.1 million (19.6%) to 8.5 million (2022: 10.6 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 SIM sales, interest generated by investing cash received on client funds and other ad hoc items which contributed £1.3 million (2022: £1.0 million) net revenue.

Love2shop segment

Continuing operations

£m	Year ended 31 March 2023
Revenue	**7.6**
Net revenue	**3.4**
Other costs of revenue	**(0.6)**
Depreciation and amortisation (administrative expenses)	**(0.2)**
Other administrative costs	**(1.8)**
Net finance costs	**(0.3)**
Total costs	**(2.9)**
Underlying profit before tax (excluding adjusting items)	**0.5**

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

Love2shop (L2S) results reflect the one month since the acquisition on 28 February 2023. L2S had £14.8 million of Billings which represents value of goods and services sold. This reduces to £7.6 million of revenue to adjust for the portion where the performance obligation occurs later as the cards and vouchers are redeemed. When L2S sells a card or voucher that can be redeemed at a single retailer the full value is treated as revenue as L2S acts as the principal. When the product is multi-retailer, L2S only recognises the service fee earned as agent rather than the full sales value, along with other revenue, comprising interest income and non-redemption income. Net revenue is then stated after deducting the costs for the single retailer product. The business is seasonal and profit is primarily generated in Q3 of the financial year.

Other costs of revenue are the production and distribution costs of the cards and vouchers, with administrative costs being the regular costs to run the business. Finance costs include the costs of borrowings specifically for the acquisition. Amortisation of intangible assets arising on acquisition is an adjusting item and excluded from the underlying profit in the table above.

Profit before tax and taxation

The income tax charge of £7.9 million (2022: £9.0 million) on profit before tax from continuing operations of £42.6 million (2022: £48.5 million from continuing operations) represents an effective tax rate of 18.5% (2022: 18.5% for continuing operations). This is lower than the UK statutory rate of 19% due to adjustments in respect of prior year, non-taxable exceptional items and disallowable expenses.

Group statement of financial position

Net assets of £111.7 million (2022: £83.3 million) increased by £28.4 million reflecting the shares issued as part of the acquisition of Appreciate and the £10.5 million growth in retained earnings. Current assets increased by £147.1 million to £251.9 million (2022: £104.8 million) due to the monies held in trust and cash held on behalf of clients of £119.7 million acquired with Appreciate. Non-current assets of £227.9 million (2022: £127.3 million) increased by £100.6 million due to the Appreciate acquisition goodwill and intangible assets and the investment in terminals.

Current liabilities increased by £181.9 million due to the liabilities matching the cash held on behalf of clients and monies held in trust and an increase in borrowings from the RCF drawdown, required for the acquisition. Non-current liabilities of £52.9 million (2022: £15.7 million) increased by £37.2 million due to the new £36.0 million amortising term loan taken out to fund the acquisition and deferred tax liabilities arising from the acquisition.

Net debt is a key measure for the business and has increased to finance the acquisition of Appreciate. Although the cash element of the purchase price was £61.9 million the net increase is only £28.5 million due to our strong cash generation and cash acquired.

	Year ended 31 March 2023	Year ended 31 March 2022	Change %
Cash and cash equivalents-net corporate cash from continuing operations	**22.0**	7.6	187.7%
Less:			
Loans and borrowings	**(94.4)**	(51.5)	83.2%
Net debt	**(72.4)**	(43.9)	65.0%

Total loans and borrowings of £94.4 million have increased by £42.8 million and consist of a £10.8 million amortising term loan A, £36.0 million amortising term loan B, £46.5 million drawdown of the £75.0 million revolving credit facility and £1.1 million of asset financing balances and accrued interest (2022: £27.0 million drawdown from the revolving credit facility, £21.7 million amortising term loan A and £2.9 million of asset financing balances).

Group cash flow and liquidity

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

	Year ended 31 March 2023	Year ended 31 March 2022	Change %
Profit before tax from continuing and discontinued operations	**42.6**	78.5	(45.97)
Ofgem provision – cash payment	**–**	(12.5)	–
Non-cash exceptional items	**1.3**	(2.9)	144.8%
Gain on disposal of investments Romania	**–**	(30.0)	–
Depreciation and amortisation	**10.5**	10.6	(0.9%)
Share-based payments and other items	**2.4**	0.9	166.7%
Working capital changes (corporate)	**3.6**	(3.2)	215.6%
Cash generation	**60.4**	41.4	46.1%
Taxation payments	**(6.2)**	(9.2)	(32.6%)
Capital expenditure	**(12.7)**	(10.8)	17.6%
Acquisitions of subsidiaries net of cash acquired	**(45.6)**	(4.5)	n/m
Contingent consideration cash paid	**(1.0)**	(2.0)	(50.0%)
Sale/(purchase) of investment in associate	**5.5**	(6.7)	n/m
Purchase of convertible loan note and other investment	**(3.3)**	(0.8)	n/m
Disposals of business net of cash disposed	**–**	20.2	–
Movement in loans and borrowings	**(42.4)**	(35.0)	(221.1%)
Lease payments	**(0.2)**	(0.2)	–
Dividends paid	**(25.1)**	(23.1)	8.7%
Net increase/(decrease) in corporate cash and cash equivalents	**14.2**	(30.7)	146.3%
Net change in clients' funds and retailers' deposits	**39.3**	(9.7)	505.2%
Net increase/(decrease) in cash and cash equivalents	**53.5**	(40.4)	139.1%
Cash and cash equivalents at the beginning of year	**24.4**	64.8	(62.3%)
Cash and cash equivalents at the end of year	**77.9**	24.4	–
Comprising:			
Corporate cash net of overdraft	**22.0**	7.7	185.7%
Clients' funds and retailers' deposits	**55.9**	16.7	236.7%

Financial review continued

The following table summarises the cash generation from continuing operations excluding exceptional items:

	Year ended 31 March 2023	Year ended 31 March 2022	Change %
Profit before tax from continuing operations	**42.6**	48.5	(12.2%)
Exceptional items	**5.6**	(2.9)	n/m
Profit before tax from continuing operations excluding exceptional items	**48.2**	45.6	5.7%
Depreciation and amortisation	**10.5**	10.6	(0.9%)
VAT and other non-cash items			
Share-based payments and other items	**2.4**	0.9	166.7%
Working capital changes (corporate)	**1.2**	(3.2)	(135.3%)
Cash generation from continuing operations excluding exceptional items	**62.3**	53.9	15.6%

Cash generation grew to £60.4 million (2022: £41.4 million) delivered from profit before tax from continuing operations of £42.6 million (2022: £48.5 million). The previous year cash generation was impacted by the £12.5 million payment in relation to the Ofgem Statement of Objections. Adjusting for exceptional items, cash generation from continuing operations improved by 15.6% to £62.3 million. There was a net working capital inflow of £2.5 million related to costs incurred for the Appreciate acquisition that will cause an outflow of working capital in FY24.

Taxation payments on account of £6.2 million (2022: £9.2 million) are lower compared to the prior period due to a tax refund of £3.3 million following the closure of March 2021 tax filings. Dividend payments were higher compared to the prior period due to the increase in the current year interim and the final ordinary dividend paid per share for the prior year ended 31 March 2022.

Capital expenditure of £12.7 million (2022: £10.8 million) was £1.9 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 driven by the roll out of terminals in Merchant Rentals where the principal product is now an operating lease rather than finance lease.

Dividends

	Year ended 31 March 2023	Year ended 31 March 2022	Change %
Ordinary reported dividends per share (pence)			
Interim (paid)	**18.4**	17.0	8.2%
Final (proposed)	**18.6**	18.0	3.3%
Total reported dividend per share (pence)	**37.0**	35.0	5.7%
Total dividends paid per share	**34.6**	33.6	3.0%
Total dividends paid in year (£m)	**25.1**	23.1	8.7%

We have declared an increase of 3.3% in the final dividend to 18.6 pence per share (2022: 18.0 pence per share). One to be paid as an interim dividend and one to paid as a final dividend. This is payable in equal instalments of 9.3 pence per share (2022: 9.0 pence per share) on 1 September 2023 and 22 September 2023 to shareholders on the register on 11 August 2023. The final dividend is subject to the approval of shareholders at the annual general meeting on 7 September 2023.

The final dividend will result in £13.5 million (2022: £12.4 million) being paid to shareholders from the standalone statement of financial position of the Company which, as at 31 March 2023, had approximately £45.0 million (2022: £67.9 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 dividends and cash for investment through capital expenditure and acquisitions. The Board's approach to the setting of the ordinary dividend has been updated since the prior year in relation to cover ratio to strengthen the capital position and now follows the following capital allocation priorities:

- Investment in the business through capital expenditure in innovation to drive future revenue streams and improve the resilience and efficiency of our operations.
- Investment in opportunities such as the acquisition of Appreciate in February 2023 and investment in OBConnect convertible loan.
- Progressive ordinary dividends targeting a cover ratio of 1.5 to 2.0 times earnings from continuing operations excluding exceptional items.

Going concern

The financial statements have been prepared on a going concern basis having regard to the identified principal risks and uncertainties and viability statement on page 69. Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group including dividends.

Alan Dale
Finance Director
27 July 2023

Introduction to the Corporate Governance report from the Chairman

Giles Kerr
Chairman

"This has been another strong year for the PayPoint Group as the business has built on the transformation and strategic step change delivered over the past three years."

Dear Shareholders,

I am pleased to introduce the governance section of this year's Annual Report. This section gives more detail on the governance structure we have in place and how we comply with the UK Corporate Governance Code. I am pleased to report that for the year under review, we have consistently applied the Principles of Good Governance contained in the 2018 UK Corporate Governance Code save that we have not carried out a review of the effectiveness of Appreciate Group's ("Appreciate") risk management and internal control systems (with respect to Provision 29 of the Code) due to the proximity of the acquisition of Appreciate, which occurred on 28 February 2023, to our financial year end.

The Board has carried out a review of the disclosures and management of climate related risks for the Task Force On Climate Related Financial Disclosures. Detailed disclosure is provided in the Annual Report, along with the further progress made on developing our broader ESG strategy.

The year in review

The business has maintained momentum in delivering against its strategic plan as we have continued our diversification away from legacy cash bill payments with growth in recently acquired businesses and through the acquisition of Appreciate. Effective governance together with the strong leadership from the Board has provided structure and stability to the business.

Executive and Plc Boards

The Board and Nomination Committee has continued to work on succession planning and Board composition. We have worked actively with Teneo People Advisory to ensure the Board has the necessary skills, experience and knowledge and following an extensive search process we were delighted to appoint Rob Harding as Chief Financial Officer. Rob will be joining the Company on 1 August 2023 and will replace Alan Dale who is retiring. I would like to express my gratitude for Alan's contribution to the company.

We also welcome Guy Parsons as Non-Executive Director to the Board having previously been Executive Chairman of Appreciate Group.

During the year the Executive Board was strengthened in key areas to: a) drive growth (Nick Williams-Parcels-and Anthony Sappor-Retail Proposition and Partnerships) and b) enhance integration with Appreciate Group (Julian Coghlan and Talha Ahmed-respectively Managing Director and Finance Director of Love2shop & Park Savings).

Board Evaluation

Following last year's internal evaluation, we have again this year conducted an internal evaluation of the Board, its Committees and the Chair, which confirmed that our Board and Committees continue to operate effectively. More information on the process and results of that evaluation can be found on page 80. We have also completed a tender for an external third party to carry out the Board evaluation in 2023–24. This is being progressed in H1 FY 2024.

Stakeholder Engagement

The success of PayPoint depends upon the Board making informed decisions for the benefit of shareholders having regard to the wider requirements of all our stakeholders. The Board receives regular investor updates throughout the course of the year. The Company's Annual General Meeting will be held at PayPoint's registered office on 7 September 2023 where you will have the opportunity to meet the Board and members of the Executive Board. The matters to be approved by shareholders are set out in our Notice of Annual General Meeting which will be mailed to shareholders in August.

This year we continued to develop our work force engagement activities including receiving a full briefing on the employee engagement survey results and Directors meeting directly with employees. Full details of our people and culture activities are set out in the strategic report.

Our retail partners and SMEs remain central to our business and the Board continued to receive regular briefings throughout the year on our retailer engagement proposition and the work we do to enable clients to provide vital services in the community.

Conclusion

I would like to conclude by thanking my Board colleagues for their continued support and commitment over the past year and to thank Nick Wiles and the whole Executive team for their dynamic management of a rapidly changing business environment in difficult economic circumstances.

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

Giles Kerr
Chairman
27 July 2023

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. The last such external evaluation was carried out in 2021 and the Board in 2023 carried out tendering for an agency to carry out the external board evaluation in 2024. A preferred agency has been chosen and the process is due to commence in November/December 2023.

2023 internal evaluation process and output

The Chairman, supported by the Company Secretary, circulated a questionnaire to each Director for their views on the performance of the Board and its Committees which covered: delivery and implementation of strategic plan; integration of newly acquired businesses; approach to ESG; performance of management; and the composition, quality and processes of the Board and its Committees.

The Chairman presented the findings of the evaluation at the February 2023 Board meeting and the following actions were agreed:

Key issues identified	Proposed action plan
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. **Actions to date:** Additional resourcing for finance has been provided at Welwyn Garden City and Haydock. Additional time 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. **Actions to date:** Tutu Kamara was appointed as Head of Risk and Internal Audit in February 2023. She was joined by Nigel Tuppen as a new Risk & Controls Manager on 2 May 2023. Work has commenced to make the risk framework more robust and consistent across the Group, including in Appreciate. This will enable 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. **Actions to date:** NEDs have been invited to future fora. See 3) on p81. Business workshops have also been diarised and the first two have occurred-see p81 5) Deep Dives.
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. **Actions to date:** Reports have been provided on time for the Board for the period November 2022 – June 2023.

The actions of the 2022 internal evaluation have also been progressed accordingly:

1) Presentation of risk:	2) Engagement with stakeholders:	3) Extend the employee forum for the NEDs:	4) ESG:	5) Deep Dives:
The work on risk was felt to be good with a high level of diligence but it was considered that the presentations to the Board could be snappier with greater focus on four or five key issues which could be pre-agreed with the Audit Committee Chair/Finance Director prior to the meeting. **Actions to date:** This progression will continue following the appointment in February 2023 of Tutu Kamara as Head of Risk and Internal Audit. See General risk and controls reporting needs strengthening-p80 Actions to date.	The Board acknowledged it was important to engage with stakeholders. **Actions to date:** We have made efforts to strengthen our retailer partner relationships and drive adoption of new opportunities to earn, including regular 'cash and carry' days, more direct communications and more regular meetings with the key trade associations, including the Association of Convenience Stores (ACS), the Scottish Grocers' Federation (SGF) and the National Federation of Retail Newsagents (NFRN). The Board for instance met with the CEO of the ACS in February 2023 to learn more about the ACS and to discuss areas of opportunity. Earlier in the financial year the Board also received a presentation from Chris Hemsley, Managing Director of the Payment Systems Regulator, and was able to engage with the same on future regulatory developments and how such could impact the Company. The Chairman of the Board and the CEO engaged with key shareholders throughout the year and reported to the Board on issues discussed. Members of the Board, Executive Board and senior management met with the Company's shareholders and presented on a number of business matters throughout the year. The Remuneration Committee Chair also engaged with shareholders on executive pay including the proposed Remuneration Policy for approval at the 2023 AGM.	It was thought beneficial for the NEDs to attend some employee fora to engage one-to-one. **Actions to date:** Gill Barr continued her attendance of the meetings as she has done for the last three years and invitations have been extended to other NEDs to attend in future. During the year the SID and Chair of the Remuneration Committee attended a meeting of the employee forum to discuss remuneration. Nick Wiles also attended and presented on operations and strategy and Guy Parsons as part of his induction has been invited to attend.	Further actions on ESG reporting and monitoring would continue in 2023/24 including monitoring initiatives in equality, diversity and inclusion, the gender pay gap, the structure of rewards, recruitment and retention, corporate actions on culture and engagement, monitoring and assessing climate risk and issues relating to integration of the businesses acquired during the financial year. Work continues-see page 38 for more. The Company's ESG Strategy was presented to the Board twice during the year so that progress could be monitored, analysed and challenged. The ESG Working Group continues to meet regularly to progress actions and membership has been broadened by participation from Appreciate Group.	It was agreed that deep dives of various business sectors should occur. **Actions to date:** Deep dive workshops from various parts of the business occurred (e.g. Newspapers) during the year and three are scheduled for the 2023 calendar year to focus on: 1) Digital Payments and Open Banking (held in March 2023). 2) Parcels (held in June 2023). 3) Retail Proposition and Technology.

Board of Directors

Giles Kerr (ACA)
Chairman

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

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

Board skills and experience
Corporate finance, accounting, risk management.

Other principal roles
Non-executive director of Senior plc, Abcam plc and Arix Bioscience plc.

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

Nick Wiles
Chief Executive

Appointed to the Board in October 2009, Chairman in May 2015, Executive Chairman 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 chairman 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
Investment banking, corporate finance, equity markets, investor sentiment and relations.

Other principal roles
None.

Committee memberships
Member of the Market Disclosure Committee.

Alan Dale (ACA)
Finance Director

Appointed to the Board as Finance Director in November 2020 having acted as Interim Finance Director since July 2020. He joined PayPoint in August 2017 as Head of UK Finance.

Career
Alan is a chartered accountant with over 30 years' experience in the financial services sector. Prior to joining PayPoint he held a number of senior finance roles with financial institutions including GE Capital.

Board skills and experience
Corporate finance, accounting, risk management.

Other principal roles
None.

Committee memberships
Member of the Market Disclosure Committee, the Cyber Security & Information Technology Sub-Committee and ESG Working Group.

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 a non-executive director of Morgan Sindall plc and McCarthy & Stone 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 chairmanship of the remuneration committees of the companies detailed below.

Other principal roles
Senior independent director of N Brown Group plc (retired 10 July 2023) and non-executive director of Wincanton and DFS Furniture plcs.

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

Rakesh Sharma
(OBE FREng CPhys MInstP)
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 ('Ultra') having previously held several senior and management positions within Ultra and has managed businesses and divisions across the full range of that 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. Additionally, his long association in the global security sector brings skills in cyber security and information technology. Rakesh supports the younger generation though his pro bono activities for a multi academy trust and Riverbank Academy, a special educational needs school. He is also a Lay Council member at The University of Nottingham.

Other principal roles
Chairman of Kromek Group plc.

Committee memberships
Chairman 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 (FCA)
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.

Guy Parsons
Independent Non-Executive Director

Appointed to the Board in March 2023.

Career
Guy is formerly Executive Chair of Appreciate Group. Guy held senior sales, marketing and operations roles at Accor UK and Whitbread plc, before becoming CEO of first Travelodge and then easyHotel plc. He was previously Chair at online sofa retailer, Snug and Non-Executive Director at Yorkshire Building Society.

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

Other principal roles
None.

Committee memberships
A member of the Audit, Remuneration and Nomination Committees.

Board experience

Cyber security and IT
25%

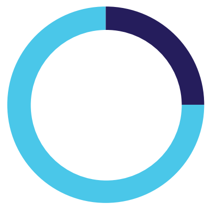
Risk management
50%

Finance
62.5%

Operational
37.5%

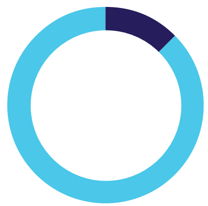
Board diversity

Gender



Female	25%
Male	75%

Ethnicity



Ethnic minority British	1
White British	7

Executive Board

Nick Wiles
Chief Executive

See Board of Directors for biography.

Alan Dale
Finance Director

See Board of Directors for biography.

Simon Coles
Chief Technology Officer

Simon joined the Executive Board in April 2021. He was appointed as Chief Technology Officer in May 2017, having previously managed the IT team at PayPoint's Mobile and Online subsidiary prior to its sale.

Simon has worked in both the payments and retail wealth management sectors for over 30 years as an engineer, manager, consultant and IT executive. He has launched and managed card processing systems for several banks and consulted on payments in the UK, USA and Australia.

Prior to joining PayPoint, Simon was a management consultant for several years and has delivered significant IT programmes for several banks, wealth managers and insurance firms.

Danny Vant
Managing Director, Client Services

Danny joined the business in 2019 and was promoted to his current role of Managing Director, Client Services in 2023, leading the commercial and strategic development of the client portfolio and managing relationships with the multiple retailers.

Before joining PayPoint Danny worked for Mitie plc in the FM sector managing a number of businesses, predominantly within the security sector. Danny also worked in consultancy for Newton Europe specialising in process efficiency improvements across a diverse range of sectors, including healthcare and defence.

Prior to this Danny started his career as a graduate in the logistics industry, spending six years working in the parcel carrier industry for Target Express.

Katy Wilde
HR Director

Katy joined PayPoint as HR Director in 2012 with responsibility for the development and implementation of our people agenda.

Prior to joining PayPoint, Katy worked for RSA Insurance Group where she held a number of senior business partnering roles in the UK and latterly in the emerging markets business where she was responsible for ensuring the delivery of the HR agenda across 22 countries in Central and Eastern Europe, Asia, the Middle East and Latin America. Prior to that Katy spent seven years at General Electric where she held HR roles in both its consumer finance and insurance businesses. Katy has a degree in International Business and Modern Languages from Aston University and is a Chartered Member of the CIPD.

Katy is a member of the ESG Working Group and chairs the Employee Forum.

Ben Ford
Customer Experience Director

Ben Ford joined the Executive Board in July 2020 as Retail Services Director and transitioned to the role of Customer Experience Director in October 2021 following the acquisition of Handepay and Merchant Rentals. Ben is responsible for ensuring that our proposition is underpinned by the delivery of excellent customer service to our retailers, merchants and consumers.

Ben was previously at Addison Lee where he was head of Global Customer Experience and Operations responsible for global service delivery of customers, clients, drivers, and fleet. Prior to joining Addison Lee Ben worked in similar roles for companies including Premier Inn, Danone, Joules and Boden.

Tanya Murphy
General Counsel and Head of Compliance

Tanya joined PayPoint as General Counsel and Head of Compliance in September 2020 and leads PayPoint's Legal and Compliance teams advising all companies across the PayPoint Group on legal and regulatory matters relating to their businesses.

Prior to joining PayPoint, Tanya worked at Zurich Insurance for 11 years where she held a number of roles including Head of the UK Corporate & Commercial Legal team.

Tanya qualified as a solicitor in 1996 at the international law firm Lovell White Durrant, now Hogan Lovells LLP, where she worked as a solicitor for 12 years specialising in corporate and commercial law across a number of business sectors.

Mark Latham
Managing Director, Card Services

Mark joined the Executive Board in February 2021 following the acquisition of Handepay and Merchant Rentals and was appointed Banking Services Director in October 2021 in recognition of our growing banking proposition including ATMs and Counter Cash and he retains his responsibility for our cards business. Prior to this, Mark was chief commercial officer at Handepay from 2013 where he developed the market-leading customer proposition and led the marketing and customer management teams.

Mark has previously held international product management positions with global payment processor Elavon, where he was responsible for mobile payment, currency conversion and gift card solutions. Mark began his career in the payment industry in 2002, supporting major acquiring and retail customers for Ingenico.

Anna Holness
Sales & Customer Life Cycle Director

Anna joined PayPoint as Sales Director in January 2022 before being promoted to her current role in March 2023. Anna has responsibility for new business generation for all our products and services, customer retention and also relationship management across the current PayPoint estate. Prior to joining PayPoint, Anna worked for Worldpay from FIS, where as VP of SME sales Anna was responsible for new business generation across SME and mid market sectors.

Before moving into Payments, Anna spent over 20 years in the telecommunications sector, predominantly at Telefonica/O2 where Anna held a number of senior positions across both B2B and B2C (Retail), including head of franchising, head of stores, head of global sales. Anna has a broad experience; from leading stores teams of up to 800 in retail and managing relationships with some of the world's largest organisations across multiple global locations, from her time in global sales.

Executive Board continued

Steve O'Neill
Corporate Affairs and Marketing Director

Steve joined PayPoint originally in 2014, and then again in 2020 as Corporate Affairs and Marketing Director, leading our marketing, PR and investor relations efforts for the Group.

He has spent over 20 years in marketing and PR leadership roles for large consumer organisations in the UK and Europe, across the retail, telecommunications and financial services sectors. After starting his career at the John Lewis Partnership on their graduate scheme, Steve has worked for Orange, Carphone Warehouse, HSBC and Amigo.

Steve is also a member of the ESG Working Group.

Chris Paul
Head of Corporate Finance

Chris joined PayPoint in 2016 and is Head of Corporate Development, leading the organisation's growth and development activities and overseeing treasury strategy.

Prior to joining PayPoint, Chris worked at LMAX as Head of Financial Reporting, where he was responsible for developing the finance function following its MBO from Betfair.

He is a qualified accountant with 20 years' experience in senior finance positions in financial services, telecoms and gaming sectors, including TalkTalk and Tsogo Sun Gaming.

Jay Payne
IT Service & Operations Director

Jay joined PayPoint in January 2019 as IT Service and Operations Director and leads the delivery of IT services across the PayPoint Group.

With over 25 years' experience, Jay has been responsible for delivery and design of services supporting card issuing, merchant acquiring and specialist subscription billing for clients across all industries.

Previous positions have included responsibility for the delivery of payment optimisation consultancy for clients in publishing and broadcasting with a focus on subscription churn reduction.

Prior to commencing his career in payments, Jay spent eight years serving with the Royal Navy.

Jo Toolan
Client Services Director

Jo joined PayPoint in 2011 and is currently Client Services Director, with responsibility for a portfolio of client service sectors including energy, local authorities, DWP and eMoney.

Prior to PayPoint, she supported bluechip organisations with their CSR programmes in schools, including developing programmes for BT and Grant Thornton, following her early career in the education sector.

Julian Coghlan
Managing Director Love2Shop & Park Savings

Julian joined PayPoint as Managing Director of Love2shop and Park Christmas Savings following the successful acquisition of Appreciate Group PLC in February 2023. Julian is responsible for the Strategy, Commercial performance, Clients and Sales & Marketing functions with a focus on driving revenues in line with key financial targets. Julian successfully served as Interim CEO of Appreciate Group plc (AG) throughout the acquisition period. Julian joined AG in August 2017, initially as Group Operations Director then as Chief Commercial Officer. Prior to this, he held senior commercial executive roles at Adare Group, the customer communications services group, for 18 years following a career in the automotive and electronics industry.

Talha Ahmed
Finance Director Love2Shop & Park Savings

Talha qualified as a Chartered Accountant in Pakistan in 2009 and spent over fifteen years working in professional services firms with experience in four countries, including roles in Aberdeen and Manchester with EY and PwC, working with companies in both the regulated financial services and consumer product sectors. Talha joined Appreciate Group Plc in November 2021 as Director of Finance and was appointed to the role of Interim Chief Financial Officer on 6 July 2022 but was not appointed as a statutory Board director at that time. He has since been appointed to the Executive Board as Finance Director of Love2Shop and Park Savings.

Anthony Sappor
Retail Proposition and Partnerships Director

Anthony joined the business in 2013 following seven years with convenience retailer SPAR. Since joining PayPoint he has held a number of leadership roles across retail relationships and product management, culminating in his appointment to the Board as Retail Proposition & Partnerships Director in April 2023. Anthony leads the strategic development of our retail devices and accompanying services, our ATM business, our consumer engagement proposition, and our partnerships with large-scale corporate retail groups such as Asda, Co-op, and One-Stop.

Nick Williams
Parcels Services Director

Nick Williams joined PayPoint in September 2017 and is currently Parcel Services Director, having previously managed the parcels operational team before taking on responsibility for the wider PayPoint parcels product. Nick has overseen the transformation and growth of the Collect+ brand in recent years into a truly carrier agnostic and customer centric solution.With 30 years industry experience Nick formerly held key positions within both Hermes and TNT where he was responsible for various commercial and operational teams.

Corporate Governance Report

The Board considers that throughout the year under review it has complied with the provisions of the UK Corporate Governance Code (the 'Code') as published by the Financial Reporting Council in July 2018 save that we have not carried out a review of the effectiveness of Appreciate's risk management and internal control systems (with respect to Provision 29 of the Code) due to the proximity of the acquisition of Appreciate to the year end, which occurred on 28 February 2023.

This report describes how the provisions of the Code have been applied by the Company.

Membership and attendance at scheduled Board meetings held during the year

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

		Attendance at scheduled meetings during the year	
Current members	Role	Eligible to attend	Attended
Executive Directors			
Nick Wiles	Chief Executive	9	9
Alan Dale	Finance Director	9	9
Non-Executive Directors			
Giles Kerr	Chairman	9	9
Gill Barr	Independent Non-Executive Director	9	9
Guy Parsons[1]	Independent Non-Executive Director	1	1
Rosie Shapland	Independent Non-Executive Director	9	9
Rakesh Sharma	Senior Independent Director	9	9
Ben Wishart	Independent Non-Executive Director	9	9

1 Guy Parsons attended one Board meeting of the financial year upon his appointment as of 23 March 2023.

In addition to the nine scheduled meetings, the Board met a further seven times during the year to give consideration to and to approve ad hoc matters including the Appreciate Group acquisition in accordance with the schedule of matters reserved to the Board.

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 in the chart opposite. The governance framework supports the rigorous challenge by the Board of strategy, performance and accountability, which encourages the proper implementation of the strategic aims of the Company. This results in the growth of the business and protection of the interests of shareholders and wider stakeholders.

