PayPoint Plc
Results for the half year ended 30 September 2022

Positive half year for the PayPoint Group in line with expectations, with strong contribution from acquisitions

FINANCIAL HIGHLIGHTS

- Net revenue from continuing operations of £59.5 million (H1 FY22: £56.1 million from continuing operations) increased by £3.4 million (6.0%), driven by a strong performance in our E-commerce division, continued growth in our Cash Out service and the Department for Work and Pension Payment Exception Service, and further progress in the expansion of our retailer and SME proposition
- Profit before tax from continuing operations excluding exceptional items of £22.5 million (H1 FY22: £22.1 million restated) increased by £0.4 million (2.1%), after the impact of a one-off provision of £0.7 million for outstanding funds due from McColls with a claim being filed with the administrator
- Profit before tax of £21.0 million (H1 FY22: £55.0 million) decreased by £34.0 million, largely due to the profit on disposal of £30.0 million for the Romanian business received in H1 FY22
- Net corporate debt of £39.4 million (H1 FY22: £36.5 million) increased by £2.9 million
- Recommended acquisition of Appreciate Group plc for £83 million announced on 7 November 2022, subject to Appreciate Group plc shareholder approval via scheme of arrangement and FCA approval, with completion expected in H1 FY24
- Sale of investment in Snappy Shopper Ltd completed on 13 October 2022 for £5.5 million, with commercial partnership continuing offering a home delivery platform to PayPoint retailer partners
- Increased ordinary interim dividend of 18.4 pence per share declared, consistent with our unchanged dividend policy, and representing an increase of 2.2% vs the final dividend declared on 26 May 2022 of 18.0 pence per share and an increase of 8.2% vs the interim dividend declared on 25 November 2021 of 17.0p pence per share. The dividend will be paid in equal instalments of 9.2 pence per share on 30 December 2022 and 6 March 2023

Half year ended 30 September 2022	Six months to September 2022	Six months to September 2021 Restated[1]	Change
Revenue from continuing operations	**£75.4m**	£70.2m	7.4%
Net revenue from continuing operations[2]	**£59.5m**	£56.1m	6.0%
Operating margin before exceptional items[3] from continuing operations	**39.7%**	41.2%	(1.5ppts)
Profit before tax from continuing operations excluding exceptional items	**£22.5m**	£22.1m	2.1%
Exceptional items from continuing operations	**£(1.5)m**	£2.9m	n/m
Profit before tax from discontinued operation excluding exceptional item	**-**	£0.1m	n/m
Exceptional profit from discontinued operation	**-**	£29.9m	n/m
Profit before tax	**£21.0m**	£55.0m	(61.8)%
Diluted earnings per share	**24.4p**	72.7p	(66.4%)
Diluted earnings per share from continuing operations	**24.4p**	29.4p	(17.0%)
Diluted earnings per share from continuing operations excluding exceptional items	**26.6p**	25.3p	5.1%
Ordinary paid dividend per share	**18.0p**	16.6p	7.7%
Ordinary reported dividend per share	**18.4p**	17.0p	8.2%
Cash generation[4] from continuing operations excluding exceptional items	**£28.3m**	£21.8m	29.5%
Net corporate debt[5]	**£39.4m**	£36.5m	8.0%

[1] Comparative information has been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to Note 1 and Note 18
[2] Net revenue is an alternative performance measure. Refer to note 4 to the financial information for a reconciliation to revenue.
[3] Operating margin before exceptional items % is an alternative performance measure as explained in note 1 to the financial statements and is calculated by dividing operating profit before exceptional items from continuing operations by net revenue from continuing operations
[4] Cash generation is an alternative performance measure. Refer to the Financial review on page 15 – cash flow and liquidity for a reconciliation from profit before tax
[5] Net corporate debt (excluding IFRS 16 liabilities) is an alternative performance measure. Refer to note 1 to the interim report for a reconciliation to cash and cash equivalents

Nick Wiles, Chief Executive of PayPoint Plc, said:

"This has been a positive half year for the PayPoint Group where we have continued to build momentum across the business and remain confident in delivering further progress in the current year. The acquisitions made over the past two years have made a strong contribution to the results delivered across all three of our business divisions, whilst our continued focus remains on the delivery of our strategic priorities, a strong operational performance and maintaining a tight control of our cost base.

Strategically, we were particularly delighted to announce the proposed acquisition of Appreciate Group earlier this month, one of the UK's leading financial services businesses specialising in gifting, prepayment, corporate engagement and incentivisation solutions. 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. The acquisition is expected to be immediately earnings enhancing in FY24 and will deliver attractive returns for shareholders, with the enlarged Group targeting further growth in three broad areas: prepayment saving through Park Christmas Savings to support customers with budgeting tools for Christmas and other events; an enlarged full-service offering for gifting, employee rewards and benefits to Appreciate Group's corporate clients; and an extended consumer gifting network for the Love2shop brand.

In Shopping, we have made further progress in improving engagement with our retailer partners and key trade associations as we enhance our proposition, with the further rollout of a number of key initiatives including Counter Cash, FMCG campaigns, a strengthened card proposition and a strong performance in Business Finance via YouLend, supporting our retailer and SME partners during the current economic challenges. Our sales momentum across the Group has built considerably over the half year across both Handepay and PayPoint, particularly in our Card services business, supported by our most competitive and attractive proposition ever and allied with a more detailed focus on customer retention, leveraging AI and data analytics.