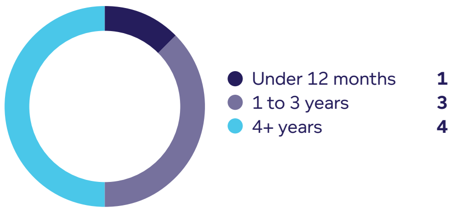
Board composition

At the date of this report, the Board comprises eight Directors: the Chairman; the Chief Executive; the Finance Director; the Senior Independent Director; and four Independent Non-Executive Directors. The size of our Board allows time for full discussion and debate of matters and enables all Directors' views to be heard. The Non-Executive Directors have a broad range of skills and experience bringing balance and diversity to the Board. The biographies, skills and competences of each of our Directors are set out on pages 82 to 83.

The composition of the Board is subject to ongoing review and a key consideration for any new Board appointment will be the additional breadth a new Director could bring.

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 Code all Directors 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 can be found in the Notice of Annual General Meeting on page 180.

Tenure of Board



The Directors have disclosed all their significant external commitments which the Board has considered and the Board 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 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.

Corporate Governance Framework

The Board

The Board is collectively responsible for the long-term success of the Group and is accountable to the shareholders of the Group. The Board provides effective leadership by setting the strategic aims of the Group and overseeing the efficient implementation of these aims in order to achieve sustainable growth of the business. It monitors operational and financial performance against agreed goals and objectives whilst ensuring that the appropriate controls and systems exist to manage risk. The Board ensures that there are the necessary financial resources and people with the necessary skills to achieve the strategic goals the Board has set. The Nomination, Audit and Remuneration Committees support the Board in carrying out its role, which is formally set out in 'the Matters Reserved to the Board', full details of which can be found on the Company's website www.corporate.paypoint.com. The details of the roles of each of those Committees can be found on pages 94-123.In addition, the Executive Board carries out strategic objectives delegated to it by the Board and the roles of each member of the Executive Board are set out on pages 84-87.

Audit Committee

The key role of this Committee is to ensure the integrity of the Company's financial reporting to shareholders. Read more on pages 96-103.

Nomination Committee

The Nomination Committee is responsible for reviewing the composition of the Board to ensure its members have the right skills and experience to implement the strategy of the Company. Read more on pages 94-95.

Remuneration Committee

The Committee's key responsibility is to determine and apply the Remuneration Policy to ensure it promotes the delivery of the Group's strategy. Read more on pages 104-123.

Market Disclosure Committee

This Committee oversees the disclosure of information by the Company to ensure that it meets its obligations under the Market Abuse Regulations. Its members are the Chief Executive, Finance Director, Company Secretary and the General Counsel and Head of Compliance.

Cyber Security & Information Technology Sub-Committee

This 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 Finance Director, the HR Director, the Managing Director of Client Services, the Customer Experience Director, the Managing Director of Card Services, the General Counsel and Head of Compliance, the Chief Technology Officer; the Sales & Customer Life cycle Director, the IT Service & Operations Director; the Client Services Director; the Corporate Affairs & Marketing Director, the Head of Corporate Finance, the Retail Propositions and Partnerships Director, the Parcel Services Director, the Managing Director of Love2Shop and the Finance Director of Love2Shop. 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]
- Handepay Limited[2]
- Merchant Rentals Limited[3]
- RSM 2000 Limited[4]
- Park Card Services Limited[5]

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 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 and also an authorised payment institution regulated by the FCA with permission to provide regulated payment services under the Payment Services Regulations 2017.
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 control on ESG and hears progress reports from the ESG Working Group (a working party of the Executive Board comprising the Finance Director, the HR Director, the Head of Risk and Internal Audit, the Corporate Affairs and Marketing Director, the Company Secretary and others to progress ESG matters and TCFD Reporting through regular meetings). The Group met throughout 2022–23 and progressed various aspects on TCFD and ESG that were considered and approved by the Executive Board and Group Board. The ESG Working Group monitors performance against targets throughout the year and reports performance to the Executive Board and Board.

Corporate Governance Report continued

Induction
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 was carried out this year following the appointment of Guy Parsons and feedback provided to the Chair.

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 risks, IT and outsourcing and legal and regulatory aspects were covered and a financial crime and anti-money laundering workshop was also held.

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.

Insurance
The Company maintains appropriate insurance cover in respect of legal action against the Directors.

Conflicts of interest
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 conflict of interest. Guy Parsons was asked to continue serving as an executive director of Park Card Services Limited temporarily following the acquisition of Appreciate Group Plc to provide continuity whilst a new, PayPoint aligned, post acquisition governance framework is implemented. He will step down when Rob Harding is appointed to the role which is expected to take place in August 2023. His role in Park Card Services is unremunerated and the Board considers that no conflict of interest exists and he remains independent in character and judgement.

A register of conflicts of interest is maintained by the Company Secretary. No material conflicts were reported by the Directors during the year.

Meetings
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 that may arise.

Two strategy sessions are also held each year, the first in September followed by a session in February.

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

The Chairman sets the agenda for the Board 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 2023.

Strategy and business review
- Two scheduled strategy sessions followed by progress reviews throughout the year.
- Regular business and performance updates across all divisions.
- Divestment of Snappy Shopper, acquisition of Appreciate Group Plc and investment in OB Connect.
- Received regular updates with respect to the acquisition of Appreciate.

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 dividends paid to shareholders during the financial year ended 31 March 2023.
- Reviewed management presentations to analysts for the full and half-year results.
- Considered and approved the plan for the financial year ending 31 March 2024.
- Reviewed Group forecasts and scrutinised the built-in risks and opportunities.
- Received monthly management accounts.
- Received management reports.

Governance

- Approved the Notice of Annual General Meeting.
- Reviewed and approved the Board policy on Diversity and Inclusion.
- Reviewed investor feedback from the full and half-year roadshows.
- Approved the Modern Slavery Statement.
- Approved scope 1, 2 & 3 GHG reduction targets.
- Approved Net-zero targets.
- Considered the feedback received from the employee fora when making decisions regarding working patterns, engagement surveys and ESG.
- Carried out an internal 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

- Reviewed the Group health and safety reports.
- Annual people update delivered by the HR Director in January of each year.
- Received regular updates on employee forum matters from Gill Barr, Non-Executive Director, the appointed Board representative for the employee forum.
- Reviewed the PayPoint Gender Pay Gap report and approved the commitments and actions therein, prior to publication of the report.
- Reviewed proposals to support employees with the cost of living.
- Discussed the composition of the Executive Board and reviewed succession planning.

Division of roles and responsibilities

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

Board leadership

Chairman – 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 time and consideration are 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 communication with shareholders led by the Chief Executive and ensuring that members of the Board develop an understanding of the views of major investors.
- Meeting a number of key investors.
- 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 running the Group's business and for proposing and developing the Group's strategy and overall commercial objectives. He leads the Executive Board, the responsibilities of which are set out on page 89. 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 Chairman is alerted to forthcoming complex, contentious or sensitive issues affecting the Group.
- Providing information and advice to the Chairman in respect of succession planning for membership of the Executive Board.
- Leading the communication programme with shareholders.
- Acting as Director of various subsidiaries of the Group.

Finance Director – Alan Dale

Alan Dale 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. Alan is also a Chair and Director of various subsidiaries of the Group and a member of the ESG Working Group. He also acts as Consumer Duty Champion.

Corporate Governance Report continued

Constructive challenge and independent oversight

Senior Independent Director – Rakesh Sharma

Rakesh Sharma supports the Chairman in his role by acting as a sounding board for the Chairman and a trusted intermediary for other Directors in resolution of any significant issues that may arise. His other main responsibilities include:

- Chairing the Nomination Committee when it is considering succession to the role of Chairman of the Board.
- Chairing the Remuneration Committee.
- Meeting with the Non-Executive Directors at least once a year to appraise the Chairman's performance and on such other occasions as are deemed appropriate.
- Being available to shareholders if they have concerns which contact through the normal channels of the Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate.
- Having sufficient contact with major shareholders to obtain a balanced understanding of the issues and concerns of such shareholders.

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

The Independent Non-Executive Directors bring a strong independent element to the Board and provide constructive challenge and support to strategic and other matters addressed by the Board. 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 Chairman held meetings with the Non-Executive Directors without the presence of the Executive Directors. There were no unresolved concerns about the running of the Company.

Board support

Interim Company Secretary – Brian McLelland

Brian was appointed as Interim Company Secretary to the Board and all its Committees in January 2022. He provides advice and assistance to the Board to ensure good governance practices and compliance with company law, Listing Rules, Disclosure Guidance and Transparency Rules and the Market Abuse Regulations. His other responsibilities include:

- Supporting the Board and Committee Chairs in setting the agendas and ensuring 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 internal Board and Committee evaluations at the request of the Chairman.
- Membership of the Market Disclosure Committee of the Board.
- Acting as secretary to the subsidiaries of the Group.
- Membership of the ESG Working Group.

Accountability

Financial and business reporting

Please refer to the following pages of this annual report for information on how the Board has carried out the financial and business reporting obligations as stipulated under the Code:

- Page 127 for the Board's responsibility statement setting out the steps taken to present a fair, balanced and understandable assessment of the Company's position and prospects.
- Pages 18 to 36 for the strategy and business model which explains how the Company generates and preserves value over the longer term and the strategy for delivering the objectives of the Company.
- Page 125 for the statement that the financial statements have been prepared on a going concern basis.

Risk management and internal control

The Board has overall responsibility for establishing and maintaining sound risk management and internal control systems and the monitoring of these systems to ensure that they are effective and fit for purpose. The Audit Committee provides support to the Board in this regard and oversees the monitoring process. Further information on the risk management and internal control system is set out in the Risk Management Report on page 61.

The Board has carried out a robust assessment of the nature and extent of the emerging and principal risks facing the Group and how these risks could affect the business, financial condition or operations of the Group. The explanation of these principal risks including how they are being mitigated can be found on pages 62 to 68 and a statement on how the Directors have assessed the prospects of the Group taking into account the current position and principal risks is on page 69.

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 104 to 124.

Engagement with stakeholders

In its decision-making, the Board has regard to each Director's duty to promote the success of the Company on behalf of the Company's stakeholders, to foster the Company's relationships with its people, shareholders, convenience retailer partners, SMEs, consumers, clients and local communities and to consider the effect of the principal decisions taken by the Company during the financial year on the Company's stakeholders. For more information see pages 51 to 52.

Engagement with and feedback from our people across the business is vital. This year the employee forum continued to provide feedback on cost of living pressures, the results from the employee engagement survey, the conditions of the working environment 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 Chief Executive and the Senior Independent Director attended meetings of the employee forum to discuss operations, strategy and 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 an ideal 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 investors.

The Board acknowledges the importance of an open dialogue with its institutional shareholders and welcomes engagement from private 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.

Brian McLelland
Interim Company Secretary
27 July 2023

Nomination Committee Report

Giles Kerr
Chairman, Nomination Committee

"A key area of focus has been on succession planning for the Board, Executive Board and management to ensure we have the right pipeline of talent coming through the business."

Membership and attendance

Current members	Date appointed as member	Attendance at meetings during the year: Eligible to attend	Attendance at meetings during the year: Attended
Giles Kerr (Chairman)	20 November 2015, assuming chairmanship in May 2020	5	5
Gill Barr	1 June 2015	5	5
Guy Parsons[1]	23 March 2023	1	1
Rosie Shapland	2 October 2020	5	5
Rakesh Sharma	12 May 2017	5	5
Ben Wishart	14 November 2019	5	5

1 Guy Parsons attended one Nomination Committee of the financial year upon his appointment as of 23 March 2023.

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 Company. The Committee identifies and recommends to the Board candidates to fill Board vacancies based on merit and objective criteria, and ensures that appointment processes are formal, rigorous and transparent. The Committee also oversees the development of a diverse pipeline for succession. The Chairman invites the Chief Executive to attend its meetings and the HR Director 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.

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 2023.

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

- Review of the structure and development of the Board and the Executive Board.
- Review of the result of the 2022 internal performance evaluation.
- Approval of the report of the Committee for inclusion in the 2023 annual report and accounts.
- Review of the Board's policy on diversity, equity and inclusion.
- Annual review of the Directors' length of service.
- Annual review of the Directors' conflicts of interest register and number of external directorships held.
- Annual review of its terms of reference.
- Appointment of Rob Harding as Chief Financial Officer succeeding Alan Dale who is retiring.
- Appointment of Guy Parsons as Non-Executive Director.

During the year, a review of the training programme for directors and succession planning was covered at a meeting of the Board of Directors.

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

Succession planning

We have succession planning in place for the Board and Executive Board to ensure we have the right pipeline of talent coming through the business to support the future needs of the Group.

Board changes

I am delighted to welcome Rob Harding to the Board. Rob is a Chartered Accountant with more than 25 years' experience across financial services and is currently Chief Financial Officer at De La Rue Plc. Rob was chosen following an extensive external search process conducted by Teneo People Advisory ("Teneo"). Rob will replace Alan Dale who is retiring and I would like to express my gratitude for Alan's contribution to the company.

The Board has also been strengthened by the appointment of Guy Parsons. Formerly Executive Chairman of Appreciate Group plc, Guy also served as CEO of Travelodge and easyHotel plc and was a Non-Executive Director at Yorkshire Building Society.

Diversity

The Board's policy on diversity, equity and inclusion, 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 where everyone can learn, grow and shine. The Board policy addresses the specific requirements of the UK Corporate Governance Code in relation to the Board and the recommended targets set out by the FCA and Sir John Parker. The targets are:

- At least 40% of the Board should be women.
- At least one of the senior Board positions (Chair, Chief Executive Officer ('CEO'), Senior Independent Director ('SID') or Chief Financial Officer ('CFO') should be a woman.
- At least one member of the Board should be from a minority ethnic background (which is defined by reference to categories recommended by the Office for National Statistics ('ONS') excluding those listed, by the ONS, as coming from a white ethnic background.

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 HR Director 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 continues to be supported, and the development of diversity in senior management roles within the Group is encouraged.

As at the date of this report, PayPoint Plc continues to have two female members on the Board who represent 25% of the Board members. The percentage of female members of the Board declined from last year due to the appointment of Guy Parsons on 23 March 2023 following the acquisition of Appreciate Group. The Board has appointed a male Chief Financial Officer ("CFO"), Rob Harding, who will take over from Alan Dale later in the year. Teneo People Advisory (Teneo") were selected to carry out the search.

Teneo are committed to DE&I and their work is 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 Board is committed to making progress towards achieving the FCA targets on gender diversity and has approved the appointment of a further female Non-Executive Director to the Board and will engage with executive search firms in a manner which enhances opportunities for diverse candidates to be considered for appointment. The Board will also consider female appointments to the senior Board positions identified by the FCA above, at the next available opportunity. PayPoint Plc meets the targets set out in the Parker Review and the FCA in respect of ethnic diversity on UK boards.

During the year the Board received a presentation from Teneo (executive search consultants) to provide feedback on the CFO recruitment process and to discuss market trends, opportunities and challenges in the recruitment of senior executives and non-executives. Discussion occurred on diversity, hybrid working, senior employment retention and succession planning.

For more information on our diversity, equity and inclusion policy please refer to page 52.

Directors' time commitment and length of service

All Directors are aware of the need to allocate sufficient time to PayPoint Plc in order to discharge their responsibilities effectively. The Nomination Committee monitors attendance, Committee composition, length of service and the extent of the Directors' external commitments on an ongoing basis.

Ben Wishart's first three-year term expired on 14 November 2022. Following Ben's agreement, the Committee recommended to the Board that he be reappointed for a further three years. Following this on the same basis the Committee also recommended to the Board the reappointments of Rakesh Sharma and Rosie Shapland for a further three year period.

All Directors who are not retiring, in accordance with the Code, will be offering themselves for re-election or election, as relevant, at the annual general meeting on 18 August 2023.

The terms and conditions of appointment of Non-Executive Directors and the service contracts of Executive Directors are 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. Conflicts declared are recorded in our register of conflicts of interest and this was reviewed and approved by the Committee at its meeting in March 2023. 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 other directorships bring significant benefits to the Board. All key external roles are given within the Director biographies on pages 82-83. Non-Executive Directors are required to obtain the approval of the Chairman 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.

The Nomination Committee Report was approved by the Board on 27 July 2023.

Giles Kerr
Chairman, Nomination Committee
27 July 2023

Audit Committee Report

Rosie Shapland
Chair, Audit Committee

"We have sought to ensure the annual report is fair, balanced and understandable to provide the information necessary for shareholders to assess the Company's performance, business model and strategy."

Membership and attendance[1]

Current members	Date appointed as member	Attendance at meetings during the year: Eligible to attend	Attendance at meetings during the year: Attended
Rosie Shapland (Chair)	2 October 2020, becoming Chair in December 2020	5	5
Gill Barr	1 June 2015	5	5
Guy Parsons	23 March 2023	1	1
Rakesh Sharma	12 May 2017	5	5
Ben Wishart	14 November 2019	5	5

1 The Audit Committee invites the Head of Risk and Internal Audit to attend and provide updates to the Committee at each meeting covering the matters set out in the risk management section of this report. The external auditors KPMG are also in attendance at each meeting along with the Chief Executive, Finance Director and Chair of the Board. Other members of management attend as and when requested. The Company Secretary acts as secretary to the Committee.

Audit Committee responsibilities

The Committee's key role is to support the Board in fulfilling its oversight responsibilities by reviewing and monitoring 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 matters relating to the relationship with the external auditor and in respect of the internal control and risk management systems of the business. Significant financial reporting issues and judgements, together with any changes in accounting principles and policies, 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.

The Committee has satisfied itself that the PayPoint Plc 2023 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 127.

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 2023. 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 auditors, KPMG LLP.

The Committee met five times during the year, with meetings timed to coincide with the financial and reporting cycles of the Company. We also met on 18 May to consider progress with the year end financial reporting and the audit, 29 June 2023 to review the 31 March 2023 annual report and accounts and the findings of the external auditor, and 27 July 2023 to consider the final report from the external auditor and to recommend the Annual Report and Accounts to the Board prior to approval. In addition, the Committee met with both the Company's external auditor and Head of Risk and Internal Audit during the year without management being present.

The Company completed the acquisition of Appreciate Group plc ("Appreciate") on 28 February 2023, following FCA approval. This created significant additional work for the Group's finance team and our auditor, in finalising the year-end reporting. Consequently, we took the decision to extend our reporting timetable for six weeks to enable the work for the enlarged group to be completed. As detailed on pages 99 to 100, the Committee has had to consider a number of accounting judgements and estimates, both in relation to the acquisition accounting itself and to our segmental reporting and areas of accounting specific to Appreciate. In the period since our previous report the work undertaken by the Audit Committee was as follows:

Financial reporting

- Reviewed the annual and interim financial statements, including the impact of the February 2023 acquisition of Appreciate.
- Considered significant accounting policies, financial reporting issues, judgements and estimates, most notably in relation to the acquisition of Appreciate.
- The Committee 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 Appreciate. Management has enhanced the accounting policy and revenue note disclosures to aid understanding of this important area.
- Considered findings as 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 the three-year period.
- Considered the disclosure in respect of the letters before action and subsequent claims served by Utilita and Global-365 (as further described on page 181) 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. Following the acquisition of Appreciate, HMRC's SAO regime now applies to the enlarged PayPoint Group.
- Reviewed the results of the annual safeguarding audit for Appreciate.

Internal audit

- Appointed Tutu Kamara in February 2023 to lead the Risk and Internal Audit functions.
- Monitored progress against the year's audit plan.
- Received copies of audit reports and assessed key findings and implementation of recommendations.
- Assessed the audit universe and audit cycle.
- Approved the annual audit plan for FY2024.
- Monitored resource requirements for internal audit, including for Appreciate, and approved the annual internal audit budget for FY2024.
- Reviewed and approved the internal audit charter.
- Approved arrangements for including Appreciate into the annual audit plan, including bringing their Internal Audit function in-house.

Risk management and internal controls

- Carried out a review of the Group's insurance coverage and approved amendments to include Appreciate.
- Approved various policies including (but not limited to) whistleblowing and anti-bribery and corruption.
- 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 approving the principal and emerging risks for inclusion in the annual report.
- Approved proposed project plans for compliance with the HMRC SAO regime for the year ended 31 March 2024, to ensure it incorporates appropriate processes and controls.
- 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 89 for details on the role of the Sub-Committee.

Governance

- Considered quarterly updates from the Head of Risk and Internal Audit on the Group risks.
- Carried out an annual review of the Committee's terms of reference.
- Carried out reviews of the Board Delegated Authority.
- Kept up to date with developments following the BEIS consultation on restoring trust in audit and corporate governance, including the proposed changes to the Combined Code, particularly in relation to internal controls.

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. Internal controls are used to mitigate risks faced by the Group within the risk appetite set by the Board in order to safeguard shareholders' investments and Group assets. 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 62. A standard risk assessment methodology is applied across the Group to evaluate gross and residual risk and comparing residual risk against risk appetite.

Audit Committee Report continued

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 62 to 68. For the legacy PayPoint 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.

For Appreciate, it has not been possible for the Committee to perform a full assessment of the operating effectiveness of the risk management framework and internal controls, due to the timing of the acquisition. However, the Head of Risk and Internal audit has reported to the Committee on the review of Appreciate that she and her team have completed. This covered their review of:

- The existing Appreciate risk management and internal controls framework, which has largely remained in place since acquisition and included risk identification and mitigation procedures.
- The internal audit reports completed in FY2023 by KPMG and the follow up of their recommendations, which are now reported to the Committee at each meeting.
- The policies and procedures in place and the delegated authorities.
- The IT and information security governance framework.

The Committee has also discussed the findings of the Company's external auditor, arising from their work over the acquisition and year-end balance sheets of Appreciate and the loss for the one-month period since acquisition. From the above procedures, no significant control failings or weaknesses were identified.

As part of the ongoing integration, the Appreciate functional areas are being absorbed into the equivalent PayPoint functions, to ensure policies and supporting frameworks and procedures are applied consistently across the enlarged Group.

External audit

- Agreed the scope of the 2023 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 2023 are given on page 161 note 8 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, including the updated plan following the acquisition of Appreciate.
- 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 2022 Audit Quality Review Report, regarding the overall quality of audit work provided by KPMG 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 2023, 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 2023	How the Audit Committee addressed these significant financial judgements and critical estimates
Business combinations: recognition of goodwill and intangible assets (Critical estimate) On 28 February 2023, PayPoint acquired Appreciate Group plc ("Appreciate"). Accounting for each business acquisition requires an assessment of the existence, fair value and expected useful economic lives of separable intangible assets such as brands, customer relationships and developed technology assets at the date of acquisition. The fair value attributed to intangible assets arising on acquisition is recognised in accordance with IAS 38 Intangible Assets and is based on a number of estimates, including the long-term revenue growth rate of the related business and discount rate. In forecasting future revenues, management have considered the accounting policy for revenue recognition for each of the relevant revenue streams. Management have assessed the useful economic lives of each asset based on a number of factors including the expected usage of the asset, typical product life cycles for the asset, 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.	As a result of the acquisition the Group identified £30.3 million of acquired intangible assets (net of deferred tax) and £59.8 million of goodwill. The Committee reviewed and approved management's paper on the acquisition accounting supported by a report from a third-party valuation specialist. The Committee considered and discussed the valuation methodology for the acquired assets, with particular focus on the intangible assets arising on acquisition, brands and customer relationships, including the revenue recognition policy applied to the different revenue streams. The Committee challenged management on the key assumptions that drive the valuation of acquired assets; for customer relationships, the expected future income streams and discount rate; for brands, the royalty rate and for developed software, the cost to recreate. The Committee have also reviewed and challenged management's assessment of useful economic lives. The Committee is satisfied that the acquisition accounting and related disclosures are appropriate.
Recognition of cash and cash equivalents (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 Appreciate, it also holds monies in trust on behalf of agents, customers, cardholders and redeemers. A critical judgement in this area is whether clients' funds, retailer partners' deposits and monies held in trust are recognised in the statement of financial position. 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. (d) Whether the Group bears the credit risk.	The Committee reviewed and approved the accounting policy on cash and cash equivalents and considered management's approach to the treatment of monies held in trust following the acquisition of Appreciate. 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. Following the Appreciate acquisition, a new caption was introduced on the face of the statement of financial position, Monies held in trust. The Committee reviewed and agreed with management's decision to categorise cash and cash equivalents and monies held in trust 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.

Audit Committee Report continued

Significant financial judgements and critical estimates for the year ended 31 March 2023	How the Audit Committee addressed these significant financial judgements and critical estimates
Valuation of the goodwill relating to cash generating units (Critical estimate) In the current and prior years PayPoint has acquired five businesses. An annual impairment review is required on the carrying value of goodwill relating to each of the resulting five cash generating units that have been identified. Impairment models have been built which consider future cash flows based on the Board-approved Plan and these are discounted to a net present value for comparison to the carrying value. The Board-approved Plan forecasts cash flows for the initial three years and then appropriate assumptions are applied to forecast a further two years, before prudent long-term growth rates are applied to the fifth year to calculate terminal values. Sensitivity analysis has been applied to determine the impacts of reasonably possible changes in the assumptions used for the value. The most sensitive of these models was the Handepay CGU. Key input assumptions into the model were the discount rate and sales growth rates applied. For the Love2Shop CGU management decided that given the proximity of the timing of the acquisition to the year end, fair value less costs of disposal was an appropriate alternative measure of recoverable amount.	The Committee reviewed and approved a paper setting out management's impairment assessments for the carrying values of goodwill, acquired intangible assets and investments associated with the relevant acquisition. The Committee has challenged the key assumptions that drive the models for the impairment tests including specific growth drivers for each business, discount rates applied and long-term growth rates. As part of the process the Committee requested the calculation of the appropriate discount rates to be used in each model, to be supported by third-party valuation specialists. These rates were reviewed and challenged by the Committee. Having challenged and discussed the methodology and assumptions set out in the paper for the impairment tests, the Committee is satisfied that the valuation of CGU recoverable amounts, impairment headroom and related disclosures of key sensitivities are appropriate. The Audit Committee concurs with management's decision to use an alternate valuation technique for the Love2Shop CGU.

Other financial reporting matters for the year ended 31 March 2023	How the Audit Committee addressed these financial reporting matters
Pensions (defined benefit scheme from Appreciate acquisition) Following the acquisition of Appreciate, PayPoint now has to account for a defined benefit pension scheme which includes a judgement on the recognition of the current surplus, while estimates are required for the valuation of the pension assets and liabilities.	The Committee reviewed and approved a paper setting out management's accounting for the defined benefit pension scheme in line with IAS19, as at the year-end and for the one-month period ended on that date, and at the date of the Appreciate acquisition. The valuations were supported by reports from a third-party valuation specialist. The Committee agrees with management's conclusion that the pension surplus can be recognised in full at the year-end and acquisition dates and estimates used by management are in line with the advice provided by the third-party valuation specialists in this area.
Cash Generating Units (CGU's) for Love2Shop With the acquisition of Appreciate, management has considered the appropriate approach for CGUs for the Love2Shop business for the purposes of allocating the goodwill on acquisition and for future reporting. Love2Shop operates through several channels to provide its products and services. Management has performed a detailed review considering the requirements of the accounting standards, previous external reporting by Appreciate, the acquisition business case, current management reporting, how business performance is measured and decisions taken both at divisional and Group levels. Management's conclusion is that the entire Love2Shop business should be considered a single CGU as cash inflows from its various sales channels 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 Love2Shop segment.	The Committee reviewed management's assessment of Love2Shop's CGUs. 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 business should be treated as one CGU.
Segmental reporting The Group provides a number of different services and products. Prior to the acquisition of Appreciate on 28 February 2023, the different services and products provided by the Group did not meet the definition of separate operating segments under IFRS 8. The Group considers the Appreciate business to be a separate segment from the existing PayPoint business, since discrete financial information is prepared and it offers different products and services. Furthermore, the CODM reviews monthly internal management reports (including financial information) for each of PayPoint (pre-Appreciate acquisition) and Love2Shop, to allocate resources and assess performance.	The Committee considered management's assessment of segmental reporting and the introduction of a new segment. This included: • A review of the information flow (internal reports) that the entity's Chief Operating Decision Maker (CODM) regularly reviews in allocating resources to segments and in assessing their performance. • Reviewing historic Appreciate reporting and considering how the business will be managed going forward. • The proposed disclosure in the annual report. The Committee agrees with management's conclusion that there are two operating segments, one for historic PayPoint, consistent with prior years, and one for the newly acquired Love2Shop.

Audit Committee Report continued

Other financial reporting matters for the year ended 31 March 2023	How the Audit Committee addressed these financial reporting matters
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. 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 increased 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.

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 two Non-Executive Directors: Rakesh Sharma and Ben Wishart as Chairman of the Sub-Committee; the Finance Director, the Chief Technology Officer (who is a member of the Executive Board) and the IT & Service Operations Director (who joined the Executive Board in the year). 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 2023, the significant audit risks identified were: Appreciate purchase price allocation; Recoverability of goodwill related to Handepay; Management override of controls; Handepay investment impairment (Parent Company).

The Committee reviews and challenges the work undertaken by the auditor to test management's assumptions 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, and 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.

When PayPoint acquired Appreciate, KPMG was providing Internal Audit services and BDO LLP was providing risk consultancy services, including a risk management system. Due to their involvement in the audits of the financial statements at the acquisition date and at the Group year end, they were required to resign from providing these services.

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

During the year the Committee tendered the Group's external audit. Four firms were initially invited to tender and in compliance with Ethical Standards, the firms invited to tender were informed that the main focus of their remit was for the provision of audit services. A data room was provided and interested firms were given wide access to the business, including meetings with members of the Board, Executive Board and finance team personnel, in order to develop their audit approach, prior to presenting to a panel comprising the Committee Chair, and certain members of the Executive Board.