In E-commerce, our year on year performance has been excellent, with a number of weeks reaching over 1 million parcel transactions, driven by our strength in clothing/fashion categories, the continued expansion of new services with carrier partners, including Amazon and Wish.com, and the in-store experience investment made in Zebra label printers over the past 18 months. 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.

In Payments and Banking, we continue to diversify our digital payments client base and strengthen our channel-agnostic payment platform as we expand the range of digital solutions we can deliver to support our clients across multiple sectors, including government, local authorities and housing associations. Our Cash Out service and the DWP Payment Exception Service, delivered via i-movo, continue to perform strongly, with over 4.5 million vouchers issued in the half year, and is an important disbursement channel for government support initiatives to financially vulnerable people across the UK, such as council tax rebates and the Energy Bills Support Scheme. Our partnership and previously announced investment in OBConnect has already yielded positive results, with 6 clients contracted for our new Open Banking services to help deliver cost of living support payments, working closely with Pay.UK and the Payments System Regulator, and a recent expansion of our authorisation opening up further opportunities in the second half.

In a challenging and unpredictable economic environment, the transformation of our business continues, reflecting a rebalancing towards growth opportunities and delivering improving returns to shareholders. In addition to the progress made in the first half, we have again demonstrated the role our retailer network plays in supporting their communities and providing a range of services vital to combatting the current Cost of Living crisis.

Against this uncertain market background, our compelling characteristics of strong cash flow, resilient earnings and growth mean we remain confident of the progress we are making in the transformation of our business and delivering expectations for the year"

DIVISIONAL HIGHLIGHTS

Strong performance across the Group with net revenue increases across all three divisions

Shopping

Shopping divisional net revenue increased by 3.2% to £30.8 million (H1 FY22: £29.8 million), driven by the growth of our PayPoint One estate, the annual RPI increase and further enhancements to our retailer and SME propositions, including the launch of the new Android terminal in the Handepay cards business and the continued rollout of Counter Cash.

- Service fee net revenue increased by 9.2% to £8.9 million, reflecting increases in the number of PayPoint One sites and the impact of the annual RPI increase
- Card payment net revenue decreased slightly by 0.6% to £15.9 million, with an enhanced proposition for Handepay customers delivered, next day settlement now live across PayPoint and an increased focus on customer retention driven by AI and data analytics, but offset by a net decrease in sites
- Card value processed decreased slightly by 0.7% to £3.54 billion (H1 FY22: £3.56 billion): Handepay business increased to £1.94 billion in the half year (H1 FY22: £1.86 billion) and PayPoint card business reduced to £1.26 billion (H1 FY22: £1.27 billion)

- Card payment sites in the Handepay EVO estate grew to 17,548 (31 March 2022: 17,499) driven by the enhanced proposition, the new Android terminal now live with positive customer feedback and the increased optimisation of our sales efforts, in spite of a reduced headcount due to recruitment challenges
- Card payment sites in the PayPoint Lloyds Cardnet estate reduced to 9,514 (31 March 2022: 9,666) with improvements to the competitiveness of our proposition launched in Q2, with pricing and next day settlement, offset by an increase in site churn
- Card payment sites in the legacy Handepay Worldpay estate reduced to 4,517 (31 March 2022: 5,297) with a new 4-year contract extension now agreed
- UK retail network increased to 28,395 sites (31 March 2022: 28,254), with 66.9% in independent retailer partners and 33.1% in multiple retail groups

E-commerce

E-commerce divisional net revenue increased strongly by 45.7% to £3.0 million (H1 FY22: £2.1 million) and transactions grew by 60.6% to 23.0 million (H1 FY22: 14.3 million) through our e-commerce technology platform, Collect+. This was driven by excellent volumes, including a number of weeks reaching over 1 million parcels processed, driven by our strength in clothing/fashion categories, the continued expansion of new services with carrier partners and the in-store experience investments made in Zebra label printers over the past 18 months.

Payments & Banking

Payments & Banking divisional net revenue increased by 6.1% to £25.7 million (H1 FY22: £24.2 million), driven by a strong performance in the energy sector and continued growth in digital transactions, partially offset by a reduction in cash through to digital volumes as consumer behaviour has continued to reset post Covid-19.

- Cash payments net revenue delivered a resilient performance,decreasing by 2.9% to £16.4 million (H1 FY22: £16.9 million) , with a strong energy sector net revenue performance increasing by 8.1% year on year, offset by the continued reduction in other sector consumers and tourists topping up mobile phones in store
- Continued digital payments growth to 23.5 million transactions (H1 FY22: 13.5 million) and net revenue increasing by 87.1% to £5.9 million (H1 FY22: £3.0 million), with our Cash Out services and the DWP Payment Exception Service, delivered via i-movo, continuing to perform strongly and being an important disbursement channel for government support initiatives to financially vulnerable people across the UK, such as council tax rebates
- 9 energy providers signed contracts with PayPoint 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 leverages our Cash Out digital capability and extensive network of local retailer partners, with an estimated 800,000 vouchers to be issued to customers each month from October 2022
- Cash through to digital net revenue decreased by 21.2% to £3.4 million (H1 FY22: £4.3 million) and transactions decreased by 25.6% to 4.3 million (H1 FY22: 5.8 million), due to the resetting of consumer behaviour following the peaks experienced during Covid-19