Following this process, a recommendation based on quality, knowledge and experience and structure of the team was made to the Board which then considered and approved the appointment of PwC as auditor for the financial year ending 31 March 2024, subject to shareholder approval at the 2023 AGM. KPMG will therefore not be appointed at the forthcoming AGM.

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 policy also covers the 70% cap on non-audit fees as prescribed by the FRC Revised Ethical Standard 2019. It states that subject to prior approval by the Finance Director, the fees for permitted non-audit services provided by the external auditor must not exceed a specified amount and must have a cumulative annual total of less than 70% of the average audit fee over the three proceeding years.

The ratio of non-audit fees to audit fees paid to the auditor for the year was 3.1%, 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.

Risk management and internal control

The Board is responsible for establishing and maintaining the Group's internal control framework and regularly reviewing its effectiveness. The Board has delegated responsibility for reviewing the effectiveness of risk management and internal controls to the Committee. The Committee performs robust assessments of the risks which could significantly impact the Group's performance, future prospects and reputation.

The Company's management of risks and its internal control framework are detailed on page 61.

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 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 raise concerns 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.

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's 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 provided. Anti-bribery and corruption risk management is discussed at Committee meetings.

The Audit Committee Report was approved by the Board on 27 July 2023.

Rosie Shapland
Chair, Audit Committee
27 July 2023

Directors' Remuneration Report

Rakesh Sharma
Chairman, Remuneration Committee

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

Membership and attendance[1]

Current members	Date appointed as member	Attendance at meetings during the year: Eligible to attend	Attended
Rakesh Sharma (Chairman)	12 May 2017	5	5
Gill Barr	1 June 2015	5	5
Giles Kerr	20 November 2015	5	5
Guy Parsons	23 March 2023	1	1
Rosie Shapland	2 October 2020	5	5
Ben Wishart	14 November 2019	5	5

1 Guy Parsons attended one Remuneration Committee meeting in the year ended 31 March 2023 following his appointment on 23 March 2023.

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 above. In addition to the members of the Committee, the HR Director 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.

Annual Statement

Dear Shareholders,

I am pleased to present our Directors' Remuneration Report for the financial year ended 31 March 2023 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 Directors' Remuneration Report will be subject to an advisory shareholder vote at the annual general meeting ('AGM') on 7 September 2023.

The report is divided into three sections:

- This Annual Statement of the Remuneration Committee Chairman for the year ended 31 March 2023, which summarises remuneration outcomes for the year ended 31 March 2023.
- The Directors' Remuneration Policy – (the "Policy"), which presents our proposed Remuneration Policy given that our current Policy, originally approved by shareholders at the 2020 annual general meeting, will shortly reach the end of its three-year life.
- The Annual Report on Remuneration, which provides further detail on how the Remuneration Policy was implemented in the year ended 31 March 2023 and how the proposed Policy will be implemented in the year ending 31 March 2024.

The Directors' Remuneration Report excluding the Policy will be subject to an advisory shareholder vote at the 2023 AGM. The proposed Policy, which is intended to last for three years from the forthcoming AGM or until another Policy is approved in a general meeting, will be subject to a binding vote at the same meeting.

Committee activities during the year

The Committee met five times during 2022/23. The main Committee activities during the year (full details of which are set out in the relevant sections of this report) included:

- Approving the 2021/22 Directors' Remuneration Report.
- Agreeing Executive Director base salary increases from July 2022.
- Reviewing and agreeing the salary review applied to the workforce below Board level including the increases applied to the Executive Board.
- Carrying out a review and update of the Remuneration Policy for approval by shareholders.
- Communicating with and considering feedback from key investors on the proposed Policy.
- Approving the release of the 2019 deferred bonus awards.
- Confirming the lapse of the 2019 Long-Term Incentive Plan ('LTIP') awards due to the respective performance conditions not being met.
- Approving the vesting of the below Board 2019 restricted share plan awards.
- Agreeing the 2022 Restricted Share Plan awards.
- Agreeing the performance against targets and payout for the 2021/22 annual bonus.
- Setting the performance targets for the 2022/23 annual bonus and bonus deferral levels.
- Approving leaver treatments for relevant senior executives.
- Agreeing the remuneration package for Rob Harding as Chief Financial Officer.
- Carrying out an internal evaluation of its performance and reviewing its terms of reference.

Pay and performance

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 2022/23 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. Annual bonuses for the year have been awarded at 89% of maximum, reflecting the delivery of a strong financial performance with accelerated revenue growth across all three business divisions and profit before tax at the top end of market expectations. This was supported by the delivery of strategic objectives that have materially enhanced growth opportunities for the current financial year, particularly in card processing, Open Banking and digital payments.

No Executive Director deferred annual bonus awards are due to vest in 2023 as a result of the Executive Board waiving their entitlement to a bonus in respect of the year 2019/20 in light of the challenges facing the business at that time due to Covid-19.

RSA awards granted in 2020 will vest in July 2023, subject to the Committee being satisfied in respect of performance against the discretionary underpin.

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 and is comfortable that remuneration for the year ended 31 March 2023 is appropriately aligned to the Company's performance.

Discretion

No discretion has been exercised in respect of the year ended 31 March 2023.

Directors' Remuneration Policy-Proposed changes to the Policy

Following a review of the Policy, which is nearing the end of its three-year life, and following consultation with major investors and investor representatives, the following changes to the Policy will be proposed:

- **Restricted Share Awards (RSAs)** – A simplification of the vesting profile for RSAs granted to Executive Directors. Under the current RSA Policy, RSAs granted to Executive Directors vest over three years (50% of awards), four years (25% of awards) and five years (25% of awards) subject to an assessment of the discretionary underpin. Once RSAs have vested, a holding period applies such that any resulting shares, other than those sold to pay employee taxes, may not be sold until at least five years from the grant date. However, going forward, the Committee wishes to simplify the vesting such that RSAs granted to Executive Directors after the 2023 AGM will vest after three years from grant (subject to satisfaction of the underpin) with a two-year post vesting holding period. No changes will be made to existing awards. Such a change will simplify the approach going forwards, significantly reducing the administration surrounding multiple vesting dates across multiple awards, and will align with the approach to granting RSAs below Board level. In addition, as evidenced during the recent search for our incoming CFO, a three-year vesting with a two-year holding period will more closely align PayPoint's approach to evolving RSA market practice.
- **Pension Policy** – The maximum value of pension provision in the current Policy for current Executive Directors is 15% of salary. However, noting that the Chief Executive has received, and the incoming Chief Financial Officer will receive, a workforce-aligned pension provision from appointment, the 15% of salary Policy maximum will be replaced by a requirement to offer workforce aligned pension provision (which is currently 5% of salary) to Executive Directors.
- **Annual bonus** – 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 (and as permitted under the current Policy), the on-target bonus potential will be reduced to 50% of maximum in line with market norms.
- **Introduction of ESG Performance Metrics** – A widening of potential performance metrics in respect of both the annual bonus and RSA underpin to explicitly permit the operation of ESG-based targets going forward to the extent that this is considered appropriate.

Directors' Remuneration Report continued

Policy implementation for the year ending 31 March 2024

Noting the above, a summary of how the Committee intends to implement the new Policy for the year ending 31 March 2024, subject to shareholder approval at the 2023 AGM, is as follows:

- **Salary** – Nick Wiles' base salary will be increased by 3% to £498,623 from 1 July 2023, consistent with the minimum increase applied to the general workforce. Rob Harding, the incoming Chief Financial Officer, will receive a salary of £320,000 from appointment with his first salary review date expected to be 1 July 2024.
- **Pension** – The Chief Executive will continue to receive a 5% of salary workforce-aligned pension contribution (with the incoming Chief Financial Officer receiving the same).
- **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 and outturns will be provided in the Directors' Remuneration Report for the year ending 31 March 2024.
- **RSAs** – The Committee intends to grant the 2023 RSAs following the 2023 AGM at 75% of salary for Nick Wiles and 62.5% of salary for Rob Harding. As detailed above, subject to shareholder approval of the revised Policy, RSAs granted after the 2023 AGM 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. A specific reference to the delivery of the Company's ESG strategy will be added to the RSA underpin for 2023 RSAs onwards.
- **Malus and clawback** – Provisions will continue to operate for both the annual bonus, deferred bonus and RSAs.

Consultation in respect of the new Policy

In formulating our proposed Policy, the Committee consulted with our largest (c.15) shareholders and the main representative bodies. Feedback received from shareholders was considered in the development of the final proposals and the Committee is grateful for the level of engagement received.

Conclusion

I hope you are supportive of our proposed Policy and the approach to Policy implementation for the year ending 31 March 2024 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
Chairman, Remuneration Committee
27 July 2023

The Directors' Remuneration Policy

Policy scope

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

Policy duration

Given that the current Directors' Remuneration Policy (approved at the 2020 AGM) will shortly reach the end of its three-year life, a new Policy will be put to shareholders for approval at the 2023 AGM. Subject to approval, the new Policy will apply from that date for a maximum of three years.

Changes from the current Policy

Following consultation with the Company's major investors and the main representative bodies, the Committee has concluded that the current Policy should continue to operate albeit with a small number of proposed changes.

The Committee's rationale for continuing to operate the Restricted Share Plan is as follows:

- The Committee favours the simplicity of Restricted Share Awards compared with LTIPs.
- Rewards are much less volatile and therefore significantly more effective over time in respect of retention and incentivisation.
- It achieves the desirable objective of internal alignment, given that the RSA is operated widely below Board.

In addition, while the difficulties of setting robust, three year performance targets during the pandemic are behind us, the current market volatility and broader macro economic landscape make the setting of robust three-year targets for incentive purposes challenging.

The proposed changes to the Policy are included in the summary table overleaf and set out below as follows:

- **Restricted Share Awards ('RSAs')** – Under the current RSA Policy, RSAs granted to Executive Directors vest over three years (50% of awards), four years (25% of awards) and five years (25% of awards) subject to an assessment of the performance underpin. Once RSAs have vested, a holding period applies such that any resulting shares, other than those sold to pay employee taxes, may not be sold until at least five years from the grant date. However, going forward, the Committee wishes to simplify the vesting such that RSAs granted to Executive Directors after the 2023 AGM will vest after three years from grant (subject to satisfaction of the discretionary underpin) with a two-year post vesting holding period. No changes will be made to existing awards.
- **Pension Policy** – A reduction to the pension policy from 15% of salary to a workforce-aligned pension (currently 5% of salary) to reflect current and future practice.
- **Annual Bonus** – A formal commitment that should bonus potential be increased from 106% of salary to a more market-aligned 150% of salary in the future (as permitted under the current Policy), the on-target bonus potential will be reduced to 50% of maximum in line with market norms.
- **Introduction of ESG Performance Metrics** – In respect of both the annual bonus and RSA underpin, the Policy will permit the introduction of ESG-based targets going forward.

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 below summarises our policy on each element of the remuneration package for Executive Directors.

Element and link to strategy	Operation	Opportunity	Performance metrics
Fixed			
Base salary Takes account of personal contribution and performance against Company strategy.	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.
Pension Provides market appropriate benefits.	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.
Benefits Provides market appropriate benefits.	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.

Directors' Remuneration Report continued

Element and link to strategy	Operation	Opportunity	Performance metrics
Variable			
Annual bonus and Deferred Annual Bonus Scheme ('DABS') Rewards delivery of the Group's annual financial and strategic goals and supports retention.	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.
Restricted share awards Drives sustained long-term performance, aids retention and aligns the interests of Executive Directors with shareholders.	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.
Shareholding guidelines Encourages a long-term focus and aligns the interests of Executive Directors with shareholders.	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
All-employee share plans Encourage share ownership across all employees.	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.

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.

Notes to the policy table

Payments from previous awards
The Company will honour any commitments entered into prior to the approval and implementation of the Policy as detailed in this report. Executive Directors will be eligible to receive payment from any historical share awards made.

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

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.

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.

Directors' Remuneration Report continued

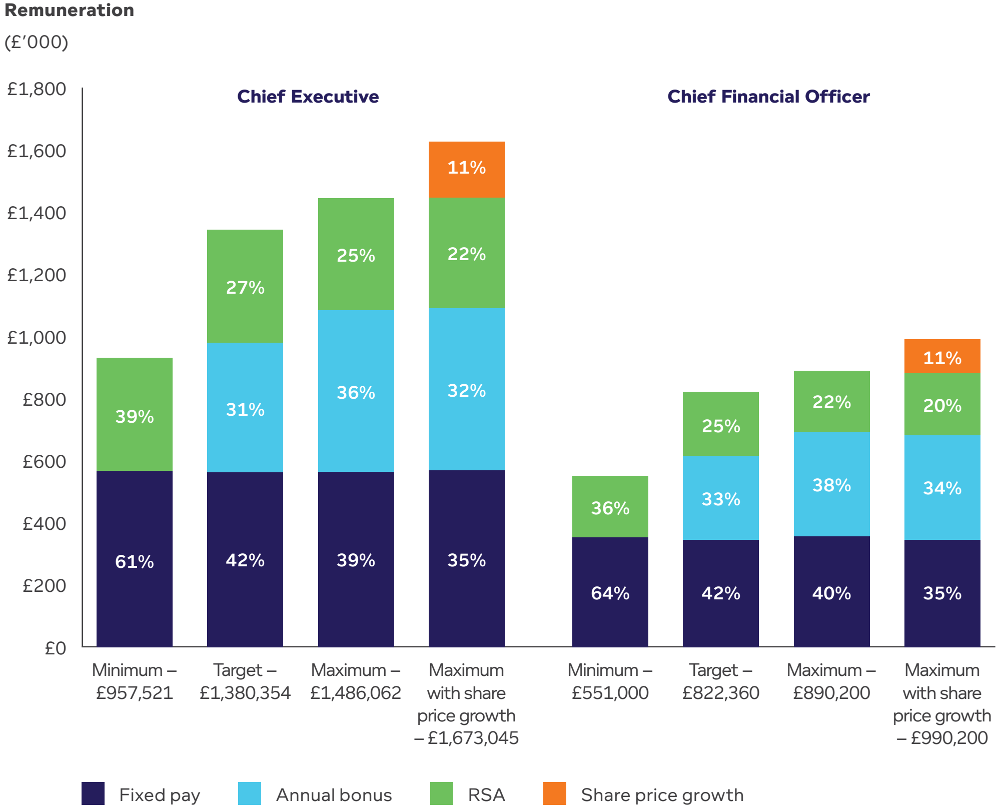
Non-Executive Director remuneration

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	Operation	Opportunity	Performance metrics
Fees To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company.	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:

- Base salary: As at 1/7/2023 (or date of joining if later).
- An approximated annual value of benefits.
- 5% of salary pension.
- 106% of salary maximum annual bonus (with target assumed to be 80% of the maximum).
- A 75% of salary RSA for the Chief Executive and a 62.5% of salary RSA for the Chief Financial Officer.
- Share appreciation of 50% for the RSA.
- For simplicity, the values of any SIP awards are excluded.

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.

Directors' Remuneration Report continued

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, the incoming Chief Financial Officer, 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 below 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 to reflect the length of the vesting period served, although time prorating may be disapplied.
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		
Good leaver	Continue until the normal vesting date or vest immediately, at the discretion of the Committee.	Outstanding awards vest and the awards are prorated to reflect the length of the vesting period served, unless the Board decides otherwise.
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, and the award is prorated for the proportion of the vesting period served to the effective date of change of control, 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 2023	Date of appointment	Notice period
Gill Barr	2 June 2021	14 months	1 June 2015	One month
Giles Kerr	20 November 2021	19 ½ months	20 November 2015	One month
Guy Parsons	23 March 2023	35 months	23 March 2023	One month
Rosie Shapland	2 October 2020	6 months	2 October 2020	One month
Rakesh Sharma	12 May 2020	1½ months	12 May 2017	One month
Ben Wishart	14 November 2022	31 ½ 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 2023 and how it will be implemented for the year ending 31 March 2024. 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 HR Director, 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 £39,245 (excluding VAT).

Summary of shareholder voting

The following table shows the results of the binding vote on the Remuneration Policy Report at the 24 July 2020 AGM and the advisory vote on the 2022 Annual Report on Remuneration at the 20 July 2022 AGM:

	Remuneration Policy		Remuneration Report	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	45,225,049	87.3%	51,711,637	98.7%
Against	6,565,202	12.7%	667,708	1.3%
Total votes cast (excluding withheld votes)	51,790,251		52,379,345	
Total votes withheld[1]	315,310		3,537,958	
Total votes cast (including withheld votes)	52,105,561		55,917,303	

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 2023 and the prior year:

	Nick Wiles £'000		Alan Dale £'000	
	2023	2022	2023	2022
Base salary[1]	**481**	470	**307**	300
Taxable benefits[2]	**61**	36	**14**	15
Pension[3]	**24**	23	**15**	15
Total fixed pay	**566**	529	**336**	330
Annual bonus[4]	**459**	380	**293**	242
Long-term incentives[5]	**147**	–	**46**	–
Other[6]	**2**	2	**2**	2
Total variable pay	**608**	382	**341**	244
Total remuneration	**1,174**	911	**677**	574

1 A base salary increase of 3% was awarded to the Chief Executive and Finance Director in July 2022, 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 and permanent health insurance (Finance Director).
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.
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 Restricted Share Awards granted in 2020 which are due to vest in July 2023 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 2023 (£4.93).
6 SIP matching and dividend shares awarded in the period valued at the average share price calculated over three months to 31 March 2023 of £4.93 (2022: £6.35). 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.

Directors' Remuneration Report continued

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 2023 and the prior year:

	Base fee £'000		Committee Chair fees £'000		Senior Independent Director fees £'000		Total fixed remuneration £'000		Total Variable Remuneration £'000	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Chairman										
Giles Kerr	**169**	165	**–**	–	**–**	–	**169**	165	**–**	–
Non-Executive Directors										
Gill Barr	**50**	49	**–**	–	**–**	–	**50**	49	**–**	–
Guy Parsons[1]	**1**	–	**–**	–	**–**	–	**1**	–	**–**	–
Rosie Shapland	**50**	49	**9**	9	**–**	–	**59**	58	**–**	–
Rakesh Sharma	**50**	49	**9**	9	**6**	6	**65**	64	**–**	–
Ben Wishart	**50**	49	**–**	–	**–**	–	**50**	49	**–**	–
Total	**370**	361	**18**	18	**6**	6	**394**	385	**–**	–

1 Guy Parsons was appointed as a Non-Executive Director on 23 March 2023.

Fees paid to Non-Executive Directors were increased by 3% from 1 July 2022. Non-Executive Directors do not receive any variable remuneration.

Incentive outcomes for the year ended 31 March 2023

Annual bonus in respect of 2022/2023 performance (audited)

The annual bonus for the year ended 31 March 2023 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	Nick Wiles	Alan Dale
PayPoint segment profit before tax[1]	64% of salary	46,000 (96.8% of target)	47,500 (100% of target)	49,000 (103.2% of target)	48,183[1]	57% of salary (89% of max)	57% of salary (89% of max)
Net revenue	16% of salary	121,500 (96.8% of target)	125,500 (100% of target)	129,500 (103.2% of target)	124,990	12% of salary (72% of max)	12% of salary (72% of max)

1 The Group profit before tax value stated above is for the PayPoint segment and excludes exceptional items which do not reflect underlying performance.

Strategic targets:
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
Retailer relationships Maximum value 5.3% of salary	Implement 'opportunities to earn' and cyclical retailer visits to enhance retailer relationships and build understanding of proposition leading to reduced churn.
	Delivered: Opportunities to earn implemented along with cyclical RRM visits. Retention test and learn demonstrated value of dedicated resourcing leading to increase in revenue from low/non transacting sites. Permanent team now created.
	Assessment: Retailer relationships significantly enhanced. Payout 5.3% of salary (100% of maximum).
ESG Maximum value 5.3% of salary	Deliver in year ESG commitments.
	Delivered: The Committee noted strong progress in year in respect of retiring diesel company cars, installation of electric charging points, progress made in development of a more energy-efficient terminal, real living wage implemented and 'welcoming everyone' approach embedded. See page 52 for more information.
	Assessment: Material ESG progress delivered. Payout 5.3% of salary (100% of maximum).
IT Service and Operations model Maximum value 5.3% of salary	Strengthen operating model in IT Service & Operations to deliver improved monitoring and availability.
	Delivered: Team restructured to created dedicated information security team, embed service resiliency and availability responsibilities into platform engineering and strengthened leadership. Significant progress made with infrastructure projects resulting in improved availability across Postilion and the core on premises infrastructure and network.
	Assessment: IT Service and Operations model restructured and enhanced. Payout 5.3% of salary (100% of maximum).
Digital payments platform Maximum value 5.3% of salary	Continue to enhance digital payments offering in order to generate additional revenue opportunities.
	Delivered: Enhancements include a fully integrated Open Banking solution (with a prepayment solution for energy companies), APM capability being added to the payment journey (Apple Pay and Google Pay), and an MVP proposition for charities with Gift Aid capability. Open banking also introduced into platform (COP, AISP, and PISP). A number of opportunities won including EBSS energy schemes and pipeline of potential customers has grown and diversified significantly.
	Assessment: Significant progress made. Payout 5.3% of salary (100% of maximum).
Cards proposition Maximum value 5.3% of salary	Continue to enhance cards proposition by launching a new cards terminal and adding a new service.
	Delivered: New Android terminal launched, EPoS app piloted in March, Payfac discovery phase underway.
	Assessment: Target met in full. Payout 5.3% of salary (100% of maximum).
Maximum value	27% of salary.
% of potential award	100% of max.
% of salary award	27% of salary.

Given the progress made in respect of retailer relationships, delivering ESG commitments, strengthening the IT Service & Operations model and enhancing the digital payments platform and cards proposition, the above objectives have been assessed as achieved and the Remuneration Committee approved a payout of 100% of maximum of this part of the bonus award.

Directors' Remuneration Report continued

Total bonus awards

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

	% of award	Maximum	Actual
PBT	60%	64% of salary	57% of salary
Net revenue	15%	16% of salary	12% of salary
Strategic targets	25%	27% of salary	27% of salary
Total	100%	106% of salary	95% of salary
			(89% of max)

The Committee considers that the outcomes indicated above are reflective of the performance delivered over the year.

25% of the total bonus awarded to the Executive Directors will be deferred into shares which will vest after three years from grant, subject to continued employment.

2020 RSA awards vesting

With respect to the RSA awards granted on 27 July 2020, 50% of the awards made to Nick Wiles are due to vest after three years from grant on 27 July 2023, 25% after 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 July 2023 can be found in the table below:

Director	Interests held in 2020 RSA	Vesting	Number of shares due to vest (% of award granted)	Value[1]
Nick Wiles	59,443	50%	29,721 (50%)	£146,525
Alan Dale[2]	9,274	100%	9,274 (100%)	£45,721

1 Value calculated based on the three-month average share price to 31 March 2023 of £4.93. In addition to this, dividend equivalents will be credited to shares under award to the extent they vest.
2 The RSA awards granted to Alan Dale were granted before his appointment as an Executive Director. These awards vest in full after three years from grant on 27 July 2023 and are not subject to a post-vesting holding period.

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 underpin as at 31 March 2023 and found no cause to reduce the vesting outcome. Details of the Committee's assessment (which will be revisited just prior to vesting) in respect of the 50% of the CEO's July 2020 grant which is expected to vest in July 2023, are as follows:

Underlying performance	Over the three-year vesting period: • Net revenue has increased by 29% since 2021 with accelerated revenue growth across all three business divisions for the year ended March 2023. • Profit Before Tax from continuing operations (excluding exceptional items) has grown by 36% since 2021 to £48.2 million for the year ended 31 March 2023, at the top end of the range of market expectations.
Strategic delivery	• 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. Highlights include: – A renewed purpose, vision and values that clearly reflect the aspirations for the business and the culture required to deliver them. – Delivery of a significant M&A agenda during the period with the disposal of PayPoint Romania and acquisitions of i-movo, Handepay & Merchant Rentals, RSM2000 and Appreciate Group. – Significant progress has been made in respect of the development of MultiPay, PayPoint's channel-agnostic, multi-sector payments platform, supporting integrated payments across cash, Direct Debit, card payments, Open Banking and support tools. – PayPoint's Retailer & SME network has grown to over 60,000, supported by a range of tailored propositions, including bill payments, card services, parcels, ATMs, Counter Cash, eMoney and FMCG. – The business has entered the new financial year in a materially enhanced position across the Group: a full-strength sales team delivering high conversion rates; healthy pipelines for our FMCG and integrated payments propositions; a business-wide partnership philosophy yielding further revenue opportunities; and a dynamic platform of innovative technology and solutions enabling integrated payments and commerce for our extensive base of clients, retailer partners and SMEs.
Shareholder experience and windfall gains	• PayPoint's Total Shareholder Return (i.e. share price plus dividends) over the three years to 31 March 2023 was 0.2%. which is not considered to be reflective of the strategic progress made. • PayPoint's ordinary reported dividend per share has grown from 32.2p to 37.0p since 2021 following the end of the additional dividend programme. • On the basis that the share price is below the £5.93 grant price, there is no windfall gain as at the date of this report.

Scheme interests awarded in the year ended 31 March 2023 (audited)

RSAs

In the year under review, RSAs were granted on 10 June 2022 with a face value of 75% of salary for the Chief Executive and 62.5% of salary for the Finance Director. 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	61,842	£352,499	50% after three years from grant, 25% after four years from grant and 25% after five years from grant	(a) continued service (b) satisfactory individual performance (c) a positive assessment of performance against the underpin[2]
Alan Dale	62.5% of salary	32,894	£187,495		

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 £5.70.
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 shareholder experience more generally (including the risk of windfall gains).

Directors' Remuneration Report continued

Board Changes

As per the announcements on 22nd September 2022 and 31 January 2023, Alan Dale informed the Board of his intention to retire from his position as Finance Director and Executive Director of the Company during 2023 and he will step down from the Board following the publication of PayPoint's annual results, continuing as an employee until 31 December 2023 to ensure a thorough transition and handover.

In respect of Alan's retirement arrangements, he will continue to receive his base salary, benefits and pension until cessation of employment on 31 December 2023, be entitled to participate in the annual bonus plan in respect of the period worked and be treated as a good leaver in respect of his RSA and deferred annual bonus awards with awards vesting on the normal vesting dates, and in respect of the RSA, subject to time prorating. He will not be eligible to receive an RSA in 2023. Details of Alan's remuneration arrangements will be published at the point Alan steps down from the Board in accordance with section 430(2B) of the Companies Act 2006 and in next year's Directors' Remuneration Report.

As per the announcement on 31 January 2023, Rob Harding has been appointed as Chief Financial Officer and Executive Director of the Company and will join in August 2023. A summary of the main elements of his remuneration arrangements is as follows:

- Base salary – £320,000.
- Pension – 5% of salary per annum in line with the current workforce pension provision.
- Annual bonus – maximum bonus potential of 106%.
- RSA – Annual RSA award of 62.5% of salary with the first award to be granted as soon as practicable after joining.

In addition, Rob will receive a buyout out in PayPoint Plc shares equivalent to the value of deferred share awards forfeited upon cessation of his previous employment. Details of the awards forfeited, and the terms of the buyout award intended to mirror the value forgone, will be set out in the relevant RNS and in next year's Directors' Remuneration Report.

Payments to past Directors (audited)

Rachel Kentleton stepped down from her position as Finance Director in June 2020 and details of her termination arrangements were noted in the 2021 report. On 10 June 2022, her 2019 deferred annual bonus awards vested and she received 6,908 shares with a gross value at vesting of £39,194. Her 2019 LTIP award granted in 2019 lapsed in full as a result of the threshold performance conditions not being met.

CEO pay ratio

The data shows how the Chief Executive's single figure remuneration for the year ended 31 March 2023 (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 increase in the pay ratio since 2022 is driven by the increase in the annual bonus award and the vesting of the 2020 RSA award in 2023.

CEO single figure: £1,172,831

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
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

No components of pay and benefits have been omitted for the purpose of the above calculations. Option A was selected given that this method of calculation was considered to be the robust approach in respect of gathering the required data.

The underlying quartiles for salary and total remuneration numbers for full-time equivalent UK employees are set out below. Note that the employee at the 75th percentile has a lower salary than the employee at median because they work in a sales role with a higher proportion of variable pay.

	Salary			Total pay and benefits		
Year	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
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

The data for the three employees identified has been considered and fairly reflects pay at the relevant quartiles amongst the employee population.

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 the average of all employees on a full-time equivalent basis within the Company. The data in this table has been calculated based on a combined total of the values paid for both the Chief Executive and Finance Director roles as disclosed in the single total figure table above.

	2020–2021			2021–2022			2022–2023		
	Base salary/Fee	Benefits[6]	Annual bonus	Base salary/Fee	Benefits[6]	Annual bonus	Base salary/Fee	Benefits[6]	Annual bonus
Executive Directors									
Alan Dale	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]	**2.3%**	**-1.33%**	**21.1%**
Nick Wiles	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]	**2.3%**	**43.4%**	**21.1%**
Non-Executive Directors									
Gill Barr	0%	N/A[2]	N/A[2]	0%	N/A[2]	N/A[2]	**2.3%**	**N/A[2]**	**N/A[2]**
Giles Kerr	135.9%[3]	N/A[2]	N/A[2]	N/A[1]	N/A[2]	N/A[2]	**2.3%**	**N/A[2]**	**N/A[2]**
Guy Parsons	N/A[1]	N/A[2]	N/A[2]	N/A[1]	N/A[2]	N/A[2]	**N/A[1]**	**N/A[2]**	**N/A[2]**
Rosie Shapland	N/A[1]	N/A[2]	N/A[2]	N/A[1]	N/A[2]	N/A[2]	**2.3%**	**N/A[2]**	**N/A[2]**
Rakesh Sharma	8.6%[4]	N/A[2]	N/A[2]	N/A[1]	N/A[2]	N/A[2]	**2.3%**	**N/A[2]**	**N/A[2]**
Ben Wishart	N/A[1]	N/A[2]	N/A[2]	0%	N/A[2]	N/A[2]	**2.3%**	**N/A[2]**	**N/A[2]**
Employee population[5]	0.5%	-6.5%[6]	100%[7]	6.2%	-3.3%[6]	-0.3%	**6.1%**	**5.3%**	**37.1%**

1 Appointed to the role in year or prior year, so no full year comparison.
2 Non-Executive Directors receive fixed fees rather than salary and do not receive any variable pay.
3 Giles Kerr was appointed as Chairman from 20 May 2020 and his annual fee was increased to £165,000 p.a.
4 Rakesh Sharma was appointed as Senior Independent Director effective 20 May 2020 and receives an additional fee for this role.
5 Based on employees who were employed by PayPoint for the entirety of both financial years but excludes those who were promoted to a new role.
6 There have been no changes to taxable benefits offered but the cost of providing these has varied during the period.
7 No bonus payout was made to UK-based employees for FY2019/20.

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 2022 and 31 March 2023.

	Total employee pay expenditure £'000	Distributions to shareholders £'000
2023	**38,234**	**25,107**
2022	34,076	23,096
% change	12%	9%

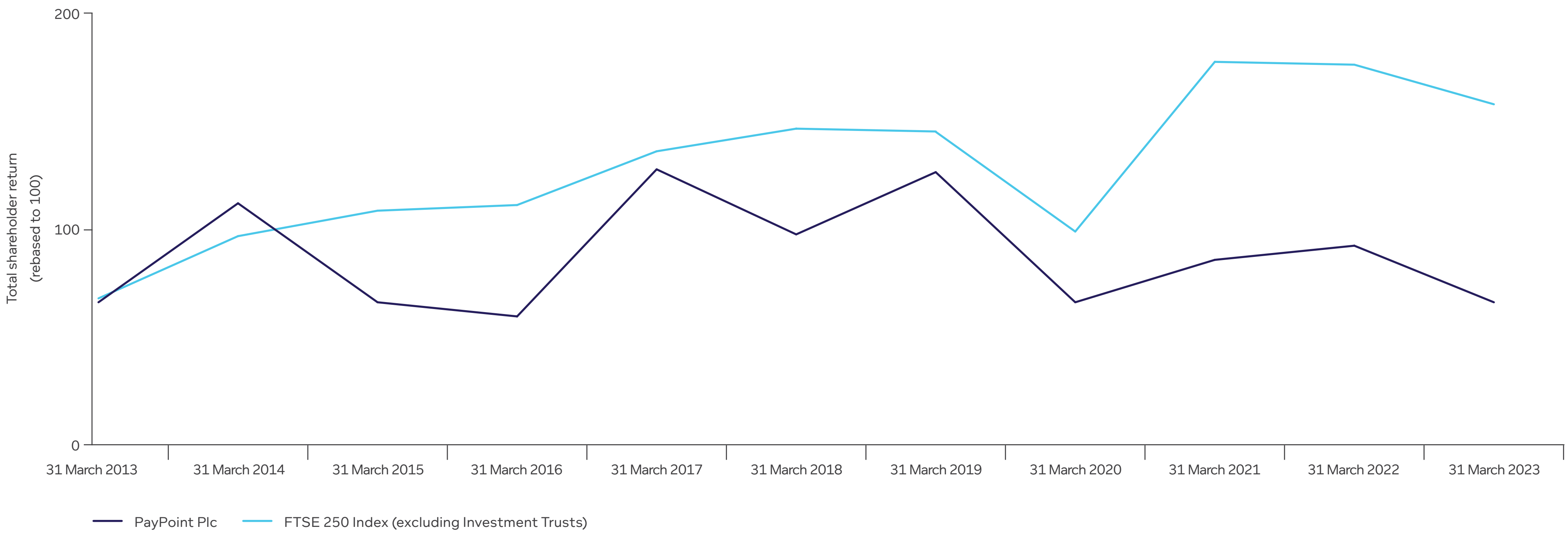
The 12% increase in employee pay expenditure includes one month of Appreciate Group. Excluding Appreciate Group, total employee pay expenditure increased by 8%.

Directors' Remuneration Report continued

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 Refinitive product)

Chief Executive single figure of remuneration (£'000)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Annual bonus payout (as % of maximum)	91%	88%	31%	64%	66%	71%	0%	100%	76%	**89%**
LTIP vesting (as % of maximum)	100%	0%	0%	0%	30%	100%	32%	0%	0%	**–**
RSA vesting (as % of maximum)	–	–	–	–	–	–	–	–	–	**100%**

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 2023:

	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	–	–	–	–	–	–
Alan Dale	14,284	19,067	71,882	23,080	200	125,355	No
Giles Kerr	7,500	–	–	–	–	–	–
Guy Parsons	5,136	–	–	–	–	–	–
Rosie Shapland	–	–	–	–	–	–	–
Rakesh Sharma	4,270	–	–	–	–	–	–
Nick Wiles	90,633	37,166	177,148	109,643	200	196,389	No
Ben Wishart	–	–	–	–	–	–	–

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.
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 2023 of £4.93 has been used to calculate the holding relative to this guideline.

The market price of the Company's shares on 31 March 2023 was £4.55 per share (31 March 2022: £5.82 per share) and the low and high share prices during the period were £4.55 and £6.52 respectively.

Directors' interests in shares in PayPoint long-term incentive plans and all-employee plans

Long-Term Incentive Awards and Restricted Share Awards (audited)

	Type of awards	Number of shares at 31 March 2022[1]	Number of shares awarded during the period	Number of shares released during the period	Number of shares lapsed during the period	Number of shares at 31 March 2023	Share price at grant £	Value of shares awarded	Date of grant	Lapse/Release
Nick Wiles	RSA 2020[1]	59,443	–	–	–	**59,443**	5.93	352,497	27.07.20	27.07.23–27.07.25
	RSA 2021[1]	55,863	–	–	–	**55,863**	6.31	352,495	13.08.21	13.08.24–13.08.26
	RSA 2022[1]	–	61,842	–	–	**61,842**	5.70	352,499	10.06.22	10.06.25–10.06.27
Alan Dale[2]	LTIP 2019[3]	4,502	–	–	4,502	**–**	10.50	47,271	10.06.19	10.06.22
	RSA 2020[1]	9,274	–	–	–	**9,274**	5.93	54,995	27.07.20	27.07.23
	RSA 2021[1]	29,714	–	–	–	**29,714**	6.31	187,495	13.08.21	13.08.24–13.08.26
	RSA 2022[1]	–	32,894	–	–	**32,894**	5.70	187,496	10.06.22	10.06.25–10.06.27

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).
2 The awards granted to Alan Dale in 2019 and 2020 were made prior to his appointment to the Board.
3 LTIP awards granted in 2019 lapsed as the TSR and EPS performance conditions were not met.

Directors' Remuneration Report continued

Deferred Annual Bonus Scheme[1] (audited)

	Number of shares at 31 March 2022	Number of shares awarded during the period	Number of shares released during the period[3]	Number of shares lapsed during the period	Number of shares at 31 March 2023	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
	–	16,645	–	–	**16,645**	5.70	94,876	10.06.22	10.06.25
Alan Dale[2]	1,025	–	1,025	–	**–**	10.50	10,763	10.06.19	10.06.22
	7,231	–	–	–	**7,231**	6.31	45,627	13.08.21	13.08.24
	–	10,625	–	–	**10,625**	5.70	60,562	10.06.22	10.06.25

1 The release of shares is dependent upon continuous employment for a period of three years from the date of grant.
2 The awards granted to Alan Dale in 2018 and 2019 were made prior to his appointment to the Board.
3 Alan Dale received 267 dividend shares on his exercised award with a value of £1,516.

Share Incentive Plan (audited)

	Number of partnership shares purchased at 31 March 2022	Number of matching shares awarded at 31 March 2022	Number of dividend Shares[1] acquired at 31 March 2022	Total shares at 31 March 2022	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 2023
Nick Wiles	361	361	32	754	272	272	71	22.04.2025–22.03.2026	**1,369**
Alan Dale	997	997	320	2,314	271	271	179	22.04.2025–22.03.2026	**3,035**

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 £4.64 to £6.35).
3 Matching shares are ordinary shares of the Company awarded conditionally on a monthly basis during the period (at prices from £4.64 to £6.35).
4 The dates used are based on the earliest allocation of the matching shares.

Service contracts and exit policy

Executive Directors

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. The Chief Executive and Finance Director both have a rolling service contract requiring 12 months' notice of termination on either side. In line with market practice, Rob Harding, the incoming Chief Financial Officer, 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
Alan Dale	12 months	20 November 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.

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	Start of current three-year term	Unexpired term as at 31 March 2023	Date of appointment	Notice period
Gill Barr	2 June 2021	14 months	1 June 2015	One month
Giles Kerr	20 November 2021	19½ months	20 November 2015	One month
Guy Parsons	23 March 2023	35 months	23 March 2023	One month
Rosie Shapland	2 October 2020	6 months	2 October 2020	One month
Rakesh Sharma	12 May 2020	1½ months	12 May 2017	One month
Ben Wishart	14 November 2022	31½ 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.

Implementation of Remuneration Policy for year ending 31 March 2024

Base salary
Current base salary levels, and those from 1 July 2023 (the normal salary review date), are as follows:

	From 1 July 2023	From 1 July 2022	% increase
Nick Wiles[1]	**£498,623**	£484,100	3%
Rob Harding[2]	**£320,000**	–	–

1 Nick Wiles' salary will be increased by 3% in line with the minimum increase applied to the general workforce.
2 Rob Harding as been appointed Chief Financial Officer and is due to commence his position in summer 2023. His salary at commencement will be £320,000.

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 2023/24 financial year and performance against the targets will be disclosed in next year's Annual Report on Remuneration.

RSA
RSAs to be granted in 2023 will be:

- set at 75% of salary for the Chief Executive and 62.5% of salary for the Chief Financial Officer; and
- subject to shareholder approval of the remuneration policy, awards will 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 (see below).

No shares may be sold until at least five years from grant, other than those required to settle any taxes.

For RSAs granted to Executive Directors in 2023 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 delivery of the Company's ESG strategy) and the shareholder experience more generally (including the risk of windfall gains).

Chairman and Non-Executive Director fees
Chairman and Non-Executive Director fees are as follows:

	From 1 July 2023[1]	From 1 July 2022[1]	% Increase
Base fees			
Chairman	**£175,049**	£169,950	3%
Non-Executive Director	**£51,454**	£49,955	3%
Additional fees			
Chairman, Audit Committee	**£9,760**	£9,476	3%
Chairman, Remuneration Committee	**£9,760**	£9,476	3%
Senior Independent Director	**£6,471**	£6,283	3%

1 A 3% 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 27 July 2023.

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Rakesh Sharma
Chairman, Remuneration Committee
27 July 2023

Directors' Report

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 15 on pages 165 to 168) are engaged in providing innovative services and technology connecting millions of consumers with over 60,000 retailer partner and SME locations across multiple sectors. The Strategic Report on pages 1 to 78 provides a review of the business, the Group's trading for the period ended 31 March 2023, key performance indicators and an indication of future developments.

Directors' Report content

As required by the Companies Act 2006 and the Disclosure Guidance and Transparency Rule ('DTR') 4.1.8.R, the Directors' Report for PayPoint Plc comprises these pages 124 to 126 together with information in 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; Year in Review; 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 and employee engagement throughout the workforce	Responsible business, Corporate Governance Report S.172(1) Statement
Gender diversity	Responsible Business
Business relationships, stakeholders and their effect on decisions	Engagement with stakeholders and S.172(1) Statement
Use of financial instruments and credit	Financial Review and note 27

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

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.

As at 31 March 2023:

Name of holder	Number of ordinary shares	Percentage of issued capital
Asteriscos Patrimonial and its group	18,887,911	26.03%
Liontrust Asset Management	7,606,699	10.48%
Schroder Investment Management	5,264,667	7.26%
Columbia Threadneedle Investments	5,166,552	7.12%
Brown Capital Management	4,506,212	6.21%
Premier Miton Investors	3,007,427	4.14%
Credit Suisse Private Banking	2,724,535	3.75%

The following notification(s) have been received since 1 April 2023 up to 10 July 2023. Any subsequent notifications can be found on our website: corporate.paypoint.com/investor-centre/announcements.

Name of holder	Number of ordinary shares	Percentage of issued capital
Asteriscos Patrimonial and its group	19,597,482	27.01%
Liontrust Asset Management	6,073,861	8.37%
Schroder Investment Management	5,452,146	7.51%
Brown Capital Management	4,716,645	6.50%
Columbia Threadneedle Investments	4,412,166	6.08%
Credit Suisse Private Banking	3,591,035	4.95%
Premier Miton Investors	3,007,427	4.14%

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 2023 72,563,234 ordinary shares of 0.03 pence each have been issued and fully paid-up and are quoted on the London Stock Exchange. During the year ended 31 March 2023, 76,770 ordinary shares were issued under the Company's share schemes and 3,565,382 shares were issued following the acquisition of Appreciate Group on 28 February 2023. 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 regard 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. Unless expressly specified to the contrary in the Articles of Association of the Company, the Company's Articles of Association may be amended by a special resolution of the Company's shareholders.

As at 31 March 2023, 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 20 July 2022, 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 £137,854 and to disapply pre-emption rights in respect of allotments of relevant securities up to an aggregate nominal amount of £10,339 with a further £10,339 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 2023 annual general meeting, details of which are set out in the Notice of Annual General Meeting on pages 185 to 187.

Directors

The names of the Directors at the date of this report and their biographical details are on pages 82 to 83. Their interests in the ordinary shares of the Company are on page 121. Directors are appointed and replaced in accordance with the Company's Articles of Association, the Companies Act 2006 and the Code. 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 2023 are set out on pages 138 to 145. An analysis of risk is set out on pages 63 to 68, and of risk management on page 62.

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. These indemnities constitute qualifying indemnities for the purposes of the Companies Act 2006 and remain in force 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.

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.

The Company has a revolving term credit facility for £75 million and a £10.8 million term loan, which expires on 11 February 2024, and a £36.0 million term loan which expires on 11 February 2026. 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 (2022: nil). Details of the charitable donations policy can be found within the Responsible Business section of the annual report on page 54.

Related-party transactions

Related-party transactions that took place during the year can be found in note 32.

Dividends

Dividends are typically paid quarterly in July, September, December and March. In 2023 because of the acquisition of Appreciate Group and some extended audit requirements which have affected the date of the AGM for 2023 a third interim dividend of 9.3 pence per share is being paid on 1 September to shareholders on the register on 11 August 2023 followed by a final dividend of 9.3 pence (In total 18.6 pence).

We have declared a final dividend of 9.3 pence per share (2022: 18.0 pence per share) payable on 22 September 2023 to shareholders on the register on 11 August 2023. The final dividend is subject to the approval of the shareholders at the annual general meeting on 7 September 2023.

The third interim and final dividends will result in £13.5 million (2022: £12.4 million) being paid to shareholders from the standalone statement of financial position of the Company which, as at 31 March 2023, had approximately £44.2 million (2022: £67.9 million) of distributable reserves.

An earlier interim ordinary dividend of 18.4 pence (2022: 17.0 pence) was paid in equal instalments of 9.2 pence on 30 December 2022 and 6 March 2023.

The dividend policy including all the dividends declared during the year is set out in the Financial Review on page 78.

Going concern

As at 31 March 2023 the Group had £72.4 million of net debt. As at 31 March 2023, the Group had corporate cash and cash equivalents of £22 million. In addition, following the Group-wide refinancing the Group's borrowing facilities consist of a £10.8 million amortising term loan which is due to be fully repaid over the next financial year, an unsecured £75.0 million revolving credit facility with a £30.0 million accordion facility (uncommitted) expiring in February 2026 and a £36 million term loan. The Company's cash and borrowing capacity is adequate to meet the foreseeable needs of the Group, taking into account any risks (see pages 63 to 68). 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 69 and 70 of the Strategic Report and commentary on financial risk management is shown in note 31.

Directors' Report continued

Independent auditor
KPMG LLP will not be continuing as the Company's auditor and a resolution for the appointment of PricewaterhouseCoopers LLP as the Company's new auditor will be proposed at the forthcoming annual general meeting. The Notice of Annual General Meeting can be found on pages 185 to 192.

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 88-92 (which is incorporated into this Directors' Report by reference).

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 7 September 2023 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 pages 185 to 192.

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

Brian McLelland
Company Secretary
27 July 2023

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the 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 parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as Applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider 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 position and performance, business model and strategy.

Alan Dale
Finance Director
27 July 2023

Independent Auditor's Report to the Members of PayPoint Plc

1 Our opinion is unmodified

We have audited the financial statements of PayPoint Plc ("the Company") for the year ended 31 March 2023 which comprise the Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity, Company Statement of Cash Flows and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 15 August 2017. The period of total uninterrupted engagement is for the six financial years ended 31 March 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Identification and valuation of Appreciate Group ABS non-contractual customer relationship and Park and Love2Shop brand intangible assets (New risk) (ABS non-contractual customer relationship: £8.8 million; 2022: nil; Park brand: £4.2million; 2022: nil; Love2Shop brand: £7.6 million; 2022: nil) Refer to page 99 (Audit Committee Report), page 150 (accounting policy) and page 165 (financial disclosures).	**Subjective estimate:** PayPoint Plc acquired the entire share capital of the Appreciate Group on 28 February 2023 for consideration of approximately £79.2 million. There is an inherent complexity in identifying acquired intangibles. Additionally we considered the valuation of Appreciate Group customer relationship and brand intangibles as a risk because of the inherent complexity, estimation uncertainty, and judgements involvement in determining and applying assumptions to assess their fair value, and because of the size of the acquisition. Auditor judgement is required to assess whether the Group's estimate of the valuation of customer relationship and brand intangible asset, taking into account key inputs and assumptions, fall within an acceptable range. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the recorded intangible assets had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: • **Our valuation expertise:** Engaging our valuation specialists we assessed the appropriateness of the intangible assets identified, critically assessed the valuation methodology applied and key assumptions included within (discount rate, attrition rate and pre-tax royalty rate); • **Benchmarking assumptions:** Comparing the Group's assumptions to externally derived data in relation to key inputs such as discount rate, and pre-tax royalty rate; • **Historical comparison:** Assessing the accuracy of previous forecasts by comparing those forecasts to actual performance of the acquired entities; and • **Assessing transparency:** Assessing whether the Group's disclosures detailing the sensitivity of the valuation of acquired intangibles to discount rate, pre-tax royalty rate and attrition rate are adequate. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results:** We found the identification and valuation of Appreciate Group customer relationship and brand intangible assets to be acceptable.

	The risk	Our response
Revenue recognition (Risk vs 2022: unchanged) (part of the revenue within a total of £165.2 million; 2022: £145.1 million) Refer to page 97 (Audit Committee Report), page 147 (accounting policy) and page 154 (financial disclosures).	**Data capture and processing error:** The risk is that revenue transacted through the group's network of terminals is misstated due to inherent complexities involved in capturing and processing the high volume of low value transactions generated across the Company's off-site terminal network. IT systems may not be configured appropriately such that data does not correctly flow through the IT systems.	Our procedures included: • **Control design and operation:** Assessing the design and operation of controls over the general IT environment supporting the transaction recording, billing and general ledger systems. These procedures included testing access to programs and data, program change and development to address the risk of unauthorised changes being made to the operation of IT application controls; • **Control design and operation:** Testing key automated controls (with the support of our IT specialists) and manual controls, including controls that are designed to ensure reconciliations are performed between system reports used to generate invoices and off-site terminal network systems; • **Tests of details:** Using data analytical tools to test that revenue invoiced agrees through to cash received; and • **Tests of details:** On a statistical sample basis, recalculated revenue recorded by inspecting the rate per transaction in the customer contract, and the number of transactions within the system reports. **Our results:** The results of our procedures were satisfactory, and we considered the amount of revenue recognised to be acceptable (2022: acceptable).
Recoverability of group goodwill in relation to Handepay and of parent's investment in subsidiary in relation to Handepay (New risk) (Group: £45.6 million; 2022: £43.9 million; Parent: £39.8 million; 2022: £43 million) Refer to page 100 (Audit Committee Report), page 144 (accounting policy) and page 161 (financial disclosures).	**Forecast-based assessment:** Goodwill in the group and the carrying amount of the parent Company's investment in subsidiary are significant and at risk of irrecoverability due to Handepay's trading performance when compared to the original projections produced at a time of the Handepay's acquisition. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows, particularly in light of more challenging economic circumstances. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. For the cost of investment in subsidiary, as part of our risk assessment for audit planning purposes, we determined that the value in use had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. Following completion of our procedures, we concluded that reasonably possible changes to the value in use of cost of investment in subsidiary would not be expected to result in a material impairment.	Our procedures included: • **Our sector experience:** We challenged the Group's assumptions with reference to our knowledge of the Group, including from our inspection of board approved strategy plans; • **Benchmarking assumptions:** Comparing the Group's assumptions to externally derived data in relation to revenue growth rates; • **Sensitivity analysis:** Performing sensitivity analysis which considered reasonably possible changes in the key assumptions that had the greatest judgements and their impact on the valuation, including discount rates and revenue growth rates; • **Independent reperformance:** We developed our own estimate of a range of reasonably possible discount rates for the CGU, based on external market data and our understanding of the business, and compared this to the discount rate determined by the Group; • **Historical comparisons:** Assessing the director's ability to forecast by comparing previous forecasts to actual performance; and • **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the recoverable amount of goodwill. We performed the detailed tests above rather than seeking to rely on any of the Group or parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results:** We found the Group's conclusion that there is no impairment of goodwill or the parent Company's investment in subsidiary to be acceptable.

Independent Auditor's Report to the Members of PayPoint Plc continued

We continue to perform procedures over the Recoverability of group goodwill in relation to i-movo and of parent's investment in subsidiary in relation to i-movo. However, following improved performance of i-movo business, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £2.0m (2022: £2.0m), determined with reference to a benchmark of Group profit before tax from continuing operations normalised to exclude this year's exceptional items relating to acquisitions as disclosed in note 6 (2022: Group profit before tax from continuing operations normalised to exclude exceptional items relating to acquisitions as disclosed in note 6) of which it represents 4.3% (2022: 4.4%).

Materiality for the parent company financial statements as a whole was set at £1.0 million (2022: £1.0 million), determined with reference to a benchmark of Company total assets, of which it represents 0.41% (2022: 0.58%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £1.5 million (2022: £1.5 million) for the group and £0.75 million (2022: £0.75 million) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.1 million (2022: £0.1 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 13 (2022: 12) reporting components, we subjected seven (2022: six) to full scope audits for group purposes.

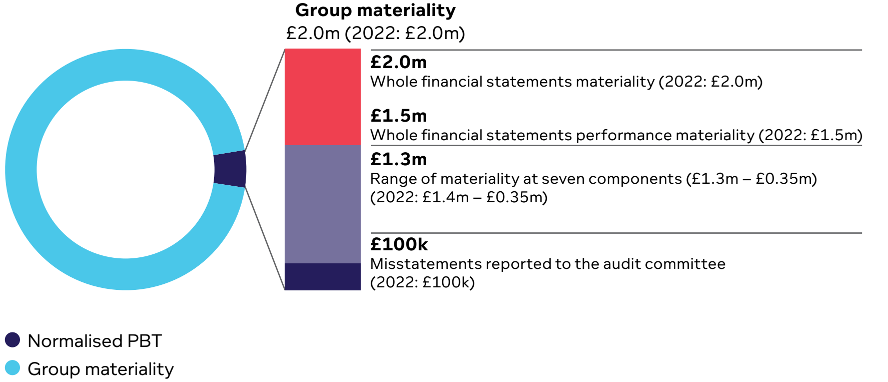
The group team performed procedures on the items excluded from normalised group profit before tax.

The components within the scope of our work accounted for the percentages illustrated opposite.

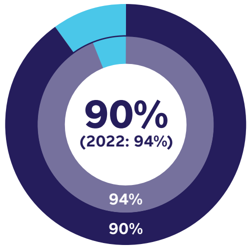
For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.35 million to £1.30 million (2022: £0.35 million to £1.40 million), having regard to the mix of size and risk profile of the Group across the components. The work on one of the seven components (2022: zero of the six) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team.

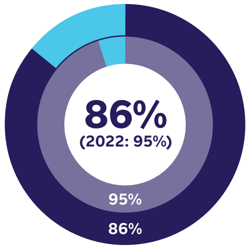
Normalised group profit before tax £46.6m (2022: Normalised group profit before tax before tax from continuous operations £45.6m)



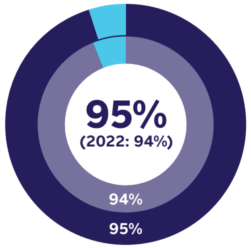
Group revenue



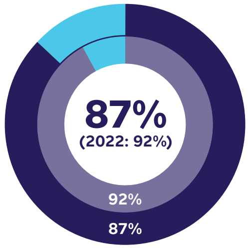
Group profit before tax



Group total assets



Group normalised profit before tax



- Full scope for group audit purposes 2023
- Full scope for group audit purposes 2022
- Residual components

Video and telephone conference meetings were held with the component auditor of Appreciate, and the Group team visited the component team to discuss the audit risk and strategy and to assess the audit work performed. During these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor. The Group team also inspected the component team's key work papers to evaluate the quality of execution of the audit of the component with a particular focus on payables in respect of cards and vouchers.

We were able to rely upon the Group's internal control over financial reporting on Revenue recognition, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive.

4 Impact of climate change on our audit

In planning our audit we have considered the potential impacts of climate change on the Group's business and its financial statements. The Group's main exposure to climate risk is the shifting expectations from business stakeholders to transition to low-carbon supply chains and greater emphasis on climate related disclosures in the annual report.

As part of our audit we made enquiries of management to understand the Group's assessment and preparedness for climate change. We have performed a risk assessment on how the impact of climate change may affect the financial statements and our audit and, taking into account the nature of the business and the limited impact of climate change on the assumptions in impairment testing, we have not assessed climate related risk to be significant to our audit this year.

We have also read the Group's and Parent Company's disclosure of climate related information in the front half of the annual report as set out on pages 42 to 49 and considered consistency with the financial statements and our audit knowledge.

5 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and Company's available financial resources and metrics relevant to debt covenants over this period was lower than expected trading volumes.

We also considered less predictable but realistic second order impacts, such as a significant cyber incidence, or the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group and Company's financial forecasts.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 125 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

6 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group and Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group and Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes, and by attending Audit Committee meetings.
- Considering remuneration incentive schemes and performance targets for management, and directors including the profit before tax and net revenue targets for management and directors remuneration.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Our forensic specialists assisted us in identifying key fraud risks. This included holding a discussion with the engagement partner, engagement manager and engagement quality control reviewer, and assisting with designing relevant audit procedures to respond to the identified fraud risks.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope component audit team of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

Independent Auditor's Report to the Members of PayPoint Plc continued

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because application of the revenue policy involves a low degree of estimation and judgement.

We did not identify any additional fraud risks.

We performed procedures including:
- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual or unrelated revenue and cost accounts, and journal entries with an unexpected double entry to cash, loans or borrowings.
- Evaluating the business purpose of significant unusual transactions.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to full scope component audit teams of relevant laws and regulations identified at the Group level and a request for full scope component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement in the Group financial statements.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: payment services legislation, data protection laws, anti-bribery, regulatory capital and liquidity, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities to provide payments services and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report
Based solely on our work on the other information:
- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability
We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:
- the directors' confirmation within the Corporate Governance Report on page 90 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;

- the Principal risks and uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether 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 their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 69 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

9 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 127, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include the financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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James Tracey (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

27 July 2023

Consolidated statement of profit or loss

	Note	Year ended 31 March 2023 £'000	Re-presented[1] Year ended 31 March 2022 £'000
Continuing operations			
Revenue	2,3	**165,220**	145,144
Other revenue	2,3	**2,503**	-
Total revenue		**167,723**	145,144
Cost of revenue	5	**(64,257)**	(48,725)
Gross profit		**103,466**	96,419
Administrative expenses – excluding adjusting items		**(50,083)**	(46,357)
Operating profit before adjusting items		**53,383**	50,062
Adjusting items:			
Exceptional items – administrative expenses	6	**(5,317)**	2,880
Amortisation of intangible assets arising on acquisition – administrative expenses		**(2,574)**	(2,394)
Operating profit		**45,492**	50,548
Finance income	9	**87**	13
Finance costs	9	**(2,718)**	(2,046)
Exceptional item – finance costs	6	**(287)**	–
Profit before tax from continuing operations		**42,574**	48,515
Tax on continuing operations	10	**(7,864)**	(8,986)
Profit from continuing operations		**34,710**	39,529
Discontinued operation			
Profit from discontinued operation, net of tax	11	**–**	148
Exceptional item – gain on disposal of discontinued operation, net of tax	11	**–**	29,863
Profit for the year attributable to equity holders of the parent		**34,710**	69,540

1 Amortisation of intangible assets arising on acquisition were not identified as adjusting items in the prior year financial statements (see note 1).