BUSINESS DIVISION NET REVENUE AND MIX

Net revenue from continuing operations by business division (£m)	H1 FY23	FY22	H1 FY22
Shopping	**30.8**	58.7	29.8
E-commerce	**3.0**	4.9	2.1
Payments & Banking	**25.7**	51.5	24.2
PayPoint Group Total	**59.5**	115.1	56.1
Business division mix	**H1 FY23**	**FY22**	**H1 FY22**
Shopping	**51.8%**	51.0%	53.2%
E-commerce	**5.0%**	4.3%	3.7%
Payments & Banking	**43.2%**	44.7%	43.1%

Enquiries
PayPoint plc
Nick Wiles, Chief Executive (Mobile: 07442 968960)
Alan Dale, Finance Director (Mobile: 07778043962)

Finsbury
Rollo Head
James Thompson
(Telephone: 0207 251 3801)
(Email: Paypoint@finsbury.com)

A *presentation for analysts is being held at 9.30am today (24 November 2022) via webcast. This announcement, along with details for the webcast, is available on the PayPoint plc website: corporate.paypoint.com*

CHIEF EXECUTIVE'S REVIEW

This has been another positive half year for the PayPoint Group where we have continued to build on the strong momentum across the Group and remain confident in delivering further progress in the current year. Our focus remains on the delivery of our strategic priorities and a strong operational performance, while maintaining a tight control of our cost base. The transformation of the business continues apace, creating a significantly enhanced platform to drive strong shareholder returns and delivering a broader range of innovative services and technology connecting millions of consumers with our universe of over 60,000 retailer partner and SME locations across multiple sectors.

We have delivered a positive financial performance for the half year against the backdrop of continued macro-economic uncertainty. The acquisitions of i-movo, Handepay/Merchant Rentals, RSM 2000 and Collect+ have made a strong contribution to these results and the positive net revenue increases seen across all three of our business divisions.

Strategically, we were particularly delighted to announce the proposed acquisition of Appreciate Group earlier this month, one of the UK's leading financial services businesses specialising in gifting, prepayment, corporate engagement and incentivisation solutions. 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. The acquisition is expected to be immediately earnings enhancing in FY24 and will deliver attractive returns for shareholders, with the enlarged Group targeting further growth in three broad areas: prepayment saving through Park Christmas Savings to support customers with budgeting tools for Christmas and other events; an enlarged full-service offering for gifting, employee rewards and benefits to Appreciate Group's corporate clients; and an extended consumer gifting network for the Love2shop brand.

The proposed acquisition of Appreciate Group complements our digital payments offering in the Payments & Banking division and further enhances our retailer partner proposition in the Shopping division: Appreciate Business Services adds capability and opens up further growth opportunities, including the roll out of B2B and B2C corporate gifting and rewards solutions across our extensive client base, as well as the reciprocal opportunity to cross-sell our digital payments solutions into the Appreciate Group client base; within the Shopping division, Park Christmas Savings enables the further enhancement of our expanded retailer partner proposition and provides support to anticipated consumer budgeting behaviour through the current cost of living crisis. Specifically, the acquisition provides Appreciate Group with a third distribution channel, establishing PayPoint retailer partners as agents, and expanding the geographical reach of the existing proposition.

Furthermore, we have also added further capability to our Payments and Banking division with the previously announced investment in OBConnect, our Open Banking partner, enhancing PayPoint's digital payments offering by adding Open Banking services, offering payments and account information services directly to our customers, and has played a critical role in supporting large consumer organisations and local authorities in distributing cost of living support payments. This investment is opening up additional growth opportunities within our Payments and Banking division, particularly with the recent expansion of our authorisation for these services, and strengthens our position as the pre-eminent channel agnostic payments platform giving clients and consumers choice.

We have been relentlessly focused on operational excellence and the rapid delivery of our strategic priorities: embedding PayPoint at the heart of SME and convenience retail businesses; becoming the definitive technology-based e-commerce delivery platform for first and last mile customer journeys; sustaining leadership in 'pay-as-you-go' and growing digital bill payments; building a delivery focused organisation and culture.

In Shopping, our retailer partner and SME propositions have been enhanced further to help respond to consumer trends and drive revenue opportunities in a challenging cost environment: our new Counter Cash solution is now live in 4,563 sites, providing vital access to cash in communities across the UK, with over £22.8 million withdrawn since launch in November 2021; in Handepay, a new Android terminal was launched with positive merchant feedback, supported by one month contracts and next day settlement delivered in the last financial year; and in PayPoint, improved cards pricing and next day settlement were launched for new and existing merchants. Over the half year, our sales efforts across Handepay and PayPoint have sharpened with a proactive and systematic approach to targeting prospects, 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. We continue to monitor very closely the performance of merchants across different sectors to understand underlying consumer spending trends and to anticipate future changes in consumer behaviour. This analysis is showing both the resilience in a number of our important sector cohorts, including grocery, as well as weakness in bigger ticket areas, such as building supplies, where today we are under-represented. We have also continued to deepen our engagement with retailers and key trade associations to work in partnership to make the most of the new opportunities, yielding positive improvements in our retailer partner Net Promoter Score. The strong 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, with the lending proposition now expanded with our Funding Circle partnership launched in October 2022. On 13 October 2022, we sold our investment in Snappy Shopper for £5.5 million, with our well-established commercial partnership continuing, offering a home delivery platform to PayPoint retailer partners.

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. 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.

In Payments and Banking, we continue to diversify our digital payments client base and strengthen our channel-agnostic payment platform as we expand the range of digital solutions we can deliver to support our clients across multiple sectors, including government, local authorities and housing associations. Our Cash Out service and the DWP Payment Exception Service, delivered via i-movo, continue to perform strongly, with over 4.5 million vouchers issued in the half year, and is an important disbursement channel for government support initiatives to financially vulnerable people across the UK, such as council tax rebates and the Energy Bills Support Scheme. 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 for Business, Energy and Industrial Strategy.