Earnings per share (pence)	Year ended 31 March 2023	Year ended 31 March 2022
Basic	**50.1**	101.3
Diluted	**49.6**	100.2

Earnings per share – continuing operations (pence)	Year ended 31 March 2023	Year ended 31 March 2022
Basic	**50.1**	57.6
Diluted	**49.6**	57.0

Underlying earnings per share – continuing operations before adjusting items (pence)	Year ended 31 March 2023	Year ended 31 March 2022
Basic	**61.0**	56.0
Diluted	**60.3**	55.4

Consolidated statement of comprehensive income

	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Items that will not be reclassified to the consolidated statement of profit or loss:			
Remeasurement of defined benefit pension scheme	18	**353**	–
Deferred tax on defined benefit pension scheme	10	**(86)**	–
Items that may subsequently be reclassified to the consolidated statement of profit or loss:			
Exchange differences on disposal of discontinued operation reclassified to profit or loss	11	**–**	1,645
Other comprehensive income for the year		**267**	1,645
Profit for the year		**34,710**	69,540
Total comprehensive income for the year attributable to equity holders of the parent		**34,977**	71,185

Consolidated statement of financial position

	Note	31 March 2023 £'000	31 March 2022 £'000
Non-current assets			
Goodwill	13	**117,427**	57,668
Other intangible assets	14	**75,293**	35,990
Investment in associate	15	**–**	6,739
Convertible loan notes	15	**3,750**	750
Other investment	15	**251**	–
Property, plant and equipment	17	**29,257**	21,782
Net investment in finance lease receivables	26	**1,711**	4,407
Retirement benefit asset	18	**411**	–
Total non-current assets		**228,100**	127,336
Current assets			
Inventories	19	**3,152**	332
Trade and other receivables	20	**82,055**	75,975
Current tax asset		**6,231**	4,191
Cash and cash equivalents – clients' funds, retailer partners' deposits and card and voucher deposits	21	**55,905**	16,646
Cash and cash equivalents – corporate cash	21	**22,546**	7,653
Monies held in trust	21	**82,000**	–
Total current assets		**251,889**	104,797
Total assets		**479,989**	232,133
Current liabilities			
Trade and other payables	22	**255,526**	92,375
Deferred consideration liability	24	**–**	1,000
Lease liabilities	26	**862**	200
Loans and borrowings	27	**58,245**	39,643
Bank overdraft	21	**525**	–
Total current liabilities		**315,158**	133,218
Non-current liabilities			
Trade and other payables	22	**115**	–
Lease liabilities	26	**4,617**	60
Loans and borrowings	27	**36,170**	11,891
Deferred tax liability	25	**12,215**	3,706
Total non-current liabilities		**53,117**	15,657
Total liabilities		**368,275**	148,875
Net assets		**111,714**	83,258
Equity			
Share capital	28	**242**	230
Share premium	28	**1,000**	1,000
Merger reserve	28	**18,243**	999
Share-based payment reserve		**2,286**	1,570
Retained earnings		**89,943**	79,459
Total equity attributable to equity holders of the parent		**111,714**	83,258

These financial statements were approved by the Board of Directors and authorised for issue on 27 July 2023 and were signed on behalf of the Board of Directors.

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Nick Wiles
Chief Executive
27 July 2023

Consolidated statement of changes in equity

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Opening equity at 1 April 2021		229	4,975	999	2,005	(1,645)	26,737	33,300
Profit for the year		–	–	–	–	–	69,540	69,540
Exchange differences on translation of foreign operation		–	–	–	–	1,645	–	1,645
Comprehensive income for the year		–	–	–	–	1,645	69,540	71,185
Issue of shares	28	1	1,000	–	–	–	–	1,001
Equity-settled share-based payment expense	29	–	–	–	868	–	–	868
Vesting of share scheme	29	–	–	–	(1,303)	–	1,303	–
Reclassification of share premium into retained earnings		–	(4,975)	–	–	–	4,975	–
Dividends	30	–	–	–	–	–	(23,096)	(23,096)
Closing equity at 31 March 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	28	**12**	**–**	**17,244**	**–**	**–**	**–**	**17,256**
Equity-settled share-based payment expense	29	**–**	**–**	**–**	**1,330**	**–**	**–**	**1,330**
Vesting of share scheme	29	**–**	**–**	**–**	**(614)**	**–**	**614**	**–**
Dividends	30	**–**	**–**	**–**	**–**	**–**	**(25,107)**	**(25,107)**
Closing equity at 31 March 2023		**242**	**1,000**	**18,243**	**2,286**	**–**	**89,943**	**111,714**

Consolidated statement of cash flows

	Note	Year ended 31 March 2023 £'000	Re-presented[1] Year ended 31 March 2022 £'000
Cash flows from operating activities			
Net cash generated from operations	33	**102,182**	33,626
Corporation tax paid		**(6,204)**	(9,161)
Interest received		**609**	13
Interest paid		**(2,973)**	(1,913)
Net cash inflow from operating activities		**93,614**	22,565
Investing activities			
Purchases of property, plant and equipment		**(7,802)**	(5,185)
Purchases of intangible assets		**(4,900)**	(5,627)
Acquisitions of subsidiaries net of cash acquired	16	**(45,580)**	(4,543)
Contingent consideration cash paid	24	**(1,000)**	(2,000)
Disposal/(acquisition) of investment in associate	15	**5,487**	(6,739)
Purchase of convertible loan note	15	**(3,000)**	(750)
Purchase of other investment	15	**(251)**	–
Proceeds from disposal of discontinued operation net of cash disposed	11	**–**	20,159
Net cash used in investing activities		**(57,046)**	(4,685)
Financing activities			
Dividends paid	30	**(25,107)**	(23,096)
Proceeds from issue of share capital		**1**	1
Payment of lease liabilities	26	**(261)**	(243)
Repayments of loans and borrowings	27	**(22,074)**	(61,469)
Proceeds from loans and borrowings	27	**64,500**	26,420
Net cash generated/(used) in financing activities		**17,059**	(58,387)
Net increase/(decrease) in cash and cash equivalents		**53,627**	(40,507)
Cash and cash equivalents at beginning of year		**24,299**	64,806
Cash and cash equivalents at end of year		**77,926**	24,299

1 Interest received was presented within "Investing activities" in the prior year financial statements.

Reconciliation of cash and cash equivalents

	Note	31 March 2023 £'000	31 March 2022 £'000
Continuing operations			
Corporate cash		**22,546**	7,653
Clients' funds, retailer partners' deposits and card and voucher deposits		**55,905**	16,646
Bank overdraft		**(525)**	–
Cash and cash equivalents	21	**77,926**	24,299

Company statement of financial position

	Note	31 March 2023 £'000	31 March 2022 £'000
Non-current assets			
Investments in wholly owned subsidiaries	15	**221,837**	139,105
Investment in associate	15	**–**	6,739
Convertible loan notes	15	**3,750**	750
Other investment	15	**251**	–
Trade and other receivables	20	**11,477**	26,155
Total non-current assets		**237,315**	172,749
Current assets			
Trade and other receivables	20	**2,530**	3,108
Current tax asset		**1,984**	–
Cash and cash equivalents – corporate cash		**1,186**	301
Total current assets		**5,700**	3,409
Total assets		**243,015**	176,158
Current liabilities			
Trade and other payables	22	**83,298**	54,765
Deferred consideration liability	24	**–**	1,000
Loans and borrowings	27	**57,788**	37,833
Total current liabilities		**141,086**	93,598
Non-current liabilities			
Loans and borrowings	27	**36,000**	10,833
Total liabilities		**177,086**	104,431
Net assets		**65,929**	71,727
Equity			
Share capital	28	**242**	230
Share premium	28	**1,000**	1,000
Merger reserve	28	**18,243**	999
Share-based payment reserve		**2,286**	1,570
Retained earnings		**44,158**	67,928
Total equity attributable to equity holders of the parent		**65,929**	71,727

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 £0.7 million (2022: £25.1 million).

These financial statements were approved by the Board of Directors and authorised for issue on 27 July 2023 and were signed on behalf of the Board of Directors.

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Nick Wiles
Chief Executive
27 July 2023

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 2021		229	4,975	999	2,005	59,686	67,894
Profit for the year		–	–	–	–	25,060	25,060
Issue of shares	28	1	1,000	–	–	–	1,001
Equity-settled share-based payment expense	29	–	–	–	868	–	868
Vesting of share scheme	29	–	–	–	(1,303)	1,303	–
Reclassification of share premium into retained earnings		–	(4,975)	–	–	4,975	–
Dividends	30	–	–	–	–	(23,096)	(23,096)
Closing equity at 31 March 2022		**230**	**1,000**	**999**	**1,570**	**67,928**	**71,727**
Profit for the year		**–**	**–**	**–**	**–**	**723**	**723**
Issue of shares	28	**12**	**–**	**17,244**	**–**	**–**	**17,256**
Equity-settled share-based payment expense	29	**–**	**–**	**–**	**1,330**	**–**	**1,330**
Vesting of share scheme	29	**–**	**–**	**–**	**(614)**	**614**	**–**
Dividends	30	**–**	**–**	**–**	**–**	**(25,107)**	**(25,107)**
Closing equity at 31 March 2023		**242**	**1,000**	**18,243**	**2,286**	**44,158**	**65,929**

Company statement of cash flows

	Note	Year ended 31 March 2023 £'000	Re-presented Year ended 31 March 2022 £'000
Cash flows from operating activities			
Net cash generated from operations	33	**46,658**	30,230
Interest received		**2**	–
Interest paid		**(2,810)**	(1,655)
Net cash flow from operating activities		**43,850**	28,575
Investing activities			
Increased capitalisation of existing investments	15	**–**	(5,000)
Acquisition transaction costs		**(1,837)**	–
Acquisitions of subsidiaries	16	**(61,925)**	(5,944)
Contingent consideration cash paid	24	**(1,000)**	(2,000)
Proceeds from/(Purchase of) investment in associate	15	**5,487**	(6,739)
Purchase of convertible loan note	15	**(3,000)**	(750)
Purchase of other investment	15	**(251)**	–
Proceeds from disposal of discontinued operation	11	**–**	48,063
Net cash (used in)/generated from investing activities		**(62,526)**	27,630
Financing activities			
Dividends paid	30	**(25,107)**	(23,096)
Proceeds from issue of share capital		**1**	1
Repayments of loans and borrowings	27	**(19,833)**	(57,833)
Proceeds from loans and borrowings	27	**64,500**	24,500
Net cash generated from/(used in) financing activities		**19,561**	(56,428)
Net increase/(decrease) in cash and cash equivalents		**885**	(223)
Cash and cash equivalents at beginning of year		**301**	524
Cash and cash equivalents at end of year		**1,186**	301

Notes to the consolidated financial statements

1. Accounting policies

Statement of compliance with IFRS and 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").

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 2023 have been applied consistently to all periods set out in these group financial statements, with the exception of the following policies which are set out below and were applicable for the first time in the year ended 31 March 2023 following the acquisition of Appreciate Group PLC: i) Pension costs – defined benefit schemes, ii) Revenue recognised by Love2shop in respect of vouchers and cards.

Pension costs – defined benefit schemes

Defined benefit pension schemes create an obligation on the entity to provide agreed benefits to current and past employees. The Group's defined benefit pension schemes are accounted for in accordance with IAS19 Employee Benefits, under the principle that the cost of providing employee benefits should be recognised in the period in which the benefit is earned.

The present value of the defined benefit obligation is measured by applying an actuarial valuation method, using a set of actuarial assumptions. The fair value of the scheme assets is deducted from the present value of the defined benefit obligation to determine the net deficit or surplus to be recognised on the statement of financial position.

Service cost attributable to current and past periods is recognised in the Statement of profit or loss, as is net interest on the net defined benefit asset or liability. Actuarial gains and losses, and returns on scheme assets, are recognised through Other comprehensive income.

Revenue recognised by Love2shop in respect of vouchers and cards

The Group offers single-retailer and multi-retailer redemption products. The Group is a principal for single-retailer products, on which revenue is recognised on a gross basis. For multi-retailer products, the Group acts in the capacity of an agent, recording as revenue the net amount that it retains for its agency services.

Multi-retailer products may be partially or fully redeemed and the unused amount (i.e. the non-refundable unredeemed or unspent funds on a voucher, card or e-code at expiry) is referred to as 'non-redemption income'. Non-redemption income is recognised as other revenue when the card has expired and the right of refund has lapsed.

Prior year re-presentation of administrative expenses for amortisation arising on acquisition of intangible assets

For the current year the Group has updated its presentation of the expense for amortisation of intangible assets arising on acquisition. In order for the user to understand the operational performance of continuing business, the Group is changing from presenting "Operating Profit before exceptional items" to "Operating Profit before adjusting items". Adjusting items represents exceptional items and amortisation of intangible assets arising on acquisition and so this latter expense is shown separately on the face of the Consolidated statement of profit or loss as an adjusting item. The prior year results have been re-presented on this basis.

Prior year re-presentation of interest received

For the current year the Group has updated its presentation of interest received. In the prior year Consolidated statement of cash flows it was presented as "Investment income" within "Investing activities". In the current year it is presented as "Interest received" within "Net cash inflows from operating activities". The impact of the re-presentation is to increase both "Net cash inflows from operating activities" and "Net cash used in investing activities" by £13,000. Similarly, interest received relating to interest earned on deposits is included in "other revenue"; the value was £nil in the prior year. The Group has made this change as this better reflects the operating nature of interest earned on cash deposits, following the acquisition of Appreciate Group during the year.

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 2023. At the date of authorisation of these financial statements, new and 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).
- IFRS17 *Insurance Contracts* (effective date 1 January 2023).
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – definition of accounting estimates.
- Amendments to IAS 12 *Income Taxes* – Deferred tax related to assets and liabilities arising from a single transaction.
- Amendments to IAS 12 *Income Taxes* – International tax reform, pillar two model rules.
- Amendments to IAS 1 *Presentation of Financial Statements* – Classification of liabilities as current or non-current.
- Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments* – Disclosures: supplier finance arrangements (issued on 25 May 2023).

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 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 2023, the Group had cash and cash equivalents of £78.4 million, consisting of £22.5 million corporate cash and £55.9 million of clients' funds, retailer partners' deposits and card and voucher deposits. In addition, the Group carried out a refinancing in the year to support the acquisition of Appreciate Group PLC. The Group's borrowing facilities consist of:

- £10.8 million amortising term loan which is due to be repaid in quarterly instalments over the next financial year, completing in February 2024.
- £36.0 million amortising term loan repayable from May 2024 to February 2026 in equal, quarterly instalments until the final, double payment.
- £75.0 million unsecured revolving credit facility with an additional £30.0 million accordion facility (uncommitted) expiring in February 2026.
- £0.6 million block loan balances. The block loans are to be repaid by September 2024.

At 31 March 2023, £46.5 million (2022: £27.0 million) was drawn down from the revolving credit facility.

The Group has net assets of £111.7 million as at 31 March 2023, having made a profit of £34.7 million and delivered a net cash inflow from operating activities of £93.6 million for the year then ended. The Group had net current liabilities of £63.3 million (2022: £28.4 million).

The Directors have prepared cash flow forecast scenarios 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 impact of current economic conditions, 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. The Directors have also considered the matters described in note 34 and concluded that it is not appropriate to extend the going concern assessment beyond 12 months on the basis that the timing of conclusion of the legal proceedings is so uncertain.

As detailed in the Financial Review, the Group has many product lines which deliver a profitable result and strong cash generation. The 'base case' scenario considered the trends identified and explained in the Review and included improved operating profit and related cash flows.

The key assumptions were:

- In Shopping, the level of service fee continues to grow through sales and RPI increases, card revenues continue to grow on increased number of merchants through sales growth and increased retention and the cash withdrawal proposition continues to decline in line with use of cash.
- In e-commerce, transactions and net revenue increase although not by as much as the rate in the current year.
- In Payments and Banking, revenues from digital increase, especially through Open Banking, whilst cash declines in line with use of cash.
- In Love2shop, with a full year contribution, billings to increase with the new initiatives outlined in the strategic report. As previously announced, Love2shop is expected to be earnings enhancing in the 23/24 financial year.
- Costs increase reflecting the current economic pressures and growth in revenue.
- Finance revenue and finance costs both increase reflecting current rates in the market.

Additionally, the Directors have carried out an assessment of the principal risks and uncertainties and applied several severe but plausible scenarios to test the Group viability further, as detailed on pages 69 to 70 in the Group's Viability Statement. These included a reduction in the volume of transactions, loss of key contracts and under-performance of acquisitions and new products or service lines. 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 18.6 pence per share declared in respect of financial year ended 31 March 2023. The cash flow forecasts included stress test for the above scenarios to ensure working capital movements within a reporting period do not trigger a covenant breach.

In both the 'base case' and severe but plausible scenarios, the forecasts indicated that there was sufficient headroom and liquidity for the Group to continue with the existing facilities outlined above. None of the significant judgements and estimates detailed on pages 143 to 145 made by the Directors casts any doubt on the assessment to continue as a going concern.

Based on these assessments, the Directors confirm 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 monies held in trust

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 card and voucher deposits on behalf of agents, cardholders and redeemers, some of which is held in trust.

A critical judgement in this area is whether clients' funds, retailer partners' deposits and monies held in trust are recognised in the 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.

The Group evaluated the April 2022 IFRIC agenda decision on demand deposits with restrictions on use arising from a contract with a third party and concluded that it did not have any impact on the Group's existing accounting policy for cash and cash equivalents.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Use of judgements and estimates continued

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.

Where funds are held in trusts set up for the purpose of ring-fencing monies belonging to agents, cardholders and redeemers, they are recognised as monies held in trust on the statement of financial position, as the Group has access to the interest on such monies, listed in note 21, and can, having met certain conditions, withdraw the funds. However, given the restrictions over these monies, listed in note 21, the amounts held in trust and ring-fenced are not included in cash and cash equivalents, except where they are deposits repayable on demand.

In all other situations the cash and corresponding liability are recognised on the statement of financial position. Corporate cash and clients' funds, retailer partners' deposits and card and voucher deposits are presented as separate line items within cash and cash equivalents on the statement of financial position.

The amounts recognised on the statement of financial position as at 31 March 2023 are as follows:

- Cash and cash equivalents – clients' funds £12.0 million (2022: £9.8 million).
- Cash and cash equivalents – card and voucher deposits £37.7 million (2022: £nil).
- Cash and cash equivalents – retailers' deposits £6.2 million (2022: £6.8 million).
- Cash and cash equivalents – corporate cash £22.5 million (2022: £7.7 million).
- Monies held in trust £82.0 million (2022: £nil).

Clients' funds and card and voucher deposits held in trust off the Statement of financial position as at 31 March 2023 are £124.3 million (2022: £55.9 million).

Critical estimate: Valuation of the goodwill relating to the Handepay cash generating unit

Handepay's principal activity is that of an independent sales organisation in the merchant acquiring industry. It is a growth business that has strong cash generation and limited capital expenditure requirements. The market in which it operates is highly competitive and facing several regulatory changes. Handepay has a relatively small market share, however it continues to develop its proposition, sales force and operations with an ambition to accelerate the growth of its market share. Handepay is a CGU for the purposes of impairment testing.

The recoverable amount (based on value in use) of the Handepay CGU is £57.6m, which is £12.0m higher than the carrying value. Therefore, the CGU and its assets continue to be measured at their carrying value.

The assumptions underpinning the recoverable amounts that are most sensitive to a reasonable change include:

1. The average revenue growth assumption of 14.5% p.a.
2. Pre-tax discount rate of 15.7% p.a.

1. Revenue growth is primarily determined by the increased salesforce and sales efficiency, ultimately driving the number of new merchants acquired. Over the five-year forecast period, headcount is planned to grow by 31% with sales efficiency being based on historic rates. Merchant churn is forecast to reduce by 14 percentage points from recent historical rates. This is driven by enhancing the businesses retention teams, utilising algorithms, and the continuous improvement in the product offering. The forecasts included existing revenue per merchant rates uplifted for approved repricing activities. 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.

2. The pre-tax risk-adjusted discount rate of 15.7% has been used to discount the forecast cash flows calculated by reference to Handepay's weighted average cost of capital ('WACC'). The Group engaged an external advisor to produce a WACC. The cost of equity is based on the risk-free rate for long-term UK Government bonds adjusted for the beta (reflecting the systemic risk of Handepay relative to the market as a whole) and the equity market risk premium (reflecting the required return over and above a risk-free rate by an investor who is investing in the market as a whole). An alpha factor has also been included in the discount rate to capture the risks in the cash flows not already captured in the cost of equity and the cash flows. The recoverable amount would equal the carrying value if the discount rate increased to 18.7%.

Reasonably possible changes in the above key assumptions can affect the recoverable amount (using the value in use method) as follows:

Change of assumption:	Value of impairment of Handepay CGU
Increase in pre-tax discount rate of 3.0%	£0.2m
Decrease in average revenue growth rate of 2.2% in each of years 1-5	£5.3m

The 2.2% reduction in average revenue growth rate in each of years 1-5 is a reasonably possible decrease considering the competitive nature of the merchant acquiring sector, the current market share and the current proposition.

A 3.0% increase in the pre-tax discount rate is considered to be a reasonably possible outcome considering the alpha factor which captures the risks in the cash flows not already captured in the cost of equity and the cash flows.

Critical estimate: Valuation of acquired intangible assets on acquisition of Appreciate Group PLC

The fair value of acquired intangible assets (brands, customer relationships and developed technology) recognised on the acquisition of Appreciate amounted to £40.4 million, with a related deferred tax liability of £10.1 million. There is complexity in identifying a complete list of intangible assets. Management engaged with subject-matter experts to assist with this process. Together with other assets acquired and liabilities assumed, this resulted in goodwill of £59.8 million. The aggregate of the acquired intangible assets and the goodwill exceeds the consideration paid due to net other liabilities having been acquired on acquisition (see note 16). The estimate of fair value measurements of certain acquired intangible assets is considered by management a critical estimate due to a significant risk of material adjustment in the measurement period. The fair values are derived from assumptions, changes to which would have a material impact on the fair values. Management estimate that the following acquired intangible assets fall into this category:

- Non-contractual customer relationship: Appreciate Business Services (ABS).
- Brand: Park.
- Brand: Love2shop.

The table below summarises, for each of the above intangible assets, the fair values recognised, the key assumptions used in deriving those fair values and the range of fair values obtained by changing one or more of the assumptions:

	Non-contractual customer relationship: ABS	Brand: Park	Brand: Love2shop
Fair value	£8.8m	£4.2m	£7.6m
Discount rate assumption	12.5%	14.0%	14.0%
Attrition rate	22.6%	–	–
Pre-tax royalty rate	–	4.5%	4.5%
Impact of 2%-point change to discount rate	+/- £0.5m	+£0.5m /- £0.4m	+£0.8m /- £0.7m
Impact of 2%-point change to attrition rate	+/- £0.2m	–	–
Impact of 0.5%-point change to pre-tax royalty rate	–	+/- £0.6m	+£0.9m /- £0.8m
Value with both assumptions at favourable end of range	£9.1m	£5.2m	£9.3m
Value with both assumptions at adverse end of range	£8.5m	£3.3m	£6.2m

Given that the acquired intangible assets were not purchased in separate transactions, but rather as part of the wider Appreciate business combination, the 'market participant' perspective is hypothetical. Therefore, in measuring the acquired intangible assets at fair value, management considered the types of potential market participants (e.g. competitors and comparable companies) to apply assumptions that were consistent with the assumptions that market participants would use when pricing the intangible assets. Given that the acquired intangible assets are not traded on an active market, have no recent market transactions and are unique to Appreciate, management valued them using the following approaches:

Brands – using a relief from royalty method. In setting the pre-tax royalty rate, management considered the perceived strengths of the brands, based on factors including the level of brand awareness, their longevity and profitability. The pre-tax royalty rate of 4.5% applied reflects market observable royalty rates for other brands and trademarks in similar sectors.

Non-contractual customer relationships – using a multi-period excess earnings (MEEM) method, which reflects market participant fair value by including forecast lifetime earnings which were specifically attributable only to the non-contractual customer relationships existing at the acquisition date. The discount rate applied to the MEEM incorporates general market rates of return at the acquisition date as well as industry risks and the risks of the asset to typical market participant, based on an analysis of comparable companies.

The residual £59.8 million goodwill represents the future economic benefits arising from the acquisition that were not individually identified and separately recognised at the acquisition date. The buyer-specific synergies subsumed into goodwill did not exist at the market-participant level at the acquisition date because i) they result from combining PayPoint and Appreciate, enabling PayPoint to cross-sell to the Appreciate customer base and ii) the new customer relationships and sectors are anticipated to arise post-acquisition but were not identifiable at the acquisition date. The workforce and operating expertise are not separately identifiable intangible assets and are also included in goodwill.

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 with the exception of the addition of the Billings measure, following the acquisition of Appreciate. The Group has also added EBITDA and pulled out amortisation of intangible assets arising on acquisition as well as exceptional items. 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, or superior to, 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.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Alternative performance measures continued

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 which creates 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 and amortisation of intangible assets arising on acquisition. 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 2023 £'000	Re-presented[1] Year ended 31 March 2022 £'000
Exceptional items – acquisition costs expensed	4,065	-
Exceptional items – impairment loss on reclassification of investment in associate to asset held for sale	1,252	-
Exceptional items – finance costs	287	-
Exceptional items – revaluation of deferred, contingent consideration liability	-	(2,880)
Amortisation of intangible assets arising on acquisition	2,574	2,394
Total adjusting items	8,178	(486)

1 Amortisation of intangible assets arising on acquisition is reported separately on the face of the Consolidated statement of profit or loss as an adjusting item. The prior year results has been re-presented on this basis. (see note 1).

Effective tax rate (non-IFRS measure)

Effective tax rate (note 10) is the tax cost as a percentage of the net profit before tax.

Reported dividends (non-IFRS measure)

Reported dividends are based on a financial year's results from which the dividend is declared and consist of the interim dividend paid and final dividend declared (note 30). This is different to statutory dividends where the final dividend on ordinary shares is recognised in the following year when it is approved by the Company's shareholders.

Cash generation (non-IFRS measure)

Cash generation reflects profit before tax, depreciation, amortisation and non-cash exceptional items adjusted for working capital (excluding movement in clients' funds, retailer partners' deposits and card and voucher deposits) as detailed in the financial review. This measures the cash generated which can be used for tax payments, new investments and financing activities.

Total costs (non-IFRS measure)

Total costs comprise other costs of revenue (note 4), 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 from continuing operations before interest, tax, depreciation and amortisation. See page 73 for a reconciliation from profit before tax to EBITDA.

Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA) (non-IFRS measure)

The Group also now presents underlying EBITDA, which comprises EBITDA, as defined above, excluding exceptional items. See page 73 for a reconciliation from profit before tax to underlying EBITDA.

Underlying earnings per share from continuing operations (non-IFRS measure)

Underlying earnings per share is calculated by dividing the net profit from continuing operations before exceptional items and amortisation of intangible assets arising on acquisition 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 2023 £'000	Year ended 31 March 2022 £'000
Profit before tax from continuing operations	**42,574**	48,515
Total adjusting items	**8,178**	(486)
Underlying profit before tax	**50,752**	48,029

Underlying profit after tax (non-IFRS measure)

The calculation of underlying profit after tax is as follows:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Profit after tax from continuing operations	**34,710**	39,529
Total adjusting items	**8,178**	(486)
Tax on adjusting items	**(644)**	(599)
Underlying profit after tax	**42,244**	38,444

Net corporate debt (non-IFRS measure)

Net corporate debt represents cash and cash equivalents excluding cash recognised as clients' funds and retailer partners' deposits, less bank overdraft and amounts borrowed under financing facilities (excluding IFRS 16 liabilities). The reconciliation of cash and cash equivalents to net corporate debt is as follows:

	31 March 2023 £'000	31 March 2022 £'000
Cash and cash equivalents – corporate cash from continuing operations	**22,546**	7,653
Less:		
Bank overdraft	**(525)**	–
Loans and borrowings (note 27)	**(94,415)**	(51,534)
Net corporate debt	**(72,394)**	(43,881)

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 intergroup transactions, balances, income and expenses are eliminated on consolidation. All the subsidiaries in the Group, a list of which are presented in note 15 of the financial statements, apply accounting policies which are consistent with those of the Group.

In the current 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-retailer cardholders.

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 (c) 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.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Significant accounting policies continued

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 monies held in trust 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.

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 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 accrual for 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
Share-based payment arrangements are equity settled. 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). For equity-settled share-based payment arrangements with market-based vesting conditions, fair value is measured by use of a Monte Carlo simulation. The fair value of other 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.

Finance income
Finance income comprises IFRS9 income reported as "Other revenue" in the income statement (namely bank deposit interest received on monies held at financial institutions and non-redemption income) and interest income on defined benefit pension scheme assets, reported as "Finance income" in the income statement. 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:
- £4.07 million one-off costs related to the acquisition of Appreciate Group PLC on 28 February 2023.
- £1.25 million one-off impairment loss on the reclassification of the Group's interest in Snappy Shopper Ltd from an investment in associate to an asset held for sale. The Group subsequently disposed of its interest in the current year.
- £0.29 million one-off refinancing costs related to the acquisition of Appreciate Group PLC.

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 balance sheet 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.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Significant accounting policies continued

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 derivative financial instruments, which consist of foreign exchange contracts, as held for trading and measures the financial instruments at fair value through profit or loss. The Group's derivative financial instruments are valued using forward exchange rates at the balance sheet date.

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 company. 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, less any discount, 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. Discount costs are released to the income statement in line with the reduction in underlying liability. 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 and associated discount are 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 – eleven to fifteen years
- Customer relationships – two to thirteen years
- Developed technology – one to seven 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.

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 and associates in the Company accounts are stated at cost less accumulated impairments.

Investments in associates in the Group accounts are initially recognised at cost and subsequently adjusted, where material, for the Group's share of the profit or loss after tax, distributions received and accumulated impairments using the equity method. See note 15.

Investments in convertible debt instruments (embedded derivatives) 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 – forty to fifty years
- Leasehold improvements – over the lease term or the useful economic life of three to fifteen years, whichever is lower
- PayPoint One terminals – seven years
- Card terminals – three to seven years
- Other terminals – five years
- ATMs – five years
- Other classes of assets – three to five 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 amortising 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.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Significant accounting policies continued

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, short-term deposits with original maturity of less than three months and bank overdrafts. Cash and cash equivalents are subject to insignificant risk of changes in value. Cash comprises corporate cash, clients' funds and retailer partners' deposits.

Corporate cash consists of cash available to the Group for its daily operations. Clients' funds consist of cash collected on behalf of clients from retailer partners, but not yet transferred to clients, and are held in PayPoint's bank accounts. Retailer partners' deposits consist of retailer partners' funds held as security against default, except if held in trust (in which case they are not recorded in the statement of financial position). Card and voucher deposits represent funds collected on behalf of clients of the Love2shop business where the Group has title to the funds.

Monies held in trust

Monies held in trust are largely in fixed-term bank deposit accounts and consist of customer prepayments and an e-money float. The customer prepayments represent cash held on behalf of the Group's agents. The e-money float represents the value of the obligations of the Group to cardholders and redeemers.

Monies held in trust 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 restrictions over these monies, they are not included in cash and cash equivalents for the purposes of the statement of cash flows.

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 20).

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.

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 provides a number of different services and products. However, prior to the acquisition of Appreciate Group PLC on 28 February 2023, the different services and products provided by the Group did not meet the definition of different operating segments under IFRS 8, as the chief operating decision maker (CODM), the Executive Board, did not review them separately to make decisions about resource allocation and performance. Therefore, the Group had only one operating segment.

The Group considers the Appreciate business, now known as Love2shop, to be a separate segment from its pre-acquisition PayPoint business, since discrete financial information is prepared and it offers different products and services. Furthermore, the CODM reviews separate monthly internal management reports (including financial information) for both PayPoint and Love2shop 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 exceptional 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.

Notes to the consolidated financial statements continued

2. Segmental reporting continued

Year-ended 31 March 2023	PayPoint £'000	L2S £'000	Total £'000
Revenue	159,531	5,689	165,220
Other revenue	575	1,928	2,503
Segment revenue	**160,106**	**7,617**	**167,723**
Segment profit before tax and adjusting items	50,296	456	50,752
Exceptional items	(5,604)	–	(5,604)
Amortisation of intangible assets arising on acquisition	(2,139)	(435)	(2,574)
Segment profit before tax	42,553	21	42,574
Interest income	29	58	87
Interest expense	2,303	415	2,718
Depreciation and amortisation	9,819	658	10,477
Capital expenditure	12,349	354	12,703
Segment assets	219,649	260,340	479,989
Segment liabilities	125,113	243,162	368,275
Segment equity	94,536	17,178	111,714

The L2S result is only one month, as the acquisition completed on 28 February 2023.

A business division analysis of revenue has been provided in note 3.

Geographic information

Total Revenue	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Continuing operations – UK	167,723	145,144
Discontinued operation[1] – Romania (note 11)	–	1,258
Total	167,723	146,402

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

The total £227.9 million (2022: £127.3 million) non-current assets at 31 March 2023 are geographically located within the UK.

3. Revenue

Disaggregation of revenue

Revenue	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Continuing operations		
Shopping		
Service fees	17,947	16,575
Card payments	24,293	24,951
Card terminal leases	7,542	5,566
ATMs	12,920	13,858
Other shopping	3,355	1,936
Shopping total	66,057	62,886
e-commerce total	20,183	13,600
Payments and banking		
Cash – bill payments	34,135	36,660
Cash – top-ups	11,959	12,898
Digital	18,081	8,224
Cash through to digital	7,769	9,411
Other payments and banking	1,347	1,465
Payments and banking total	73,291	68,658
Love2shop total – voucher and card service fee	5,689	–
Total continuing operations	165,220	145,144
Discontinued operation – Romania[1]	–	1,258
Revenue	165,220	146,402

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

Service fee revenue of £17.9 million (2022: £16.6 million) and management fees, set-up fees and upfront lump sum payments of £0.7 million (2022: £1.2 million) are recognised on a straight-line basis over the period of the contract. Card terminal leasing revenue of £7.5 million (2022: £5.6 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 fifteen-day terms; its consumer customers pay on ordering.

Revenue subject to variable consideration of £13.5 million (2022: £10.7 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.

Other Revenue	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Payments and banking		
Interest revenue	**575**	–
Love2shop		
Interest revenue	**325**	–
Non-redemption revenue	**1,603**	–
Love2shop total	**1,928**	–
Total other revenue	**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 and card and voucher deposits recognised over the period invested.

Contract balances

	Notes	31 March 2023 £'000	31 March 2022 £'000
Trade receivables	20	**17,703**	10,316
Net investment in finance lease receivables	26	**3,855**	6,221
Accrued income	20	**5,241**	4,315
Contract assets – capitalisation of fulfilment costs	20	**2,910**	2,057
Contract liabilities – deferral of set-up and development fees	22	**(710)**	(788)
Deferred income	22	**(214)**	(401)

The Group's contract balances arise from differences between timing of cash flow and revenue recognition, which is usually at the point in time each transaction is processed or on a straight-line basis over the contracted period for management fees, set-up fees or 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 acquisition of Appreciate Group PLC.
- 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 monies held in trust.
- 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.

Notes to the consolidated financial statements continued

4. Alternative performance measures

Net Revenue

The reconciliation between total revenue and net revenue is as follows:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Continuing operations		
Service revenue – Shopping	**66,057**	62,886
Service revenue – e-commerce	**16,085**	10,949
Service revenue – Payments and banking	**71,994**	67,475
Service revenue – multi-retailer redemption products	**1,217**	–
Service revenue – other	**128**	–
Sale of goods – single-retailer redemption products	**4,325**	–
Sale of goods – other	**1,316**	1,183
Royalties – e-commerce	**4,098**	2,651
Other revenue – multi-retailer non-redemption income	**1,603**	–
Other revenue – interest on clients' funds, retailer partners' deposits and card and voucher deposits	**900**	–
Total revenue from continuing operations	**167,723**	145,144
Less:		
Retailer partners' commissions	**(34,369)**	(29,827)
Cost of single-retailer cards and vouchers	**(4,208)**	–
Cost of SIM card and e-money sales as principal	**(199)**	(205)
Net revenue from continuing operations	**128,947**	115,112
Discontinued operation[1]		
Service revenue	**–**	366
Sale of goods	**–**	892
Total revenue from discontinued operation	**–**	1,258
Less:		
Retailer partners' commissions	**–**	(101)
Cost of mobile top-ups and SIM card sales as principal	**–**	(897)
Net revenue from discontinued operation	**–**	260
Total net revenue	**128,947**	115,372

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

Total Costs

Total costs from continuing operations, excluding adjusting items, comprises:

	Year ended 31 March 2023 £'000	Re-presented[1] Year ended 31 March 2022 £'000
Other costs of revenue (note 5)	**25,481**	18,693
Administrative expenses – excluding adjusting items	**50,083**	46,357
Finance income (note 9)	**(87)**	(13)
Finance costs (note 9)	**2,718**	2,046
Total costs	**78,195**	67,083

1 Amortisation of intangible assets arising on acquisition was reported separately on the face of the Consolidated statement of profit or loss as an adjusting item. The prior year results have been re-presented on this basis (see note 1).

Love2shop billings

Billings relates solely to Love2shop and represents the value of goods and services dispatched and invoiced to customers during the year. The reconciliation between Love2shop's billings and total revenue is as follows:

	Year ended 31 March 2023 £'000
Love2shop billings	**14,807**
Multi-retailer redemption products – gross to net revenue recognition	**(7,515)**
Other revenue – interest on card and voucher deposits	**325**
Love2shop total revenue from continuing operations	**7,617**

5. Cost of revenue

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Continuing operations		
Retailer partners' commissions	**34,369**	29,827
Cost of single-retailer cards and vouchers	**4,208**	–
Cost of SIM card and e-money sales as principal	**199**	205
Total cost of revenue deducted from net revenue	**38,776**	30,032
Depreciation and amortisation	**7,186**	7,626
Field sales costs	**8,876**	7,548
Transaction costs	**3,477**	1,140
ATM costs	**1,148**	1,293
Card fees	**1,096**	856
Other	**3,698**	230
Total other costs of revenue	**25,481**	18,693
Total cost of revenue from continuing operations	**64,257**	48,725
Discontinued operation[1]		
Retailer partners' commissions	**–**	101
Cost of mobile top-ups and SIM cards as principal	**–**	897
Total cost of revenue deducted for net revenue	**–**	998
Depreciation and amortisation	**–**	10
Other	**–**	(10)
Total other costs of revenue	**–**	–
Total cost of revenue from discontinued operation	**–**	998
Total cost of revenue	**64,257**	49,723

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

6. Exceptional items

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Acquisition costs expensed – administrative expenses	**4,065**	–
Impairment loss on reclassification of investment in associate to asset held for sale	**1,252**	–
Revaluation of deferred, contingent consideration liability	**–**	(2,880)
Total exceptional items included in operating profit	**5,317**	(2,880)
Gain on disposal of discontinued operation, net of tax	**–**	(29,863)
Refinancing costs expensed – finance costs	**287**	–
Total exceptional items included in profit or loss	**5,604**	(32,743)

The tax impact of the exceptional items is £nil (2022: £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.

Notes to the consolidated financial statements continued

7. Employee information

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Average number of employees		
Sales, distribution and marketing	**199**	201
Operations and administration	**506**	469
Total	**705**	670
Employee costs during the year (including Directors)		
Wages and salaries	**32,257**	28,682
Social security costs	**3,303**	2,902
Pension costs	**2,588**	2,365
Redundancy and termination costs	**86**	127
Total	**38,234**	34,076

Directors' emoluments, pension contributions and share options are disclosed in the Remuneration Committee Report on pages 104 to 123.

Average number of employees reflects the annual average for Love2shop, taking into account they were acquired on 28 February 2023.

Included within wages and salaries is a share-based payment charge of £1.3 million (2022: £0.9 million.) Refer to note 29 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 £2.5 million (2022: £2.4 million).

The accrual for defined contribution pension contributions at the statement of financial position date was £0.1 million (2022: £nil).

Following the acquisition of Appreciate Group PLC, the Group also operates two defined benefit pension schemes at 31 March 2023, one of which had no members as at that date. (see note 18). The pension charge for the year for the defined benefit schemes was £0.1 million (2022: £nil).

8. Profit for the year

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Profit from continuing operations is after charging:		
Depreciation on property, plant and equipment – cost of revenue	**(4,336)**	(4,221)
Amortisation of intangible assets – cost of revenue	**(2,850)**	(3,405)
Depreciation of property, plant and equipment – administrative expenses	**(586)**	(547)
Amortisation of intangible assets – administrative expenses	**(2,705)**	(2,396)
Loss on disposal of property, plant and equipment – administrative expenses	**(1,090)**	(59)
Research and development costs – administrative expenses	**(350)**	(808)

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**250**	100
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**1,300**	347
Additional fees payable to the Company's auditor in respect of prior years' audits	**167**	–
Total audit fees	**1,717**	447
Fees payable to the Group's auditor for the review of the interim results	**50**	38
Audit-related assurance services	**50**	38
Total auditor's remuneration	**1,767**	485

In addition to the above, BDO LLP was paid £578,000 in respect of their work on the Appreciate component audit.

A description of the work of the Audit Committee is set out on pages 96 to 103 and includes an explanation of how auditor independence is safeguarded by limitation of non-audit services.

Group profit before tax from continuing and discontinued operations

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Profit before tax from continuing operations	**42,574**	48,515
Gain on disposal after tax from discontinued operation (note 11)	**–**	148
Profit up to date of disposal from discontinued operation (note 11)	**–**	29,863
Group profit before tax from continuing and discontinued operations	**42,574**	78,526

9. Finance income and costs

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Finance income		
Interest income on defined benefit pension scheme assets	**58**	–
Other interest	**29**	13
Total interest income reported as Finance income	**87**	13
Interest income on clients' funds, retailer partners' deposits and card and voucher deposits – reported as Other revenue	**900**	–
Finance costs		
Bank interest payable	**2,631**	2,024
Interest expense on defined benefit pension scheme obligations	**55**	–
Lease and other interest	**32**	22
Total finance costs	**2,718**	2,046

10. Tax

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Continuing operations		
Current tax		
Charge for current year	**7,829**	8,254
Adjustment in respect of prior years	**(806)**	86
Current tax charge	**7,023**	8,340
Deferred tax		
Charge for current year	**1,144**	577
Adjustment in respect of prior years	**(303)**	69
Deferred tax charge	**841**	646
Total income tax charge on continuing operations	**7,864**	8,986

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Tax charged directly to other comprehensive income		
Deferred tax on actuarial gains on defined benefit pension plans	**86**	–

The income tax charge is based on the UK statutory rate of corporation tax for the year of 19% (2022: 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 £7.9 million (2022: £9.0 million) on profit before tax of £42.6 million (2022: £48.5 million from continuing operations) represents an effective tax rate[1] of 18.5% (2022: 18.5% for continuing operations). This is lower than the UK statutory rate of 19% due to adjustments in respect of prior year and capital allowances super deduction, partially offset by disallowable expenses.

The tax charge on continuing operations for the year is reconciled to profit before tax from continuing operations, as set out in the consolidated statement of profit or loss, as follows:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Profit before tax	**42,574**	48,515
Tax at the UK corporation tax rate of 19% (2022: 19%)	**8,089**	9,218
Tax effects of:		
Disallowable expense/(non-taxable income) – exceptional items	**1,119**	(547)
Disallowable expense/(non-taxable income) – other	**1**	(726)
Adjustments in respect of prior years	**(1,109)**	155
Capital allowance super deduction	**(390)**	–
Tax impact of share-based payments	**(121)**	(3)
Revaluation of deferred tax liability	**275**	889
Actual amount of tax charge on continuing operations	**7,864**	8,986

1 Effective tax rate is the tax cost as a percentage of profit before tax on continuing operations.

Notes to the consolidated financial statements continued

11. Discontinued operation

In the prior year, the group disposed of its Romanian business, PayPoint Services SRL, to Innova Capital. The sale was consistent with PayPoint's focus on its key strategic priorities and the delivery of enhanced growth and value in its core UK markets.

Cash proceeds of £48.3 million were received in April 2021 and were used partly to repay the revolving credit facility and reduce net corporate debt. A further £0.3m working capital adjustment was received on 2 November 2021.

The Group profit from the discontinued operation was £30.0 million:

Group	Year ended 31 March 2022 £000
Total disposal proceeds received	48,585
Costs of disposal	(1,010)
Carrying amount of net assets sold	(16,067)
Gain on sale before income tax and reclassification of foreign currency translation reserve	31,508
Reclassification of foreign currency translation reserve to profit or loss	(1,645)
Tax charge on discontinued operation	–
Gain on disposal after tax	29,863
Profit up to date of disposal	148
Profit from discontinued operation (attributable to owners of the Company)	30,011

Company	Year ended 31 March 2022 £000
Total disposal proceeds received	48,585
Costs of disposal	(522)
Carrying value of investment in discontinued operation in Company statement of financial position (note 15)	(17,420)
Profit from discontinued operation (attributable to owners of the Company)	30,643

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

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

	Period from 1 to 8 April 2021 £000
Revenue	1,258
Cost of revenue	(998)
Gross profit	260
Expenses	(112)
Operating profit	148
Finance income	–
Finance costs	–
Profit before tax	148
Tax	–
Gain on disposal	29,863
Post-tax profit from discontinued operation attributable to equity holders of the parent	30,011

12. Earnings per share

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

	Year ended 31 March 2023 £'000	Re-presented[1] Year ended 31 March 2022 £'000
Total profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**34,710**	69,540
Continuing operations		
Profit for basic and diluted earnings per share is the net profit from continuing operations attributable to equity holders of the parent	**34,710**	39,529
Continuing operations – underlying		
Profit for basic and diluted earnings per share is the net profit from continuing operations before exceptional items attributable to equity holders of the parent	**42,244**	38,444
Discontinued operation		
Profit for basic and diluted earnings per share is the net profit from discontinued operation attributable to equity holders of the parent	**–**	30,011

1 The prior year profit after tax for "Continuing operations – underlying" has been re-presented to exclude amortisation on acquired intangible assets.

	31 March 2023 Number of shares Thousands	31 March 2022 Number of shares Thousands
Weighted average number of ordinary shares in issue (for basic earnings per share)	**69,281**	68,631
Potential dilutive ordinary shares:		
Long-term incentive plan	**–**	164
Restricted share awards	**588**	408
Deferred annual bonus scheme	**104**	108
SIP and other	**60**	58
Weighted average number of ordinary shares in issue (for diluted earnings per share)	**70,033**	69,369

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.

Earnings per share – discontinued operation (pence)	Year ended 31 March 2023	Year ended 31 March 2022
Basic	**–**	43.7
Diluted	**–**	43.2

13. 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. 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 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. The cost of equity is based on the risk-free rate for long-term UK government bonds, which is adjusted for the beta (reflecting the systemic risk of PayPoint relative to the market as a whole) and the equity market risk premium (reflecting the required return over and above a risk-free rate by an investor who is investing in the market as a whole).

All CGUs assessed generate value-in-use in excess of their carrying values. Sensitivity analysis applied to discount rate and short-term growth rate demonstrated that a combination of adverse changes in assumptions for the Handepay CGU could cause its carrying value to exceed its recoverable amount, as explained below. The headroom between the Handepay CGU valuation and its recoverable amount is £12.0 million, calculated using the assumptions below. For the other CGUs, 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	Digital payments CGU £'000	Total CGUs £'000
At 31 March 2021	–	6,867	35,632	9,586	–	52,085
Acquisition of business	–	–	–	–	5,583	5,583
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**

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	Digital payments CGU
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%**
At 31 March 2022					
Carrying value of cash generating unit	–	£8.8m	£46.8m	£22.6m	£10.5m
Pre-tax risk adjusted discount rate	–	15.0%	11.8%	11.8%	15.6%
Terminal growth rate	–	0.0%	2.0%	(5.0)%–2.0%	2.0%

Given the proximity of the timing of the Appreciate acquisition to the year end, fair value less costs of disposal was also considered as an alternative measure of recoverable amount and indicated that no impairment was required at the year end.

Notes to the consolidated financial statements continued

14. 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 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	2,344	2,147	790	24	250	5,555
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 current year relates to Appreciate Group PLC.

Included within development costs at 31 March 2023 are £3.3 million (2022: £3.6 million) of assets under construction which were not being amortised at 31 March 2023.

At 31 March 2023, the Group had entered into contractual commitments for development cost additions amounting to £0.2 million (2022: £1.0 million).

Group	Development costs £'000	Customer relationships £'000	Brands and trademarks £'000	Regulatory licences £'000	Developed technology £'000	Total £'000
Cost						
At 31 March 2021	**26,512**	**18,404**	**8,951**	**–**	**306**	**54,173**
Acquisitions of businesses	7	204	–	236	–	447
Additions	5,627	–	–	–	–	5,627
At 31 March 2022	**32,146**	**18,608**	**8,951**	**236**	**306**	**60,247**
Accumulated amortisation						
At 31 March 2022	**17,574**	**293**	**538**	**–**	**51**	**18,456**
Charge for the year	2,903	1,905	714	24	255	5,801
At 31 March 2023	**20,477**	**2,198**	**1,252**	**24**	**306**	**24,257**
Carrying amount						
At 31 March 2022	**11,669**	**16,410**	**7,699**	**212**	**–**	**35,990**
At 31 March 2021	8,938	18,111	8,413	–	255	35,717

15. Investments

The Company, a holding company, has investments (directly or indirectly) in wholly owned subsidiaries and associates, 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 Rd., 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 Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Card Services Limited	Indirect	Electronic money issuer (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Direct Credit Limited	Indirect	Debt collection services (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Financial Services Limited	Indirect	Insurance broking services (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales

Company name	Direct or indirect investment	Principal activity (registered address)	Country of registration
Park Retail Limited	Indirect	Gifting and prepayment (Valley Rd., 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
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
Dormant companies			
Agency Administration Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Brightdot Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Cheshire Bank Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Cheshire Securities Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Country Christmas Savings Club Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Family Hampers Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Handling Solutions Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Heritage Hampers Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
High Street Vouchers Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Maxim B2B Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Opal Loans Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Christmas Savings Club Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park.com Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Connect Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Food (Warrington) Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Group Secretaries Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Hamper Company Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Park Travel Services Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
PayPoint Trust Managers Limited	Indirect	Services company (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
The Perfect Hamper Co. Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales
Wirral Cold Store Limited	Indirect	Dormant company (Valley Rd., Birkenhead, Merseyside, CH41 7ED)	England and Wales

The Group acquired 100% interest in Appreciate Group PLC and its subsidiaries on 28 February 2023, on which date Appreciate Group PLC was delisted from the London Stock Exchange's AIM market. Its name was changed to Appreciate Ltd on 16 March 2023.

Movement in investments in wholly owned subsidiaries

Company	31 March 2023 £'000	31 March 2022 £'000
Balance at the beginning of the year	**139,105**	138,539
Reclassification of initial Collect+ arrangement from brand intangible asset to investment	–	6,042
Acquisitions of wholly owned subsidiaries (note 16)	**82,732**	6,944
Increased capitalisation of existing investments in wholly owned subsidiaries	–	5,000
Disposal of investments in wholly owned subsidiaries (note 11)	–	(17,420)
Balance at the end of the year	**221,837**	139,105

Notes to the consolidated financial statements continued

15. Investments continued

In the prior year the Company increased its investment in RSM 2000 Ltd by £5.0 million. RSM 2000 Ltd allotted and issued £5.0 million of additional shares (5.0 million additional shares at nominal value of £1 each) in satisfaction of the increased investment.

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.

B) Investment in associate

PayPoint Plc subscribed to 9.35% of the ordinary share capital (conferring 13.04% of voting rights) in Snappy Shopper Ltd on 7 July 2021 for £6,739,000. The Group incurred an exceptional loss of £1,252,000 on reclassifying its investment in associate to asset held for sale, prior to disposing of Snappy Shopper Ltd on 14 October 2022 for £5,487,000 (net of disposal costs of £15,000).

C) 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 2021	–	–	–
Addition in the year	750	–	750
At 31 March 2022	750	–	750
Addition in the year	–	3,000	3,000
At 31 March 2023	**750**	**3,000**	**3,750**

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. 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 £750k (with a potential extension of an additional £500k funding subject to the Company's approval) which will be settled into a variable number of Optus's equity shares on 1 April 2024. 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 £750k) or 29%–40% (based on an investment of £1,250k). 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 convertible loan note has been classified in both the prior and current years as a Level 3 embedded derivative convertible debt instrument. At each reporting period prior to conversion, the investment is recognised at fair value, with any gains or losses recognised through the statement of profit and loss. The fair value is determined by applying a probability-weighted aver-age best estimate of the Company's potential equity holding % outcomes, to a discounted cash flow valuation. At both 31 March 2022 and 31 March 2023, the fair values so determined were materially unchanged compared with the £750k purchase price.

The prior and current year discounted cash flow valuations are based on 5-year forecasts extrapolated to perpetuity, using the following financial assumptions. The discount rate reflects management's view of the level of risk associated with a relatively new business:

	31 March 2023	31 March 2022
Discount rate	**25.0%**	25.0%
Corporation tax rate	**25.0%**	19.0%
Terminal growth rate	**2.0%**	2.0%

In addition to the above assumptions, the valuation model has additional 'unobservable' inputs. The following table shows the valuation technique used in measuring the fair value of the investment, as well as the significant unobservable inputs used:

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of cash flows to be generated from the business, taking into accounted the expected increase in the number of landlords, the average tenants per landlord and the monthly fee charged to landlords. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the probability of take-up of the App by landlords.	• Landlord numbers at conversion date to reach 7 ('floor' scenario) to 11 ('cap' scenario). • Average number of tenants per new landlord c. 5,000. • Average monthly fee per tenant for new landlords. • Payroll and other costs increase at an average rate of 30% p.a. over the forecast period.	The estimated fair value would increase/(decrease) if: • Landlord numbers at conversion date were higher/(lower). • The average number of tenants were higher/(lower). • The average monthly fee charged were higher/(lower). • Payroll costs were lower/(higher).

OBConnect Ltd

The Company purchased a convertible loan note of nominal amount £3.0 million on 5 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 24 May 2025.

Based on the key terms of the convertible loan note and investment agreement, the convertible loan note is classified as a Level 3 embedded derivative convertible debt instrument. At each reporting period prior to conversion, the investment is recognised at fair value, with any gains or losses recognised through the statement of profit or loss. The fair value so determined at 31 March 2023 was materially unchanged compared with the total £3.0 million purchase price.

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 2023
Discount rate	**20.0%**
Corporation tax rate	**25.0%**
Terminal growth rate	**2.0%**

In addition to the above assumptions, the valuation model has additional 'unobservable' inputs.

The following table shows the valuation technique used in measuring the fair value of the investment, as well as the significant unobservable inputs used:

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of cash flows to be generated from the business, taking into accounted the level of retention of existing clients, the value of new business won and the increase to the cost base. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the newness of the business and the sector in which it operates.	• Existing clients are retained throughout the forecast periods, with no attrition assumed. • Revenue from new clients increases at a rate of 50% p.a. • Payroll and other costs increase at a rate of 20% p.a. over the forecast period.	The estimated fair value would increase/(decrease) if: • The retention rate of existing clients were (lower). • The rate of revenue growth were higher/(lower) than 50%. • The annual payroll and other costs increase were lower/(higher).

D) Other investment

On 13 January 2023 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.

16. Acquisition of subsidiaries

A) Appreciate Group PLC

On 28 February 2023, PayPoint acquired 100% of the share capital of Appreciate Group PLC for consideration of £79.2 million, 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. The acquisition resulted in a net £45.6 million cash outflow (net of cash and borrowings acquired) in the current year.

The primary reasons for the acquisition were to open up a range of growth opportunities, leveraging Appreciate's well-established and well-regarded offerings in the gift card, voucher and prepay savings markets.

The following intangible assets have been recognised and are being amortised over useful lives as shown:

	Fair value £ million	Useful life
Brands	11.8	12–15 years
Customer relationships	21.6	2–13 years
Developed technology	7.0	5 years

In the period since acquisition, Appreciate contributed total revenue of £7.6 million and nil profit before tax to the Group's results. Had the acquisition taken place on the first day of the financial year, Appreciate would have contributed revenue of £135.3 million and profit before tax of £0.7 million (on an unconsolidated basis).

Acquisition costs incurred in the year in relation to Appreciate totalled £3.6 million, which are reported within exceptional items in profit or loss.

Notes to the consolidated financial statements continued

16. Acquisition of subsidiaries continued

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

	28 February 2023 £'000
Acquired brands	11,790
Acquired customer relationships	21,648
Acquired developed technology	7,006
Retirement benefit asset	1,573
Property, plant and equipment	5,631
Trade and other receivables	10,650
Inventories	3,557
Current tax asset	2,099
Monies held in trust	47,000
Cash and cash equivalents – corporate cash	17,469
Cash and cash equivalents – card and voucher deposits	64,960
Payables in respect of cards and vouchers	(108,489)
Other trade and other payables	(49,923)
Lease liabilities	(5,448)
Retirement benefit liability	(1,395)
Borrowings	(1,124)
Deferred tax liabilities	(7,582)
Total identifiable net assets acquired at fair value	19,422
Cash consideration	61,925
Equity consideration	17,256
Total consideration	79,181
Goodwill recognised on acquisition	59,759
Cash outflows in respect of acquisition	
Cash consideration	(61,925)
Cash acquired	17,469
Bank overdraft acquired	(1,124)
Acquisition of subsidiary net of cash acquired (Group)	(45,580)
Acquisition of subsidiary (Company)[1]	(61,925)

1 Excludes £3.6 million acquisition costs, capitalised in investments in the Company statement of financial position but expensed in the Group statement of profit and loss.

The acquired identifiable assets and liabilities have been recognised at their fair values at acquisition date and in accordance with the Group's accounting policies (note 1):

- The acquired customer relationships, including contractual customer relationships, have been valued using the multi-period excess earnings method ("MEEM approach") by estimating the total expected income streams from the customer relationship and deducting portions of the cash flow that can be attributed to supporting, or contributory, assets (including workforce). The contractual customer relationships asset relates to cards existing at the acquisition date, some of which will be redeemed post acquisition and on which a service fee will be earned and some of which (including those only partially redeemed) will expire with unredeemed balances on which unredeemed income will be earned. It is estimated based on the expected revenue to be received, less the costs to deliver the service. The residual income streams are discounted. No tax amortisation benefit is applied. The key inputs to this method are the customer churn rate and discount rate applied to future forecasts of the businesses. Contractual customer relationships have a fair value of £7.7 million and a useful economic life (UEL) of two years. Non-contractual customer relationships have a fair value of £14.0 million (£8.8 million relating to Appreciate Business Services and £5.2 million relating to Park) and a UEL of eleven to thirteen years.
- Acquired brands have been valued using the relief-from-royalty method.
- Acquired software intangible assets and property, plant and equipment have been valued using the depreciated replacement cost method, considering factors including economic and technological obsolescence.
- Inventories, trade receivables and trade payables have been assessed at fair value on the basis of the contractual terms and economic conditions existing at the acquisition date, reflecting the best estimate at the acquisition date of contractual cash flows not expected to be collected. The fair value assessment of trade receivables reflects estimated uncollectable amounts of £251,000.
- The retirement benefit asset has been measured in accordance with IAS19 at the date of acquisition.
- The deferred tax liability comprises £10.1 million liability recognised on the £40.4 million of acquired intangible assets, less £2.5 million of deferred tax asset relating principally to acquired losses, measured in accordance with IAS12.
- Lease liabilities are valued at the present value of the remaining lease payments as if the acquired leases were new leases at the acquisition date. The related right of use assets are measured at the same amount, adjusted to reflect terms which are either favourable or unfavourable compared to market terms. The fair value of the right of use asset relating to the Chapel St. premises differs from that of the associated lease liability due to favourable terms for rent-free and discounted periods.