The need to grow further consumer awareness for our expanded propositions and services remains, whether leveraging our own channels or partnering with clients and carriers on marketing programmes, such as the in-store merchandising on our digital voucher category working with brands like Amazon, Paysafe, Playstation and Love2shop, which has now rolled out to over 9,000 stores ahead of the key Christmas trading period. Equally, we are well aware of the critical role that we and our retailer partners play delivering vital community services across the UK and we remain focused on ensuring that we continue to deliver an excellent service for our consumers, reflected in our high customer satisfaction score of 89%[1], and to support them through the current energy crisis and 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 National Federation of Retail Newsagents (NFRN). 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.

Like many businesses, we are navigating more challenges from a cost perspective due to inflation, particularly in our supplier base and the increased salary pressures experienced in recruiting and retaining talent that we referenced in our full year results in May 2022. We are also mindful of the impact of these pressures on the consumers, clients and retailers that we serve and have sought to take action where we can to support them. As a business, we are continuing our tight cost management and capital discipline to address these challenges.

Our Environment, Social and Governance (ESG) strategy has also developed further in the year, as we consider our social responsibility and impact as a management 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 have also recently 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.

Outlook and dividend

In a challenging and unpredictable economic environment, the transformation of our business continues, reflecting a rebalancing towards growth opportunities and delivering improving returns to shareholders. In addition to the progress made in the first half, we have again demonstrated the role our retailer network plays in supporting their communities and providing a range of services vital to combatting the current Cost of Living crisis, including the Energy Bills Support Scheme which is being delivered in the second half. As the seasonal balance in our business returns post the impact of Covid-19, in the current financial year we expect a return to our more usual H2 weighted performance and its contribution to the year as a whole.

The Board has proposed an ordinary interim dividend of 18.4p per share, an increase of 2.2% vs the final dividend declared on 26 May 2022 of 18.0 pence per share and an increase of 8.2% vs the interim dividend declared on 25 November 2021 of 17.0p pence per share, consistent with our dividend policy of a target cover range of 1.2 to 1.5 times earnings from continuing operations excluding exceptional items, which reflects our long-term confidence in the business, the strength of our underlying cash flow, the mitigation plans in place for inflationary pressures and the enhanced growth prospects from the steps we have taken in the half year.

Against an uncertain market background in the second half, our compelling characteristics of strong cash flow, resilient earnings and growth mean we remain confident of the progress we are making in the transformation of our business and delivering expectations for the year.

Nick Wiles
Chief Executive
23 November 2022

[1] Opinium PayPoint Brand Tracker Sept 2021, 2,000 UK adults

MARKET OVERVIEW

The current economic climate whilst challenging is creating opportunities for PayPoint Group. With recent acquisitions and investments, PayPoint is well positioned to capitalise on the continued shift from cash to digital payments, the growing demand for online shopping fulfilment, and the rise in local shopping. We remain equally committed to assisting our clients, retail partners, and consumers in resolving issues resulting from the current macroeconomic challenges.

Key trends and changes since the end of FY22 in the UK markets in which PayPoint operates include:

Macro economic factors

- The Consumer Prices Index (CPI)[1] grew to 8.8% in September 2022, driven by housing and household services (principally from electricity, gas and other fuels, and owner occupiers' housing costs), transport (principally motor fuels), and food and non-alcoholic beverages.
- The GfK UK Consumer Confidence Index[2] fell to a new low of -49 in September 2022 (vs -13 in September 2021), with consumers under pressure from the UK's growing cost of living crisis driven by rapidly rising food prices, domestic fuel bills and mortgage payments.
- PwC's Autumn Consumer Sentiment Survey[3] reveals that sentiment has fallen to its second lowest recorded level of -44. Previous Surveys highlighted a divergence between sentiment levels across all age and socioeconomic groups in 2021 and early 2022. That has changed. Since summer, the gap has narrowed, as sentiment has fallen across every age group, socioeconomic group, nation and region of the UK. Seemingly, no group is immune to the cost of living crisis.
- UK Retail Sales[4] fell by 1.4% in September 2022; making them 1.3% below pre-coronavirus (COVID-19) February 2020 levels, with the proportion of retail sales taking place online now 26.4% in September 2022; this has remained at a broadly consistent level since May 2022 but continuing a broad downward trend since its peak in February 2021 (37.1%).
- The Lumina CTP Price Index[5], tracking shopper price sensitivity, has grown by 5.4% since last year, indicating consumers have already become more price-led, seeking out budget options and reducing spend.
- A May 2022 study from Which?[6] has shown that the rising cost of living could mean more people who do not usually use cash turning to it to manage their finances. A fifth (20%) of non-regular cash users said they would start using cash if the cost of living gets worse, with over a third (34%) of respondents whose annual income was lower than £20,000 finding cash easier to budget with, on its own or alongside other payment methods. Around 15 million regular cash users say it helps them to keep track of their spending, underlining its importance for those on tight budgets.

Convenience retail

- The UK convenience market grew to £43.2 billion[7] in 2021 and is forecast to reach a value of £45.2bn in 2022, with growth of 3.2% versus 2021 as the pandemic-induced boost to market value was retained.
- PayPoint One basket data shows overall convenience store average basket spend in the year has reduced year on year to £6.92 (FY21: £ 7.07) vs. the highs seen during the Covid-19 affected prior year.[8]
- Total UK convenience store numbers remained resilient, with marginal growth of 0.2% to 47,079[9].
- The sector continues to see consolidation, most recently with Morrison's buying the McColl's Retail Group following their administration in May 2022, maintaining over 1,000 stores across the UK.
- Local home delivery and click and collect from convenience stores grew rapidly in 2020 and 2021, but has slowed recently. Currently, circa 5% of total convenience missions are driven through these methods and they attract a younger, more affluent consumer, with basket spend being +128% higher than in-store shoppers[10].

Card payments

- Over the next decade, debit card payment volumes are forecast to continue to increase in use. They are predicted to pass the threshold of accounting for more than half of all payments in the UK, reaching over 24 billion payments in 2031.[11]
- In the half year, card payment volumes increased by 5.3% year on year in the PayPoint business and increased by 8.3% in the Handepay business, against strong volumes in H1 FY22.
- Latest UK Finance data[12] shows there were 2.1 billion debit and credit card transactions in the UK in July 2022, 12.2% more than in July 2021. The total spend of £75.3billion was 8.5% higher than July 2021. Contactless payments accounted for 61 per cent of all credit card and 75 per cent of all debit card transactions. The total number of UK card holders fell from 157 million in July 21 to 150 million in July 22 a drop of 4.4%.
- In the SME markets that our Handepay business serves, businesses employing 0-49 people, account for 99.2% (5.47 million) of the total UK business population, with 74% (4.1 million) having no employees and a further 20% (1.18

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[1] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/september2022
[2] https://www.gfk.com/en-gb/press/uk-consumer-confidence-tumbles-to-new-low-of-49-in-september
[3] https://www.pwc.co.uk/industries/retail-consumer/insights/consumer-sentiment-survey.html
[4] https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/september2022
[5] Lumina Intelliegence Convenience Strategy Forum March 2022
[6] https://press.which.co.uk/whichpressreleases/cash-a-lifeline-for-keeping-track-of-spending-for-15-million-people-amid-cost-of-living-crisis-which-research-reveals/
[7] Lumina Intelligence Convenience Market Report July 2022
[8] PayPoint One Basket Data – April 2019 – September 2022
[9] ACS Local Shop Report 2021
[10] Lumina Intelligence Convenience Market Report July 2022
[11] https://www.ukfinance.org.uk/system/files/2022-08/UKF%20Payment%20Markets%20Summary%202022.pdf
[12] https://www.ukfinance.org.uk/data-and-research/data/card-spending

million) classed as micro-businesses with 0-9 employees[1]. Retail, auto trade and hospitality businesses make up circa 14% of the SME sector[2].
- Technological and social change have led to decreased reliance on both physical cash and traditional bank branches. While cash accounted for 45% of all payments in 2015, five years later it was used in only 17% of transactions in the UK. The coronavirus pandemic reinforced this tendency. Similarly, the number of bank and building society branches in the UK fell by about 34% between 2012 and 2021[3].

Cash Out
- PayPoint's Cash Out service has grown significantly year on year, driven by ongoing Government Cost of Living Payments. In addition, the Energy Bills Support Scheme payments of £400 are now being delivered via our i-movo business, and has further underlined the continuing importance of delivering payments to those without access to a standard bank account.
- Communities across the UK will have their ability to access cash protected by new powers set out by the government in May as part of the Financial Services and Markets Bill. It will ensure the continued availability of withdrawal and deposit facilities across the UK, and that the country's cash infrastructure is sustainable for the long term.[4]
- The latest data from August 2022[5] showed LINK's ATM transactions were 2.4% lower year on year (137 million transactions) which contrasted to July 22 figures which were above the last two years. ATM coverage across the UK in 2022 continues to be broadly stable and LINK's strategy and Financial Inclusion Programme objectives.
- Access to cash remains a key priority in the UK and PayPoint are taking a lead role in maintaining free access to cash in communities across the UK.Our Counter Cash service, which launched in November 2021 offering cashback without purchase and balance enquiries over the counter, is now live in now live in 4,563 sites with over £22.8 million withdrawn since launch.

Parcels
- Overall online spending remains high, but has fallen in recent months. In May 2022, seasonally adjusted internet sales accounted for 26.6% of all official retail sales, compared with 19.7% in February 2020. The pandemic appears to have accelerated the online shopping trend. However, consumers have started shifting back towards shopping in store, although spending online remains high[6].
- Online retail sales in 2021 were down 5.6% year on year, according to IMRG's Online Retail Performance Report 2021, vs. 2020 which was positively impacted by Covid-19.[7]
- This contrasts with the strong performance seen in the Collect+ network in the half year, as transactions were +60.6% % vs. H1 FY22, outperforming the overall online retail sales market and driven by our strength in clothing/fashion categories, the continued expansion of new services with carrier partners and the in-store experience investments made in Zebra label printers over the past 18 months.
- Metapack data[8] shows that in the UK 43% of total non-food sales in 2020 were made online decreasing to 37% in 2021, but expected to account for 49.7% of non-food sales by 2025. 27% of UK consumers have permanently shifted their shopping to online post pandemic, with 36% expecting to visit a physical store less in the future.Preference is key in the e-commerce journey, with 56% considering it the most important factor when shopping online. Home delivery is still the preferred channel for 82% of consumers, with PUDO at 8% and lockers at 2%.
- The Out of Home (OOH) market comprises click and collect, returns and send propositions. The click and collect market is 11% of all volumes, c.150 million parcels per year and is expected to double by 2025[9]. Returns and send volumes are estimated at c.185 million and c.380 million parcels per year respectively[10].