The following acquired assets and liabilities were valued using management's best estimates based on information available at the acquisition date, which are therefore subject to adjustment within the measurement period if new information about facts and circumstances that existed at the acquisition date is obtained and, if known, would have resulted in the recognition of those assets and liabilities at that date:

- Trade and other receivable.
- Trade and other payables.
- Intangible assets (and the deferred tax liability thereon).

Of the £59.8 million of goodwill acquired during the period, no goodwill is expected to be deductible for tax purposes. The goodwill arising on acquisitions is attributable to workforce, synergies, growth from new customers and other assets not separately recognised.

B) RSM2000 Ltd

In the prior year, the Company acquired 100% of the share capital of RSM2000 Ltd. The acquisition resulted in a net £4.5 million cash outflow (net of cash acquired) in the prior year and £1.0 million outflow in the current year.

17. Property, plant and equipment

	Terminals and ATMs £'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	**41,338**	**3,673**	**–**	**11,081**	**462**	**56,554**
Acquisition of business	–	328	1,169	16	4,118	5,631
Additions	7,736	111	–	–	9	7,856
Disposals	(3,107)	–	–	–	–	(3,107)
At 31 March 2023	**45,967**	**4,112**	**1,169**	**11,097**	**4,589**	**66,934**
Accumulated depreciation						
At 31 March 2022	**30,535**	**1,922**	**–**	**2,101**	**214**	**34,772**
Charge for the year	4,239	180	9	261	233	4,922
Disposals	(2,017)	–	–	–	–	(2,017)
At 31 March 2023	**32,757**	**2,102**	**9**	**2,362**	**447**	**37,677**
Carrying amount						
At 31 March 2023	**13,210**	**2,010**	**1,160**	**8,735**	**4,142**	**29,257**
At 31 March 2022	10,803	1,751	–	8,980	248	21,782

Acquisition of business in the current year relates to Appreciate Group PLC.

At 31 March 2023, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1.0 million (2022: £2.1 million).

Included within Terminals and ATMs at 31 March 2023 are £1.4 million (2022: 3.6 million) of assets under construction which were not being depreciated at 31 March 2023.

	Terminals and ATMs £'000	Fixtures, fittings and equipment £'000	Land and buildings £'000	Right-of-use assets £'000	Total £'000
Cost					
At 31 March 2021	37,473	3,479	11,081	428	52,461
Acquisition of business	12	–	–	34	46
Additions	4,982	202	–	–	5,184
Disposals	(1,129)	(8)	–	–	(1,137)
At 31 March 2022	41,338	3,673	11,081	462	56,554
Accumulated depreciation					
At 31 March 2021	27,495	1,737	1,827	23	31,082
Charge for the year	4,118	185	274	191	4,768
Disposals	(1,078)	–	–	–	(1,078)
At 31 March 2022	30,535	1,922	2,101	214	34,772
Carrying amount					
At 31 March 2022	10,803	1,751	8,980	248	21,782
At 31 March 2021	9,978	1,742	9,254	405	21,379

18. 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). The schemes provide benefits based on final pensionable pay and are both closed to future accrual of benefit based on service. The assets of the schemes are held separately from those of Appreciate Group Ltd in trustee-administered funds. Contributions to the schemes are determined by a qualified actuary on the basis of triennial valuations.

With the exception of £543,000 of assets and £284,000 of liabilities, the PG scheme assets and liabilities were transferred into the PF scheme on 30 March 2023. The assets left behind in the PG scheme are to be used to pay benefits owed, winding up costs and winding up lump sums, with any remaining cash balance to be transferred to the PF scheme on winding up the PG scheme later this year. The PG scheme agreed to pay winding up lump sum payments to 27 members totaling £284,000 which were fully known and committed to by 29 March 2023. This has been treated as a settlement cost of £16,000 in the Consolidated statement of profit or loss (within past service cost of £123,000 disclosed below), being the difference between the winding up lump sum amounts of £284,000 and the accounting liability of £268,000 calculated at the year-end.

Both schemes are 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 schemes are required to act in the best interests of the schemes' beneficiaries and are responsible for setting the investment, funding and governance policies of the funds. The schemes are administered by an independent trustee appointed by the Group. Appointment of the trustees is determined by the schemes' trust documentation.

Notes to the consolidated financial statements continued

18. Pensions continued

Defined benefit plans continued

The Group have 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 cash flows 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 PG actuarial valuation as at 31 March 2019 and the PF actuarial valuation as at 31 March 2022, which were carried out by a qualified independent actuary, have been updated on an approximate basis to 31 March 2023. No actuarial valuation of the PG scheme was carried out as at 31 March 2022, as by then it had been decided to wind up the scheme. There have been no changes in the valuation methodology adopted for this year's disclosures compared to the previous year.

The schemes typically expose 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 (comparative figures are for 28 February 2023, to show movements since the Appreciate acquisition date):

	31 March 2023 £'000	28 February 2023 £'000
Present value of pension obligation	**(17,341)**	(16,880)
Fair value of scheme assets	**17,752**	17,058
Net pension surplus	**411**	178
Comprising:		
Schemes in asset surplus	**411**	178

The amounts recognised in the Consolidated statement of profit or loss are as follows:

	1 month to 31 March 2023 £'000
Past service cost	**123**
Net interest credit	**(3)**
Total	**120**

The costs are all recognised within administration expenses in the Consolidated statement of profit or loss.

Analysis of amounts recognised in other comprehensive income:

	1 month to 31 March 2023 £'000
Gain on scheme assets	**675**
Experience gains arising on the defined benefit obligation	**1**
Gains arising from changes in the demographic assumptions underlying the present value of the defined benefit obligation	**141**
Losses arising from changes in the financial assumptions underlying the present value of the defined benefit obligation	**(464)**
Total	**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:

Group	31 March 2023 £'000	28 February 2023 £'000
Fixed Interest Gilt Fund	**1,305**	1,241
Diversified Growth Assets (DGA)	**781**	778
Gilts	**2,430**	2,270
LDI	**2,042**	1,768
Loan Fund	**1,805**	1,811
Multi Asset Credit	**2,155**	2,710
Index Linked Gilts	**3,683**	3,379
Cash and other	**3,551**	3,101
Total assets	**17,752**	17,058

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. All the scheme assets have a quoted market price in an active market, with the exception of the trustee's bank account balance.

The movement in the fair value of scheme assets is as follows:

Group	1 month to 31 March 2023 £'000
Fair value of the scheme assets at the acquisition date	**17,058**
Interest income	**58**
Return on scheme assets	**675**
Benefits paid	**(39)**
	17,752

For the PG scheme, actual return on scheme assets, including interest income, for the month to 31 March 2023 was £578,000 (11 months to 28 February 2023: £(6,406,000)). For the PF scheme, actual return on scheme assets, including interest income, for the month to 31 March 2023 was £97,000 (11 months to 28 February 2023: £1,259,000).

Present value of obligations

The movement in the present value of the defined benefit obligation is as follows:

Group	1 month to 31 March 2023 £'000
Opening defined benefit obligation	**16,880**
Interest cost	**55**
Actuarial gains due to scheme experience	**(1)**
Actuarial gains due to changes in demographic assumptions	**(141)**
Actuarial losses due to changes in financial assumptions	**464**
Benefits paid	**(39)**
Past service costs	**123**
	17,341

The average duration of the PF scheme defined benefit obligation at 31 March 2023 is 7 years.

Significant actuarial assumptions

The following are the principal actuarial assumptions for the PF scheme at the reporting date (expressed as weighted averages):

	31 March 2023 % per annum	28 February 2023 % per annum
Financial and related actuarial assumptions:		
Discount rate	**4.90**	5.10
Inflation (RPI)	**3.20**	3.20
Allowance for revaluation of deferred pensions of CPI or 8.5% p.a. if less	**3.20**	3.20

The mortality assumptions adopted for the PF scheme are 89% 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:

	31 March 2023 Years	28 February 2023 Years
Life expectancy at age 65 for:		
Male – retiring in 2023	**23.9**	24.2
Female – retiring in 2023	**26.1**	26.5
Male – retiring in 2042	**25.2**	25.5
Female – retiring in 2042	**27.5**	27.8

Sensitivity analysis on significant actuarial assumptions:

The following table summarises the impact on the PF 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. Note that as the only remaining liability in respect of the PG scheme is fixed and not dependent on any assumptions, no sensitivity analysis has been performed for that scheme as at 31 March 2023.

	Change in assumption	Change in liabilities
Discount rate	decrease of 0.50% p.a.	increase by 6.9%
Discount rate	increase of 0.50% p.a.	decrease by 6.2%
Rate of inflation	decrease by 0.25% p.a.	decrease by 2.1%
Rate of inflation	Increase by 0.25% p.a.	Increase by 2.1%
Rate of mortality	decrease in life expectancy of 1 year	decrease by 2.4%
Rate of mortality	increase in life expectancy of 1 year	Increase 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 PF scheme for the accounting period commencing 1 April 2023. This is based upon the current schedule of contributions following the pension merger and the actuarial valuation carried out as at 31 March 2022.

Notes to the consolidated financial statements continued

19. Inventories

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Finished goods – cards and vouchers	**2,854**	–
Finished goods – terminals	**298**	332
Total	**3,152**	332

The cost of inventories recognised as an expense in the year is £4.1 million (2022: £0.8 million, of which £0.1 million credit from continuing operations).

20. Trade and other receivables

Group	31 March 2023 £'000	31 March 2022 £'000
Trade receivables	**17,703**	10,316
Items in the course of collection[1]	**47,771**	55,449
Revenue allowance for expected credit losses	**(1,058)**	(1,058)
	64,416	64,707
Other receivables	**1,822**	134
Net investment in finance lease receivables (note 26)	**2,144**	1,814
Contract assets – capitalisation of fulfilment costs	**2,910**	2,057
Accrued income	**5,241**	4,315
Prepayments	**5,522**	2,948
Total	**82,055**	75,975

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 22.

The Group's exposure to the credit risk inherent in its trade and other receivables is discussed in note 31. 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 £2.9 million (2022: £1.7 million). There has been an increase compared to prior year due to the Appreciate acquisition. 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 2023	**1,258**	**551**	**232**	**894**	**2,935**
Carrying value at 31 March 2022	907	455	44	290	1,696

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 2023 £'000	31 March 2022 £'000
Balance at the beginning of the year	**1,058**	949
Acquisition of business	**251**	–
Amounts utilised in the year	**(878)**	(654)
Increase in allowance	**627**	763
Balance at the end of the year	**1,058**	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 2023	**230**	**110**	**116**	**602**	**1,058**
Carrying value at 31 March 2022	195	84	79	700	1,058

The expected credit losses associated with items in the course of collection are immaterial.

Company	31 March 2023 £'000	31 March 2022 £'000
Amounts owed by Group companies (non-current)	**11,477**	26,155
Trade and other receivables (non-current)	**11,477**	26,155
Amounts owed by Group companies (current)	**1,548**	2,353
Other receivables	**–**	11
Accrued income	**12**	12
Prepayments	**970**	732
Trade and other receivables (current)	**2,530**	3,108
Total	**14,007**	29,263

Amounts owed by subsidiaries are unsecured, have no fixed date of repayment and are repayable on demand. Expected credit losses are immaterial.

21. Cash and cash equivalents and monies held in trust

Group cash and cash equivalents of £78.5 million (2022: £24.3 million) comprise the following:

	31 March 2023 £'000	31 March 2022 £'000
Clients' funds	**12,041**	9,833
Retailer partners' deposits	**6,156**	6,813
Card and voucher deposits	**37,708**	–
Corporate cash	**22,546**	7,653
Cash and cash equivalents	**78,451**	24,299
Bank overdraft	**(525)**	–
Total	**77,926**	24,299

Client's funds represent funds collected on behalf of clients of the PayPoint business where the Group has title to the funds. Retailer partners' deposits represent security deposits made by PayPoint's agents. A balance equivalent to clients' funds and retailer partners' deposits is included within trade payables.

Card and voucher deposits represent funds collected on behalf of clients of the Love2shop business where the Group has title to the funds.

Clients' funds held in trust off the Consolidated statement of financial position amounted to £124.3 million (2022: £58.9 million) and relate to Payments and Banking revenue streams, other than Digital (see note 3).

During the year the Group operated cash pooling amongst most of the bank accounts within its PayPoint businesses, whereby individual accounts could be overdrawn without penalties being incurred so long as the overall position was in credit.

Monies held in trust of £82.0 million (2022: £nil), which relate solely to the L2S business, comprise the following:

	31 March 2023 £'000	31 March 2022 £'000
Park Prepayments Protection Trust	**42,000**	–
E-money Trust	**40,000**	–
Total	**82,000**	–

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 money 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.

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.

Notes to the consolidated financial statements continued

21. Cash and cash equivalents and monies held in trust continued

Monies held in trust 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.

In addition to the £82.0 million monies held in trust, £37.7 million of balances held in trust under the arrangements described above are recognised as card and voucher deposits within cash and cash equivalents, since in practice the Group can access the funds on demand.

22. Trade and other payables

Group	31 March 2023 £'000	31 March 2022 £'000
Amounts owed in respect of clients' funds and retailer partners' deposits[1]	**18,197**	16,646
Settlement payables[2]	**47,771**	55,449
Client payables	**65,968**	72,095
Payables in respect of cards and vouchers[3]	**101,454**	–
Trade payables[4]	**63,133**	4,789
Other taxes and social security	**4,874**	3,314
Other payables	**4,117**	901
Accruals	**15,171**	10,087
Deferred income	**214**	401
Contract liabilities – deferral of set-up and development fees	**710**	788
Total	**255,641**	92,375
Disclosed as:		
Current	**255,526**	92,375
Non-current	**115**	–
Total	**255,641**	92,375

1 Relates to monies collected on behalf of clients where the Group has title to the funds (clients' funds and retailer partners' deposits). An equivalent balance is included within cash and cash equivalents (note 21).
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 20.
3 Payables in respect of cards and vouchers include balances due to both customers (£19.7 million (2022: £18.7 million)) and retailers in respect of flexecash © cards and amounts due to retailers for Love2shop vouchers and cards.
4 Trade payables includes L2S savers' prepayment balances for products that will be supplied prior to Christmas 2023, 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 2023 £'000	31 March 2022 £'000
Balance at the beginning of the year	**401**	565
Revenue deferred in the year	**157**	1,914
Revenue recognised in the year	**(344)**	(2,078)
Balance at the end of the year	**214**	401

Company (Current)	31 March 2023 £'000	31 March 2022 £'000
Amounts owed by Group companies	**77,909**	52,160
Other payables	**1,439**	240
Accruals	**3,950**	2,365
Total	**83,298**	54,765

23. Provisions

Group and Company	Other provision £'000
At 31 March 2021	12,500
Utilised in period	(12,500)
At 31 March 2022 and 2023	**–**

Provision utilisation in the prior year relates to a donation to the Energy Industry Voluntary Redress Scheme as part of the commitments in resolution of the concerns raised in Ofgem's Statement of Objections received on 29 September 2020. A £12.5m provision had previously been recognised in the year ended 31 March 2021.

24. Deferred consideration liability

	£'000
At 31 March 2021	5,747
Recognition of deferred consideration liability on acquisition of RSM 2000	1,000
Revaluation of i-movo deferred, contingent consideration liability	(2,880)
Discount unwind on i-movo deferred, contingent consideration	133
Settlement of i-movo deferred, contingent consideration liability – cash consideration paid in the year	(2,000)
Settlement of i-movo deferred, contingent consideration liability – shares consideration paid in the year	(1,000)
At 31 March 2022	**1,000**
Settlement of RSM 2000 deferred consideration liability – cash consideration paid in the year	(1,000)
At 31 March 2023	**–**

Disclosed as:

	31 March 2023 £'000	31 March 2022 £'000
Current	–	1,000
Non-current	–	–
Total	**–**	1,000

i-movo

The prior year deferred, contingent consideration liability in relation to the i-movo acquisition represented the discounted fair value of the estimated additional consideration payable at the reporting date. It was contingent on future performance over the earnout period and was linked to four monthly revenue growth targets on two potential key revenue streams.

The last remaining earnout period expired on 30 May 2023 with the earnout target not having been met.

RSM 2000

The £1.0 million prior year RSM 2000 deferred consideration liability was paid out on the first anniversary of completion in the current year. The deferred consideration was not contingent on any factors. It was measured at amortised cost.

25. Deferred tax liability

	31 March 2022 £'000	Acquisition of business £'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)**

	31 March 2021 £'000	Acquisitions/ disposals of businesses £'000	Credit/(debit) to consolidated statement of profit or loss £'000	Charge to OCI £'000	31 March 2022 £'000
Property, plant and equipment	1,634	(2)	(410)	–	1,222
Intangible assets	(4,790)	(83)	(433)	–	(5,306)
Share-based payments	142	–	48	–	190
Short-term temporary differences	39	–	149	–	188
	(2,975)	(85)	(646)	–	(3,706)
Balance reclassified as held for sale	4	(4)	–	–	–
Total	(2,971)	(89)	(646)	–	(3,706)

At the statement of financial position date, the Group had recognised unused trading losses of £11.4 million (2022: £0.3 million) from Love2shop. The Group believes that they will be able to be utilised against future taxable income, as Love2shop is forecast to generate future profits.

Deferred tax assets have not been provided on brought forward trading losses of £20.7 million (2022: £nil) 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.

Notes to the consolidated financial statements continued

26. Leases

A) Finance lease liabilities

	Property £'000	Plant and Equipment £'000	Vehicles £'000	Total £'000
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**
At 31 March 2022				
Current balance	164	–	27	191
Non-current balance	57	–	12	69
Total lease liabilities	221	–	39	260
Interest charge for the year	25	–	(3)	22

	31March 2023 £'000	31 March 2022 £'000
Balance at beginning of year	**260**	447
Acquisition in the year	**5,448**	34
Payment of lease liabilities (financing cash flows)	**(261)**	(243)
Interest on unwind of lease liabilities	**32**	22
Balance at end of year	**5,479**	260
Disclosed as:		
Current	**862**	200
Non-current	**4,617**	60
Total lease liabilities	**5,479**	260

B) Right-of-use assets

	Property £'000	Plant and equipment £'000	Vehicles £'000	Total £'000
At 31 March 2023	**3,178**	**946**	**18**	**4,142**
Depreciation charge for the year ended 31 March 2023	**(159)**	**(33)**	**(41)**	**(233)**
At 31 March 2022	184	–	64	248
Depreciation charge for the year ended 31 March 2022	(151)	–	(40)	(191)

The right of use assets are shown within Property and Plant and equipment in Note 17. The increase in the current year is due to the acquisition of Appreciate.

C) Net investment in finance lease receivables

	31 March 2023 £'000	31 March 2022 £'000
Current balance	**2,144**	1,814
Non-current balance	**1,711**	4,407
Total net investment in finance lease receivables	**3,855**	6,221
Interest income (revenue) on net investment in finance lease receivables	**1,140**	1,701

The decrease in the net investment in finance lease receivable 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 2023	**42**	**72**	**22**	**818**	**954**
Carrying value at 31 March 2022	7	19	16	1,006	1,048

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 2023	**(898)**	**106**	**181**	**530**	**702**	**1,124**	**1,978**	**132**	**3,885**
31 March 2022	(1,669)	428	790	1,063	1,703	3,528	378	–	6,221

27. Loans and borrowings and lease liabilities

Group	Loans and borrowings £'000	Lease liabilities £'000
At 31 March 2022	**51,534**	**260**
Repayments of revolving credit facility	(9,000)	–
Drawdowns on revolving credit facility	28,500	–
Repayment of amortising term loan	(10,833)	–
Drawdown of new amortising term loan	36,000	–
Interest charge	2,612	–
Interest paid	(2,157)	–
Repayment of block loans	(2,241)	–
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		
Revolving credit facility	46,500	–
Amortising term loan	10,833	–
Accrued interest	455	–
Block loans	457	–
Lease liabilities	–	862
Total – current	58,245	862
Non-current		
Amortising term loan	36,000	–
Block loan	170	–
Lease liabilities	–	4,617
Total – non-current	36,170	4,617
Balance at end of year	**94,415**	**5,479**
Other liability-related changes		
Interest paid	**(2,157)**	**–**

Group	Loans and borrowings £'000	Lease liabilities £'000
At 31 March 2021	86,583	447
Repayments of revolving credit facility	(47,000)	–
Drawdowns on revolving credit facility	24,500	–
Repayment of amortising term loan	(10,833)	–
Interest charge	1,913	–
Interest paid	(1,913)	–
Repayment of block loans	(3,636)	–
Funding from block loans	1,920	–
Lease liability acquired in the year	–	34
Payment of lease liabilities	–	(243)
Interest on unwind of lease liabilities	–	22
At 31 March 2022	51,534	260
Disclosed as:		
Current		
Revolving credit facility	27,000	–
Amortising term loan	10,833	–
Block loans	1,810	–
Lease liabilities	–	200
Total – current	39,643	200
Non-current		
Amortising term loan	10,833	–
Block loans	1,058	–
Lease liabilities	–	60
Total – non-current	11,891	60
Balance at end of year	51,534	260
Other liability-related changes		
Interest paid	(1,913)	–

Notes to the consolidated financial statements continued

27. Loans and borrowings and lease liabilities continued

Company loans and borrowings	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Balance at the beginning of the year	**48,666**	82,000
Repayments of revolving credit facility	**(9,000)**	(47,000)
Drawdowns on revolving credit facility	**28,500**	24,500
Repayment of amortising term loan	**(10,833)**	(10,833)
Drawdown of new amortising term loan	**36,000**	–
Interest charge	**2,498**	1,654
Interest paid	**(2,043)**	(1,655)
Balance at the end of the year	**93,788**	48,666
Disclosed as:		
Current		
Revolving credit facility	**46,500**	27,000
Amortising term loan	**10,833**	10,833
Accrued interest	**455**	–
Total – current	**57,788**	37,833
Non-current		
Amortising term loan	**36,000**	10,833
Balance at end of year	**93,788**	48,666
Other liability-related changes		
Interest paid	**(2,043)**	(1,655)

28. Share capital, share premium and merger reserve

	31 March 2023 £'000	31 March 2022 £'000
Called up, allotted and fully paid share capital		
72,563,234 (2022: 68,915,949) ordinary shares of 1/3p each	**242**	230

The increase in share capital in the current year resulted from 3,565,382 shares issued (of 1/3p each) as part of the consideration for Appreciate Group PLC, 47,899 shares issued (of 1/3p each) for share awards which vested in the year and 34,004 matching shares issued (of 1/3p each) under the Employee Share Incentive Plan.

The share premium of £1.0 million (2022: £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 (2022: £1.0 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.

29. Share-based payments

The Group's share schemes are described in the Directors' Remuneration Report on pages 104 to 123 and consist of the LTIP, DABS and RSA equity-settled share schemes.

No share awards were issued under the LTIP scheme in the current year (2022: nil). The LTIP scheme was closed and replaced with the RSA scheme in the year ended 31 March 2021 and no LTIP shares existed at 31 March 2023.

237,476 share awards were issued under the RSA scheme in the year (2022: 209,293), vesting over two to five years, between 23 September 2024 and 9 June 2027 subject to continued employment. The RSAs do not contain any performance conditions other than to complete the required period of service.

55,374 share awards were issued under the DABS scheme in the year (2022: 45,594), vesting over two years to 10 June 2024 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 £1.3 million (2022: £0.9 million). Of this, £0.1 million (2022: £0.2 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 £0.6 million (2022: £1.3 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 (2022: £0.2 million) related to shares which vested under the Employee Share Incentive Plan.

Share awards movement during the year

	Number of shares 31 March 2023	Number of shares 31 March 2022
Outstanding at the beginning of the year	**502,167**	432,725
Granted	**292,850**	254,887
Lapsed	**(59,350)**	–
Exercised	**(35,589)**	(112,556)
Forfeited	**(8,752)**	(72,889)
Outstanding at end of the year	**691,326**	502,167

Remaining vesting period of outstanding share awards	Number of shares 31 March 2023	Number of shares 31 March 2022
Within one year	**139,563**	141,344
One to two years	**269,094**	121,808
Two to three years	**213,907**	181,365
Three years or more	**68,762**	57,650
Outstanding at end of the year	**691,326**	502,167

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 – 2 years	24 September 2022	11,579	6.05	23 September 2024
RSA – 3 years	10 June 2022	178,529	5.70	9 June 2025
RSA – 4 years	10 June 2022	23,683	5.70	9 June 2026
RSA – 5 years	10 June 2022	23,685	5.70	9 June 2027
DABS	10 June 2022	55,374	5.70	9 June 2024

30. Dividends

	Year ended 31 March 2023		Year ended 31 March 2022	
	£'000	pence per share	£'000	pence per share
Reported dividends on ordinary shares:				
Interim ordinary dividend	**12,693**	**18.4**	11,687	17.0
Proposed final ordinary dividend	**13,497**	**18.6**	12,405	18.0
Total ordinary reported dividends (non-IFRS measure)	**26,190**	**37.0**	24,092	35.0
Dividends paid on ordinary shares:				
Final ordinary dividend for the prior year	**12,414**	**18.0**	11,409	16.6
Interim dividend for the current year	**12,693**	**18.4**	11,687	17.0
Total ordinary dividends paid (financing cash flows)	**25,107**	**36.4**	23,096	33.6
Number of shares in issue used for proposed final ordinary dividend per share calculation	**72,563,234**		68,915,949	

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.

31. Financial instruments and risk

The Group's financial instruments comprise cash and cash equivalents, monies held in trust, trade and other receivables, net investment in finance lease receivables, trade and other payables, payables in respect of cards and vouchers, loans and borrowings, lease liabilities, provisions and accruals, 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 2023 £'000	31 March 2022 £'000
Financial assets			
Monies held in trust	21	**82,000**	–
Cash and cash equivalents	21	**78,451**	24,299
Net investment in finance lease	26	**3,855**	6,221
Trade receivables	20	**64,416**	64,707
Other receivables	20	**1,822**	134
		230,544	95,361

Notes to the consolidated financial statements continued

31. Financial instruments and risk continued

Group	Note	31 March 2023 £'000	31 March 2022 £'000
Financial liabilities			
Revolving credit facility		**46,701**	27,000
Amortising term loans		**47,087**	21,667
Block loans		**627**	2,867
Loans and borrowings		**94,415**	51,534
Payables in respect of cards and vouchers		**101,454**	–
Other trade and other payables		**154,007**	92,375
Trade and other payables	22	**255,641**	92,375
Lease liabilities	26	**5,479**	260
Bank overdraft	21	**525**	–
Deferred, contingent consideration liability	24	**–**	1,000
		356,060	145,169

Company	31 March 2023 £'000	31 March 2022 £'000
Financial assets		
Amounts owed by group companies (non-current)	**11,477**	26,155
Financial assets (non-current)	**11,477**	26,155
Cash and cash equivalents	**1,186**	301
Other receivables	**982**	755
Amounts owed by group companies (current)	**1,548**	2,353
Financial assets (current)	**3,716**	3,409
Total	**15,193**	29,564

Company		31 March 2023 £'000	31 March 2022 £'000
Financial liabilities			
Amortising term loan – non-current	27	**36,000**	10,833
Financial liabilities (non-current)		**36,000**	10,833
Revolving credit facility – current		**46,701**	27,000
Amortising term loans – current		**11,087**	10,833
Trade and other payables		**4,889**	2,605
Deferred, contingent consideration liability	24	**–**	1,000
Amounts owed to group companies		**77,909**	52,160
Financial liabilities (current)		**140,586**	93,598
Total		**176,586**	104,431

A) Credit risk

The Group's financial assets are cash and cash equivalents, monies held in trust, trade and other receivables 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. 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.

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 2023, was £51.5 million (2022: £34.7 million).

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 2023 regarding liquidity has been to maximise the return on funds placed on deposit 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 for continuing operations. The amounts are gross and undiscounted, and include contractual interest payments.

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**	**46,701**	**46,701**	**–**	**–**	**–**	**–**
Amortising term loans	**47,087**	**47,087**	**2,962**	**8,125**	**36,000**	**–**	**–**
Block loans	**627**	**654**	**81**	**403**	**170**	**–**	**–**
Lease liabilities	**5,479**	**6,954**	**248**	**887**	**982**	**1,893**	**2,944**
Payables in respect of cards and vouchers	**101,454**	**101,454**	**101,358**	**19**	**–**	**34**	**81**
Other trade and other payables	**154,187**	**154,187**	**154,149**	**–**	**–**	**–**	**–**

31 March 2022 £'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	27,000	27,054	27,054	–	–	–	–
Amortising term loan	21,667	21,797	2,839	8,125	10,833	–	–
Block loans	2,867	2,867	395	1,299	924	249	–
Lease liabilities	260	271	41	160	70	–	–
Trade and other payables	94,147	94,147	94,147	–	–	–	–
Deferred consideration liability	1,000	1,000	1,000	–	–	–	–

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 2023, these exposures were £nil (2022: £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 2023 comprised cash and cash equivalents which totalled £77.9 million (2022: £24.3 million from continuing operations) and monies held in trust £82.0 million (2022: £nil). 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% (2022: 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 monies held in trust 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
Following the group-wide refinancing in respect of the Appreciate acquisition, the Group's borrowing facilities consist of a £10.8 million amortising term loan which is due to be fully repaid by February 2024, a further £36 million amortising term loan repayable from May 2024 to February 2026 in equal, quarterly instalments until the final, double payment, and an unsecured £75.0 million revolving credit facility with a £30.0 million accordion facility (uncommitted) expiring in February 2026.