Bill payments and top-ups
- The price cap for pre-pay customers increased to £2,017[11] for the six months to September 2022, which was 65% higher than the cap of £1,309 in the six months October 2021 to March 2022. From 1 October 2022, the price cap was due to increase by a further 56% to £3,608 for the three months to December 2022[12], but was subsequently replaced by the Energy Price Guarantee.This new scheme will reduce the unit cost of electricity and gas so that a household with typical energy use in Great Britain pays, on average, around £2,500 a year on their energy bill, for the next 6 months until 31st March 2023.
- The combined market share of the large legacy suppliers has continued to increase in 2022, reaching 72% in gas and electricity markets (as of September 2022)[13]
- As of end of June 2022, 29.5 million smart meters have been installed in homes and small businesses across the UK. 52% of all meters are now smart or advanced. The deadline for completion of the rollout has now been extended to 30 June 2025.[14]
- PayPoint data shows average transaction values for dual fuel has grown to £16.30 in August 2022, from £13.89 in the previous year.

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[1] https://www.fsb.org.uk/uk-small-business-statistics.html
[2] https://www.gov.uk/government/statistics/business-population-estimates-2022/business-population-estimates-for-the-uk-and-regions-2022- statistical-release-html
[3] https://researchbriefings.files.parliament.uk/documents/CBP-9453/CBP-9453.pdf
[4] https://www.gov.uk/government/news/new-powers-to-protect-access-to-cash
[5] Link Monthly Report August 2022
[6] https://www.ons.gov.uk/businessindustryandtrade/retailindustry/articles/howourspendinghaschangedsincetheendofcoronaviruscovid19restrictions/2022-07-11
[7] IMRG Online Retail Performance Report 2021
[8] Metapack E-Commerce Delivery Benchmark Report 2021
[9] https://www.imrg.org/uploads/media/default/0001/08/2477f50ad2fee946cdf5ed23ebb8df21f2489d09.pdf?st.
[10] OC&C analysis.
[11] https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/default-tariff-cap#:~:text=The%20Prepayment%20Meter%20Price%20Cap%20came%20into%20force,Price%20Cap%20expires%20at%20the%20end%20of%202020
[12] https://www.ofgem.gov.uk/information-consumers/energy-advice-households/check-if-energy-price-cap-affects-you
[13] https://www.ofgem.gov.uk/energy-data-and-research/data-portal/retail-market-indicators#thumbchart-c23042756505310535-n120192
[14] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1099629/Q2_2022_Smart_Meters_Statistics_Report.pdf

- The number of Pay As You Go mobile subscribers declined to 21.29 million subscribers[1] in Q1 2022, from 21.47 million in Q1 2021.

PROGRESS AGAINST OUR STRATEGIC PRIORITIES

SHOPPING BUSINESS DIVISION – H1 FY23 net revenue £30.8m (H1 FY22: £29.8m)
PRIORITY 1: EMBED PAYPOINT GROUP AT THE HEART OF SME AND CONVENIENCE RETAIL BUSINESSES

H1 FY23 Progress

- Further expansion of Counter Cash, now live in 4,563 sites with over £22.8 million withdrawn since launch in November 2021, 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
- Optimisation of sales efforts yielding improved conversion rates and customer satisfaction, supported by improved prospect targeting, data, AI tools and analytics to drive quality conversations and a stronger focus on retention across Handepay and PayPoint
- Strong performance of Business Finance via YouLend with over £5.9 million lent across PayPoint and Handepay and lending proposition expanded with Funding Circle partnership launched in October 2022
- FMCG – good progress with further campaigns live, partnering with Coca-Cola, Amazon, AG Barr and JTI, leveraging our PayPoint One platform, advertising screens and i-movo vouchering capability to help our retailer partners drive sales and 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

E-COMMERCE BUSINESS DIVISION – H1 FY23 net revenue £3.0m (H1 FY22: £2.1m)

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

H1 FY23 Progress

- Excellent parcel transaction growth of +60.6% 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 partnership launched with Wish.com, one of the largest ecommerce 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 in progress to expand Universal Print In Store Returns for more carrier partners in H2
- Rapid rollout of 1,455 Collect+ sites in September and October to support Royal Mail business customers, helping keep mail moving during industrial action

PAYMENTS & BANKING BUSINESS DIVISION – H1 FY23 net revenue £25.7m (H1 FY22: £24.2m)

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

H1 FY23 Progress

- Strong performance in the energy sector, with net revenue +8.1% and transactions +6.0% year on year, driven by an increase in frequency of consumer transactions and the impact of the April 2022 energy price cap
- Continued strong performance of Cash Out services and the DWP Payment Exception Service, delivered via i-movo, with over 4.5 million vouchers issued in the half year, and now established as an important disbursement channel for government support initiatives to financially vulnerable people across the UK, such as council tax rebates and the Energy Bills Support Scheme
- 9 energy providers signed contracts with PayPoint 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 leverages our Cash Out digital capability and extensive network of local retailer partners, with an estimated 800,000 vouchers to be issued to customers each month

[1] https://www.ofcom.org.uk/research-and-data/telecoms-research/data-updates/telecommunications-market-data-update-q1-2022

- 6 clients live on Confirmation of Payee name-checking service, via OBConnect, our Open Banking partner, which enables Payers to compare the account name, sort code, and account number provided to the name of the recipient of the funds. PayPoint became the first non-banking business to be able to offer the service, working in partnership with Pay.UK, initially covering energy rebate and council tax returns to help deliver the government's cost of living support package, and more recently with an expansion of our authorisation opening up further opportunities in H2 FY23
- Cash through to digital consumer awareness campaign for gifting expanded with over 9,000 display units rolled out to stores across the UK ahead of key Christmas trading period, including major multiple groups like Midcounties Co-operative, promoting our portfolio including Amazon, Xbox, PlayStation, Paysafe and Love2shop

PRIORITY 4: BUILDING A DELIVERY FOCUSED ORGANISATION AND CULTURE

PAYPOINT GROUP

H1 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
- Inaugural Pride Month programme 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
- 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 increased resilience in our core network services and the deployment of the automation framework, yielding reduced delivery times for CRM developments, reduced manual effort and increased capabilities to deliver more robust change implementation

FINANCIAL REVIEW

OVERVIEW OF CONTINUING OPERATIONS

£m	Six months to 30 September 2022	Restated[1] Six months to 30 September 2021	Change %
Revenue			
Revenue from continuing operations	**75.4**	70.2	7.4%
Net revenue[2]			
Continuing operations			
Shopping	**30.8**	29.8	3.2%
E-commerce	**3.0**	2.1	45.7%
Payments & Banking	**25.7**	24.2	6.1%
Total net revenue	**59.5**	56.1	6.0%
Total costs from continuing operations (excluding exceptional items)[3]	**(37.0)**	(34.0)	(8.8%)
Proft before tax from continuing operations (excluding exceptional items)	**22.5**	22.1	2.1%
Exceptional items from continuing operations	**(1.5)**	2.9	n/m
Profit before tax from continuing operations	**21.0**	25.0	(15.9%)
Profit before tax from discontinued operations	**-**	30.0	n/m
Profit before tax	**21.0**	55.0	n/m
Cash generation from continuing operations excluding exceptional items	**28.3**	21.8	29.5%
Net corporate debt[4]	**(39.4)**	(36.5)	(8.0%)

Profit before tax from continuing operations of £21.0 million (September 2021: £25.0 million) decreased by £4.0 million (15.9%). The current year reflects exceptional costs in relation to the disposal of our investment in Snappy Shopper of £1.2 million and £0.3 million of costs incurred to date in relation to the acquisition of Appreciate Group, whilst the prior year reflected exceptional income of £2.9 million relating to the change in fair value of the deferred contingent consideration for the i-movo acquisition.

The profit before tax from continuing operations excluding exceptional items, the underlying profit, increased by £0.4 million (2.1%) to £22.5 million (September 2021: £22.1 million). The September 2022 result includes a one-off provision of £0.7 million for the outstanding funds due from McColl's with a claim being progressed with the administrator. Excluding the one-off provision the profit before tax from continuing operations excluding exceptional items increased by 5% or £1.1 million to £23.2 million (September 2021: £22.1 million).

Revenue from continuing operations increased by £5.2 million (7.4%) to £75.4 million (2021: £70.2 million). Net revenue from continuing operations increased by £3.4 million (6.0%) to £59.5 million (September 2021: £56.1 million). There has been steady growth in Shopping through service fees from additional sites whilst cards revenues were flat. The excellent 45.7% growth in e-commerce net revenue was driven by increased volumes benefiting from the investment in thermal printers and reflecting our strength in supporting clothing/fashion categories. Payments & Banking net revenue increased by 6.1% driven by the increase in digital transactions from the DWP Payment Exception Service and our other Cash Out services, delivered via i-movo.

1 Comparative information has been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to Note 1 and Note 18

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

3 Total costs is an alternative performance measure as explained in note 1 to the financial information, a reconciliation to costs is included in the Financial review on page 15.

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

Shopping net revenue increased by £1.0 million (3.2%) to £30.8 million (September 2021: £29.8 million). Service fees net revenue increased by £0.7 million (9.2%) driven by additional PayPoint One sites and implementing an annual RPI increase. ATM and Counter Cash net revenue decreased by 3.2% due to the reduction in transactions driven by the continuing trend of reduced demand for cash across the economy although Counter Cash continues to grow. Handepay/Merchant Rentals net revenue remained flat at £9.8 million (0.1%) as Handepay business slightly reduced to £2.28 billion in the half year (September 2021: £2.29 billion) although offset by an increase in Merchant Rentals net revenue as the new one month product continues to grow in the estate. PayPoint and RSM card payments net revenue decreased by £0.1 million (1.7%) with business slightly increased to £1.37 billion (September 2021: £1.36 billion).

E-commerce net revenue grew strongly by £0.9 million (45.7%) to £3.0 million (September 2021: £2.1 million) with total transactions increasing by 60.6%. This was driven by excellent volumes, including a number of weeks reaching over one million transactions, driven by the in-store experience from investment made in Zebra label printers, the continued expansion of new services with carrier partners and our strength in supporting clothing/fashion categories.