At 31 March 2023, £46.7 million (2022: £27.0 million) was drawn down from the £75.0m revolving credit facility, including accrued interest of £0.2m. The outstanding balance of the original amortising term loan was £10.8 million (2022: £21.7 million), the outstanding balance of the new amortising term loan was £36.0 million and total accrued interest on amortising loans at the year-end was £0.3m. The Group also had £0.6 million (2022: £2.9 million) of outstanding block loan balances.

Interest is payable at SONIA plus 1.75% (2022: 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 2023.

F) Fair value of financial assets and liabilities
All derivatives are held with an A rated bank and mature within one year. All financial assets/liabilities are measured at fair value through the profit or loss, comprising derivative financial instruments in the form of foreign exchange contracts (classified as Level 2), the deferred consideration liability recognised in the prior year relating to the RSM 2000 acquisition (classified as Level 1) and the convertible loan note instruments purchased from Optus Homes and OBConnect (classified as Level 3). The fair value of the convertible loan note instruments were measured using the income approach (discounted cash flow) – see note 15. 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 £2.8 million, comprising £2.8 million acquired on the Love2shop acquisition, £0.6m generated post-acquisition, less £0.6 million released post-acquisition. The corresponding prior year amounts were all £nil. 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 2023, or 31 March 2022.

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.

Notes to the consolidated financial statements continued

31. Financial instruments and risk continued

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.

32. 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 2023 £'000	Year ended 31 March 2022 £'000
Short-term benefits and bonus[1]	**1,615**	1,443
Pension costs[2]	**39**	38
Long-term incentives[3]	**503**	–
Other	**4**	4
Total	**2,161**	1,485

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, including non-executive directors who are also key management personnel, is disclosed on pages 113-114 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 2023 £'000	Year ended 31 March 2022 £'000
Amounts owed by subsidiaries	**13,025**	28,508
Amounts owed to subsidiaries	**(77,909)**	(52,160)
Interest paid to subsidiaries	**(2,052)**	(885)
Interest received from subsidiaries	**702**	826

As an associate of PayPoint PLC, Snappy Shopper was a related party prior to its disposal in the current 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.

33. Notes to the cash flow statement

Group	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Profit before tax from continuing operations		**42,574**	48,515
Profit before tax from discontinued operation		**–**	30,011
Adjustments for:			
Depreciation of property, plant and equipment	17	**4,922**	4,768
Amortisation of intangible assets	14	**5,555**	5,801
Profit from discontinued operation	11	**–**	(30,011)
R&D and VAT credits		**–**	(15)
Exceptional item – revaluation of deferred, contingent consideration liability	24	**–**	(2,880)
Exceptional item – non-cash impairment loss on reclassification of investment in associate to asset held for sale	15	**1,252**	–
Loss on disposal of fixed assets		**1,090**	59
Finance income	9	**(987)**	(13)
Finance costs	9	**2,718**	2,046
Share-based payment charge	29	**1,330**	868
Operating cash flows before movements in working capital		**58,454**	59,149
Movement in inventories		**737**	70
Movement in trade and other receivables		**(1,301)**	(526)
Movement in finance lease receivables		**2,366**	4,354
Movement in contract assets		**(853)**	(24)
Movement in contract liabilities		**(78)**	(684)
Movement in provisions		**-**	(12,500)
Movement in payables		**3,688**	(6,488)
Movement in lease liabilities		**(90)**	(7)
Cash generated from operations		**62,923**	43,344
Movement in clients' funds, retailer partners' deposits and card and voucher deposits	21	**39,259**	(9,718)
Net cash generated from operations[1]		**102,182**	33,626

1 Items in the course of collection and settlement payables and card and voucher balances are included in this reconciliation on a net basis through the client cash line. The Directors have included these items on a net basis to best reflect the operating cash flows of the business.

Company	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
(Loss)/profit before tax		**(1,261)**	27,439
Adjustments for:			
Amortisation of intangible assets	14	**–**	(503)
Exceptional item – revaluation of deferred, contingent consideration liability	24	**–**	(2,880)
Exceptional item – non-cash impairment loss on reclassification of investment in associate to asset held for sale	15	**1,252**	–
Profit from discontinued operation	11	**–**	(30,643)
Finance income		**(703)**	(826)
Finance costs		**4,549**	2,669
Share-based payment charge		**923**	392
Operating cash movement before movements in working capital		**4,760**	(4,352)
Movement in receivables		**16,610**	8,827
Movement in payables		**25,288**	25,755
Net cash generated from operations		**46,658**	30,230

34. Contingent liability

As announced in our RNS on 29 March 2023, the Group received 'letter before action' correspondence in March 2023 from a small number of market participants relating to 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 Ofgem resolution to the case did not include any infringement findings.

The Group responded robustly to both sets of allegations. A claim has now been served on a number of companies in the Group in relation to each matter: Utilita Energy Limited and Utilita Services Limited ("Utilita") served a formal claim on 16 June 2023 and Global-365 plc and Global Prepaid Solutions Limited ("Global-365") served a formal claim on 18 July 2023. Consideration has been given, in these financial statements, to the possibility of any liabilities arising from each claim. The Group is continuing to take legal advice with regard to these two claims. 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 and also over-estimates the opportunity, if any, available for the products offered by Global-365. As a result, no provision has been recognised in respect of either claim.

The Group intends to continue to robustly defend its position in both claims. However, if the Group was unable to successfully defend either claim, any liabilities could have a material adverse impact on the Group.

Notice of Annual General Meeting

This notice of meeting is important and requires your immediate attention.

If you are in any doubt as to any aspect of the proposals referred to in this notice of meeting or as to the action you should take, you should seek your own advice from a stockbroker, bank manager, solicitor, tax adviser, accountant or other independent professional adviser.

If you have recently sold or otherwise transferred all of your ordinary shares in PayPoint Plc, please pass this notice of meeting, together with the accompanying documents, to the purchaser or transferee, or to the person who arranged the sale or transfer, so that they can pass these documents to the person who now holds the shares as soon as possible.

PayPoint Plc's annual general meeting ('AGM') is set to be held at PayPoint's registered office address. We remain committed to engaging with our shareholders so please do send any questions you may have for the Board, relating to the business of the meeting, to our Company Secretary at CompanySecretary@paypoint.com by Tuesday 5 September 2023 at 12.00 noon.

Meantime, we encourage you to submit your proxy votes to the Company's registrars, Equiniti, as early as possible. Further information on how you can submit your proxy votes can be found on page 188. The deadline for submitting proxy votes is 12.00 noon on Tuesday 5 September 2023.

Notice is hereby given that the 2023 Annual General Meeting of PayPoint Plc (the 'Company') will be held at the Company's head office, 1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL on Thursday 7 September 2023 at 12.00 noon. You will be asked to consider and pass the following resolutions. Resolutions 1 to 14 (inclusive) will be proposed as ordinary resolutions, and Resolutions 15 to 18 (inclusive) will be proposed as special resolutions.

Routine business

1. **Directors' Report and Accounts**
   To receive the accounts for the financial year ended 31 March 2023 together with the Directors' report and the auditors' report on those accounts.

2. **Directors' Remuneration Policy**
   To approve the Directors' Remuneration Policy, set out on pages 104 to 123 of the annual report 2023, to take effect from 7 September 2023.

3. **Directors' Remuneration Report**
   To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the financial year ended 31 March 2023 as set out on pages 104 to 123 of the annual report 2023.

4. **Declaration of final dividend**
   To declare a final dividend of 9.3 pence per ordinary share of the Company for the year ended 31 March 2023.

5. **Re-election of Director – Rosie Shapland**
   To re-elect Rosie Shapland as a Director.

6. **Re-election of Director – Gill Barr**
   To re-elect Gill Barr as a Director.

7. **Re-election of Director – Giles Kerr**
   To re-elect Giles Kerr as a Director.

8. **Re-election of Director – Rakesh Sharma**
   To re-elect Rakesh Sharma as a Director.

9. **Re-election of Director – Nick Wiles**
   To re-elect Nick Wiles as a Director.

10. **Re-election of Director – Ben Wishart**
    To re-elect Ben Wishart as a Director.

11. **Election of Director- Guy Parsons**
    To elect Guy Parsons as a Director who, having been appointed since the last AGM of the Company, offers himself for election in accordance with the Company's Articles of Association.

12. **Appointment of Auditor**
    To confirm the appointment of Pricewaterhouse Coopers LLP as auditor of the Company until the conclusion of the next AGM of the Company at which the accounts are laid.

13. **Auditor's remuneration**
    To authorise the Directors to determine the auditor's remuneration.

Special business

14. Directors' authority to allot shares

That the Board be generally and unconditionally authorised under section 551 of the Companies Act 2006 to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

(A) up to a nominal amount of £72,576.09 (such amount to be reduced by any allotments or grants made under paragraph (B) below in excess of such sum); and

(B) comprising equity securities (as defined in section 560(1) of the Companies Act 2006) up to a nominal amount of £145,152.19 (such amount to be reduced by any allotments or grants made under paragraph (A) above) in connection with an offer by way of a rights issue:

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to apply until the close of business on 7 December 2024 or, if earlier, the AGM in 2024 but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

15. Disapplication of pre-emption rights

That if Resolution 14 is passed, the Board be authorised to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:

(A) the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (B) of Resolution 14, by way of a rights issue only):

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities, as required by the rights of those securities or, as the Board otherwise considers necessary;

(B) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) above) up to a nominal amount of £21,772.83 representing approximately 10 per cent of the aggregate nominal amount of the share capital of the Company (excluding treasury shares) as at 10 July 2023; and

(C) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) or paragraph (B) above) up to a nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under paragraph (B) above, such authority to be used only for the purposes of making a follow-on offer which the Board of the Company determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-emption Rights most recently published by the Pre-emption Group prior to the date of this notice,

such authority to expire at the end of the next AGM of the Company (or, if earlier, at the close of business on 7 December 2024 but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

16. Additional disapplication of pre-emption rights

That if Resolution 14 granting the authority to allot shares is passed, the Board be authorised in addition to any authority granted under Resolution 15 (first disapplication resolution) to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:

(A) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £21,772.83 representing approximately 10 per cent of the aggregate nominal amount of the share capital of the Company (excluding treasury shares) as at 10 July 2023 such authority to be used only for the purposes of financing (or refinancing, if the authority is to be used within 12 months after the original transaction) a transaction which the Board of the Company determines to be either an acquisition or a specified capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and

(B) limited to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (A) above) up to a nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under paragraph (A) above, such authority to be used only for the purposes of making a follow-on offer which the Board of the Company determines to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-emption Rights most recently published by the Pre-emption Group prior to the date of this notice,

such authority to expire at the end of the next AGM of the Company (or, if earlier, at the close of business on 7 December 2024 but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

Notice of Annual General Meeting continued

17. Company's authority to purchase its own shares

That the Company be authorised for the purposes of section 701 of the Companies Act 2006 to make one or more market purchases (as defined in section 693(4) of the Companies Act 2006) of its ordinary shares of 1/3 pence each, provided that:

(A) the maximum number of ordinary shares hereby authorised to be purchased is 7,257,609;

(B) the minimum price which may be paid for an ordinary share is 5 pence and the maximum price which may be paid for an ordinary share is the highest of:

(i) an amount equal to 5% above the average market value of an ordinary share for the five business days immediately preceding the day on which that ordinary share is contracted to be purchased; and

(ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venues where the purchase is carried out at the relevant time, in each case, exclusive of expenses;

such authority to apply to apply until the close of business on 7 December 2024 or, if earlier, the AGM in 2024 but in each case so that during this period the Company may enter into a contract to purchase ordinary shares which would, or might be, completed or executed wholly or partly after the authority ends and the Company may purchase ordinary shares pursuant to any such contract as if the authority had not ended.

18. Calling of general meetings on 14 days' notice.

That any general meeting of the Company that is not an AGM may be called on not less than 14 clear days' notice.

Recommendation

With respect to Resolutions 5 to 11(inclusive), the Chairman confirms that, based on the performance evaluation undertaken during the period, each of the retiring Directors' performance continues to be effective and to demonstrate commitment to the role. The Board has considered this and recommends that each Director who wishes to serve again be proposed for election/re-election. This opinion is based on an assessment of each Director's relevant knowledge and experience and the conclusion that, in each case, their informed opinions are of significant value and contribute greatly to Board discussions. Biographies of the Directors including their areas of expertise relevant to their role as a Director are given on pages 82 to 83 of the 2023 annual report.

The Directors believe that the proposals described in this Notice of Meeting are in the best interests of the Company and its shareholders as a whole and recommend shareholders to support them by voting in favour of all the resolutions, as they intend to in respect of their own beneficial shareholders.

By order of the Board

Brian McLelland
Company Secretary
27 July 2023

Registered office:
1 The Boulevard
Shire Park
Welwyn Garden City
Hertfordshire AL7 1EL
United Kingdom

Registered in England and Wales
Company No. 03581541

Notes to the Notice of Annual General Meeting

1. Shareholders should submit their proxy vote not less than 48 hours before the time of the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. To appoint a proxy or proxies shareholders must: (a) submit a proxy appointment electronically at www.sharevote.co.uk; or (b) complete a Form of Proxy, sign it and return it, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, to the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA; or (c) complete a CREST Proxy Instruction (as set out in paragraph 5 below), in each case so that it is received no later than 12.00 noon on 5 September 2023. To appoint more than one proxy, you will need to complete a separate Form of Proxy in relation to each appointment. A Form of Proxy for use in connection with the AGM is enclosed with this document. Full details of the procedure to submit a proxy electronically are given on the website www.sharevote.co.uk. To use this service, you will need your Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy. If you do not have a Form of Proxy and believe that you should, please contact the Company's registrars, Equiniti Limited, on +44 (0)371 384 2030 (please use the country code when calling from outside the UK) or at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Lines are open from 8.30am to 5.30pm, Monday to Friday (except public holidays in England and Wales).

2. A member entitled to attend, speak and vote at the AGM may appoint a proxy (who need not be a member of the Company) to exercise all or any of his or her rights to attend and to speak and vote on his or her behalf. A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her. To appoint more than one proxy please contact the Company's registrar using the details provided above. CREST members should utilise the CREST electronic proxy appointment service in accordance with the procedures set out below, and in each case must be received by the Company not less than 48 hours before the time of the meeting. You must inform the Company's registrar in writing of any termination of the authorities of a proxy.

3. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

4. The statement of the rights of shareholders to appoint a proxy in paragraphs one and two above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company. Nominated Persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investments in the Company.

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a CREST proxy instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

   If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12.00 noon on 5 September 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. If you hold your shares through a Nominee and wish to attend the meeting please bring the relevant entitlement to attend documentation.

7. To be entitled to attend and vote at the AGM or any adjournment thereof (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the Company by 6:30pm on 5 September 2023 (or by close of business on the date being two days before any adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Notes to the Notice of Annual General Meeting continued

8. Biographical details of the Directors of the Company are shown on pages 82-83 of the 2023 annual report.

9. Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, in accordance with section 319A of the Companies Act 2006 and subject to some exceptions, the Company must cause such questions to be answered. However, no such answer need be given if:
   (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
   (b) the answer has already been given on a website in the form of an answer to a question; or
   (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

10. Information relating to the meeting which the Company is required by section 311A of the Companies Act 2006 to publish on a website in advance of the meeting may be viewed at www.paypoint.com. A member may not use any electronic address provided by the Company in this document or with any proxy appointment form or in any website for communicating with the Company for any purpose in relation to the meeting other than as expressly stated in it.

11. It is possible that, pursuant to members' requests made in accordance with section 527 of the Companies Act 2006, the Company will be required to publish on a website a statement in accordance with section 528 of that Act setting out any matter that the members concerned propose to raise at the meeting relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company cannot require the members concerned to pay its expenses in complying with those sections. The Company must forward any such statement to its auditor by the time it makes the statement available on the website. The business which may be dealt with at the meeting includes any such statement.

12. The issued share capital of the Company as at 10 July 2023, the latest practicable date before publication of this notice, was 72,576,094 ordinary shares of 0.03 pence each, carrying one vote each. The Company holds no treasury shares. The total number of voting rights in the Company on 10 July 2023 is 72,576,094.

13. The Directors' service agreements, Directors' letters of appointment and Directors' deeds of indemnity are available for inspection at the registered office of the Company. Email: CompanySecretary@paypoint.com during normal business hours on any weekday (excluding public holidays). Copies of these documents will also be available at the place of the AGM from 15 minutes before the meeting until it ends.

Explanatory notes to certain of the resolutions to be proposed at the Annual General Meeting

Resolution 1: To receive the Directors' report and accounts

The Board asks that shareholders receive the Strategic Report, Directors' Report and the financial statements for the year ended 31 March 2023, together with the report of the auditor.

Resolution 2: Directors' Remuneration Policy

There are two remuneration resolutions this year. The first is to seek approval for our future Directors Remuneration Policy, which is intended to take effect from 7 September 2023. Our existing policy was approved at the 2020 AGM and a new policy must be put forward for approval by shareholders at least every three years. This resolution will be a binding vote and the Directors can only receive remuneration if it is within the approved Remuneration Policy. If Resolution 2 is not passed, our existing Directors' Remuneration Policy, approved at the 2020 AGM will continue in effect until a new policy is approved by shareholders.

Shareholders are asked to approve the Directors' Remuneration Policy that appears on pages 106-109 of the 2023 annual report. A summary of the changes made in the proposed 2023 policy is set out below:

1) Restricted Share Awards ('RSAs')

Under the current RSA Policy, RSAs granted to Executive Directors vest over three years (50% of awards), four years (25% of awards) and five years (25% of awards) subject to an assessment of the discretionary underpin. Once RSAs have vested, a holding period applies such that any resulting shares, other than those sold to pay employee taxes, may not be sold until at least five years from the grant date.

However, in future the Committee wishes to simplify the vesting such that RSAs granted to Executive Directors after the 2023 AGM will vest after three years from grant (subject to satisfaction of the underpin) with a two-year post vesting holding period. No changes will be made to existing awards.

Such a change simplifies the approach going forward, significantly reducing the administration surrounding multiple vesting dates across multiple awards and will align with the approach to granting RSAs below Board level. In addition, as evidenced during the recent search for our incoming Finance Director, a three-year vesting with a two-year holding period will more closely align PayPoint's approach to evolving RSA market practice.

2) Pension Policy

The maximum value of pension provision in the current Policy for current Executive Directors is 15% of salary. However, noting that the Chief Executive has received, and any new Finance Director will receive, a workforce-aligned pension provision from appointment, the 15% of salary Policy maximum will be replaced by a requirement to offer workforce aligned pension provision (which is currently 5% of salary) to Executive Directors.

3) Annual Bonus

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, the new Policy states that should bonus potential be increased from 106% of salary to a more market-aligned 150% of salary in the future (and as permitted under the current Policy), the on-target bonus potential will be reduced to 50% of maximum in line with market norms. Appropriate shareholder consultation would be carried out should Executive Director bonus potential be increased up to the Policy maximum going forward.

4) Introduction of ESG Performance Metrics

A widening of potential performance metrics in respect of both the annual bonus and the RSA underpin to explicitly permit the operation of ESG-based targets going forward to the extent that this is considered appropriate.

Resolution 3: Directors' Remuneration Report

Shareholders are asked to approve the Directors' Remuneration Report that appears on pages 104-123 of the 2023 annual report. This vote is advisory, and the Directors' entitlement to remuneration is not conditional on it.

Resolution 4: Declaration of final dividend

Shareholders are being asked to approve a final dividend of 9.3 pence per ordinary share for the year ended 31 March 2023. Subject to approval, the dividend will be paid on 22 September 2023 to the holders of ordinary shares whose names are recorded on the register of members at the close of business on 11 August 2023.

Resolutions 5–11: Directors

The Directors believe that the Board continues to maintain an appropriate balance of knowledge and skills and that all the Non-Executive Directors are independent in character and judgment. This follows a process of formal evaluation, which confirms that each Director makes an effective and valuable contribution to the Board and demonstrates commitment to the role (including making sufficient time available for Board and Committee meetings and other duties as required). In accordance with the UK Corporate Governance Code and in line with previous years, all Directors will again stand for election or re-election, as relevant, at the AGM this year. Biographies are available on pages 82-83 of the annual report. It is the Board's view that the Directors' biographies illustrate why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success.

Explanatory notes to certain of the resolutions to be proposed at the Annual General Meeting continued

Resolutions 12 and 13: Appointment and remuneration of auditor
The Company is required to appoint or reappoint an auditor at each general meeting at which accounts are presented to shareholders. Following the resignation of KPMG LLP as auditor, the Directors recommend Pricewaterhouse Coopers LLP be appointed as auditor for the financial year ending 31 March 2024. Resolution 13 grants authority to the Company to determine the auditor's remuneration.

Resolution 14: Directors' authority to allot shares
Paragraph (A) of this resolution would give the Directors the authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £72, 576.09 (representing 24,192,031 ordinary shares of 0.03 pence each). This amount represents approximately one-third of the issued ordinary share capital of the Company as at 10 July 2023, the latest practicable date prior to publication of this notice. In line with guidance issued by the Investment Association, paragraph (B) of this resolution would give the Directors authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £145,152.19 (representing 48,384,062 ordinary shares of 0.03 pence each), as reduced by the nominal amount of any shares issued under paragraph (A) of this resolution. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the Company as at 10 July 2023, being the latest practicable date prior to publication of this notice. The authorities sought under paragraphs (A) and (B) of this resolution will expire at the close of business on 7 December 2024 or, if earlier, the AGM in 2024. The Directors have no present intention to exercise either of the authorities sought under this resolution, other than to allot ordinary shares as following the exercise of options and awards under the Company's share schemes. However, if they do exercise the authorities, the Directors intend to follow Investment Association recommendations concerning their use. As at the date of this Notice, the Company does not hold any shares in treasury.

Resolutions 15 and 16: Authority to disapply pre-emption rights
Resolutions 15 and 16 are proposed as special resolutions. If the Directors wish to allot new shares and other equity securities, or sell treasury shares, for cash (other than in connection with an employee share scheme), company law requires that these shares are first offered to shareholders in proportion to their existing holdings.

In accordance with the Pre-emption Group's Statement of Principles 2022 on Disapplying Pre-emption Rights (Statement of Principles 2022), the Directors are seeking authority to disapply pre-emption rights in two separate resolutions:

- the first, Resolution 15, seeks authority for the Directors to disapply pre-emption rights and issue shares in connection with rights issues, or otherwise to issue shares for cash, including the sale on a non-pre-emptive basis of any shares the Company holds in treasury for cash, up to an aggregate nominal amount representing 10% of the Company's issued share capital, together with authority for a further disapplication of pre-emption rights up to an aggregate nominal amount representing 2% of issued share capital, to be used only for the purposes of a follow-on offer (see further below); and
- the second, Resolution 16 seeks authority seeks for the Directors to disapply pre-emption rights and allot new shares and other equity securities up pursuant to the allotment authority given by Resolution 14 or sell treasury shares for cash up to an aggregate nominal amount representing an additional 10% of the Company' issued share capital but only in connection with transactions which the Directors determine to be either an acquisition or special capital investment as defined by the Statement of Principles 2022, with authority for a further disapplication of pre-emption rights up to an agreed nominal amount representing 2% of the issued share capital to be used only for the purposes of a follow-on offer.

If the Directors wish to allot new shares or other equity securities, or sell treasury shares, for cash (other than in connection with an employee share scheme), company law requires that these shares are first offered to shareholders in the proportion to their existing holdings. However as at previous annual general meetings, and in line with the Statement of Principles 2022, Resolution 15 authorises the Directors to allot equity securities for cash without first offering them to existing shareholders in proportion to their existing holdings. In certain circumstances it may be in the best interests of the Company to allot shares (or to grant rights over shares) for cash or to sell treasury shares for cash without first offering them to existing shareholders in proportion to their holdings. However, the authority granted by Resolution 15 would be limited to allotments of shares for cash or sales of treasury shares for cash:

(i) by way of a rights issue (subject to certain exclusions); or by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportion to their shareholdings (subject to certain exclusions):
(ii) up to an aggregate nominal amount of £21,772.83 (representing 7,257,609 shares); or
(iii) otherwise up to an aggregate nominal amount of £4,354.57 (representing 1,451,522 shares for the purposes only of a follow-on offer as described in the Statement of Principles 2022).

The aggregate nominal amounts above represent approximately 10% and 2% respectively of the issued ordinary share capital in the Company as at 10 July 2023, being the latest practicable date prior to the publication of this Notice.

Resolution 16 gives the Directors authority to allot shares (or to sell any shares which the Company may purchase and elect to hold as treasury shares) for cash without first offering them to existing shareholders in proportion to their existing shareholdings up to:

(i) an additional 10% of issued share capital in connection with an acquisition or specified capital investment; or
(ii) up to an additional 2% of issued share capital for the purposes only of a follow-on offer as described in the Statement of Principles 2022. This is also in line with the Statement of Principles 2022.

The Directors confirm that they will only allot shares representing an additional 10% of the issued share capital of the Company for cash pursuant to the authority referred to in Resolution 16, where the allotment is in connection with an acquisition or specified capital investment (as defined in the Statement of Principles 2022) which is announced contemporaneously with the allotment, or which has taken place in the preceding 12-month period and is disclosed in the announcement of the allotment.

The authority sought by the Directors in both Resolution 15 and Resolution 16 extends the authority to allot shares representing up to a further 2% of issued share capital in each case for the purposes of a follow-on offer. The Statement of Principles 2022 provides for this as a possible means of enabling smaller and retail shareholders in the Company to participate in a non-pre-emptive equity issue when it may not be possible (for timing or other reasons) for them to participate in a particular placing being undertaken. The Statement of Principles 2022 sets out he expected features of any such follow-on offer, including in relation to qualifying shareholders, monetary caps on the amount qualifying shareholders can subscribe and the issue price of the shares.

The aggregate nominal amount to be allotted under Resolutions 15 and 16 combined represents 24% of the issued share capital of the Company as at 10 July 2023, being the latest practicable date prior to the publication of this Notice.

In respect of Resolutions 15 and 16, the Directors confirm their intention to follow the provisions of the Statement of Principles 2022, wherever practicable, and to consult with major shareholders (to the extent reasonably practicable and permitted by law) in advance of the Directors exercising their authority under either Resolution 15 or 16 to issue shares, except in connection with routine allotments under employee share schemes.

The Directors have no present intention of exercising either of the authorities granted by Resolution 15 or 16 but they consider their grants to be appropriate in order to preserve maximum flexibility in the future.

Both authorities will expire on the earlier of either the conclusion of the next annual general meeting of the Company or the close of business on 7 December 2024.

Resolution 17: Authority to make market purchases of ordinary shares

Resolution 17 is another special resolution and renews the Directors' authority granted by the shareholders at previous AGMs to make market purchases of up to 10% of the Company's issued ordinary shares (excluding any treasury shares). The Company may make purchases of its own shares if, having taken account of all major factors such as the effect on earnings and net asset value per share, gearing levels and alternative investment opportunities, such purchases are considered to be in the Company's and shareholders' best interests while maintaining an efficient capital structure.

If the Company purchases any of its ordinary shares pursuant to Resolution 17, the Company may cancel these shares or hold them in treasury. Such decision will be made by the Directors at the time of purchase. The minimum price, exclusive of expenses, which may be paid for an ordinary share is 5 pence. The maximum price, exclusive of expenses, which may be paid for an ordinary share is the highest of: (i) an amount equal to 5% above the average market value for an ordinary share for the five business days immediately preceding the date of the purchase; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out at the relevant time. At last year's annual general meeting, the Company was given authority to make market purchases of up to 6,895,790 shares. No shares have been purchased by the Company in the market since then. Options to subscribe for a total of 699,433 shares, being 0.96% of the issued ordinary share capital, were outstanding at 10 July 2023 (being the latest practicable date prior to the publication of this notice). If the existing authority given at the 2022 AGM and the authority being sought under Resolution 17 were to be fully used, these would represent 10.96% of the Company's issued ordinary share capital at that date. The Directors do not have any current plans to exercise the authority to be granted pursuant to Resolution 17. The Directors will exercise this authority only when to do so would be in the best interests of the Company, and of its shareholders generally. The authority will expire at the earlier of 7 December 2024 and the conclusion of the AGM of the Company held in 2024.

Resolution 18: Authority to allow any general meeting of the Company that is not an annual general meeting to be called on not less than 14 clear days' notice

The minimum notice period for general meetings of listed companies is 21 days, but companies may reduce this period to 14 days (other than for annual general meetings) provided that:

(a) the Company offers a facility for shareholders to vote by electronic means. This condition is met if the Company has a facility enabling all shareholders to appoint a proxy by means of a website; and

(b) on an annual basis, a shareholders' resolution approving the reduction of the minimum notice period from 21 days to 14 days is passed.

The Board is therefore proposing this resolution as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than an annual general meeting. The approval of this resolution will be effective until the end of the 2024 annual general meeting of the Company, when it is intended that the approval will be renewed. The Board intends that the shorter notice period will only be used in limited exceptional circumstances which are time-sensitive, rather than as a matter of routine, and only where the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole. The Directors do not have any current intention to exercise this authority but consider it appropriate to ensure that the Company has the necessary flexibility to respond to all eventualities.

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