Payments & Banking net revenue increased by £1.5 million (6.1%) to £25.7 million (September 2021: £24.2 million). Cash bill payments net revenue only decreased by £0.1 million (0.6%) to £12.3 million, changing from the much larger decrease trends seen in recent years. This arose from a strong energy sector net revenue performance increasing by 8.1% year on year, offset by lower transactions in other sectors. Cash top-ups net revenue decreased by £0.3 million (7.0%) to £3.7 million with volumes down 13.3% driven by the continuing structural declines in the prepaid mobile sector. Digital net revenue increased by £2.9 million (95.5%) to £5.9 million driven by the DWP Payment Exception Service launched via the i-movo acquisition contributing an additional £2.0m of net revenue. MultiPay net revenue increased by £0.5 million to £1.9 million (September 2021: £1.4 million) and transactions increased 48.1% as a result of more clients taking the digital services and contribution from the new functionalities of Direct Debit although at a lower net revenue per transaction. Cash through to digital net revenue decreased by 21.2% to £3.4 million (September 2021: £4.3 million) and transactions decreased by 25.6% to 4.3 million (September 2021: 5.8 million), due to the resetting of consumer behaviour following the peaks experienced during Covid-19.

Total costs from continuing operations excluding exceptional costs increased by £3.0 million to £37.0 million (September 2021: £34.0 million). The increase in costs was mainly from a £1.6m higher cost of revenue following growth in certain revenue sectors which attract transactional costs and costs to sell. The result includes 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. Prior year costs have been restated and reduced by £0.2 million by the retrospective application of the change in accounting policy on intangible assets following the April 2021 IFRIC agenda decision on costs incurred in implementing cloud computing SaaS arrangements.

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

£m	Six months to 30 September 2022	restated Six months to 30 September 2021
Profit before tax from continuing operations	**£21.0m**	£25.0m
Adjusted for:		
Current year exceptional costs – administrative expenses - impairment loss on Snappy	**£1.2m**	-
Current year exceptional costs – administrative expenses – acquisition costs expensed	**£0.3m**	-
Prior year exceptional income – administrative expenses	**-**	(£2.9m)
Underlying profit before tax from continuing operations	**£22.5m**	£22.1m

The current year exceptional costs of £1.2 million are in relation to the impairment of the value of our investment in Snappy Shopper Ltd which was sold in October 2022 and £0.3 million of costs incurred to date in relation to the proposed acquisition of Appreciate Group whilst the prior year reflected exceptional income of £2.9 million which is as a result of the change in fair value of the deferred contingent consideration relating to the i-movo acquisition.

Cash generation from continuing operations excluding exceptional items improved to £28.3 million (September 2021: £21.8 million), delivered from profit before tax excluding exceptional items of £22.5 million (September 2021: £22.1 million). There was a net working capital inflow of £0.8 million, primarily as a result of the net investment in finance leases reducing as more terminal leasing merchants move onto the new one month deal.

Net corporate debt increased by £2.9 million to £39.4 million (September 2021: £36.5 million), although decreased by £4.5 million from the year end position following improved cash generation partially offset by investment in OBConnect, purchase of card terminals and increased dividend requirements. At 30 September 2022 loans and borrowings were £43.2 million (September 2021: £43.7 million, March 2022: £51.5)

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, ATMs, Counter Cash and terminal leasing.

Net revenue (£m)	Six months to September 2022	Six months to September 2021	Change %
Service fees	**8.9**	8.2	9.2%
Card payments – PayPoint and RSM 2000[1]	**6.1**	6.2	(1.7%)
Card payments – Handepay & Merchant Rentals	**9.8**	9.8	0.1%
ATMs and Counter Cash	**4.8**	5.0	(3.2%)
Other shopping	**1.2**	0.6	62.8%
Total net revenue (£m)	**30.8**	29.8	3.2%

Net revenue increased by £1.0 million (3.2%) to £30.8 million (September 2021: £29.8 million) primarily due to the increase in service fees.

Service fees from terminals	Six months to 30 September 2022	Six months to 30 September 2021	Change %
Net Revenue (£m)	**8.9**	**8.2**	9.2%
PayPoint terminal sites (No.)			
PayPoint One Base	**7,090**	7,691	(7.8%)
PayPoint One EPoS Core	**10,223**	9,084	12.5%
PayPoint One EPoS Pro	**992**	1,191	(16.7%)
Total PayPoint One – revenue generating	**18,305**	17,966	1.9%
PayPoint One Base non-revenue generating	**691**	550	25.6%
Total PayPoint One	**18,996**	18,516	2.6%
Legacy (T2)	**140**	482	(71.0%)
PPoS	**9,259**	9,137	1.3%
Total terminal sites in PayPoint network	**28,395**	28,135	0.9%
PayPoint One average weekly service fee per site (£)	**17.7**	16.8	5.9%

As at 30 September 2022, PayPoint had a live terminal in 28,395 UK sites, an increase of 0.9% primarily as a result of new sales. PayPoint One sites increased by 2.6% to 18,996 sites due to new sales and the continued migration from the legacy T2 terminal.

Service fees: This is a core growth area and consists of service fees from PayPoint One and our legacy terminals. Service fee net revenue increased by £0.7 million (9.2%) to £8.9 million driven by the additional 339 PayPoint One revenue generating sites compared to September 2021 and the annual RPI increase. PayPoint did not apply the full RPI increase to help support our Retailer Partners in these times of considerable increases in costs.

The PayPoint One average weekly service fee per site increased by 5.9% to £17.7, benefiting from the increase in EPoS Core sites which are charged at a higher rate than Base and the annual RPI increase. Retailers taking the Core version of the product represent 53.8% (September 2021: 49.1%) of all PayPoint One sites and the Pro version represent 5.2% (September 2021: 6.4%). Legacy terminals now just remain in a few of our multiple retailer partners but are being replaced.

[1] Net revenue from RSM2000 cards business of £0.5 million in half year ended 30 September 2021 has been represented from Digital net revenue to Card Paymens in line with the year ended 31 March 2022, this has no impact to net revenue overall

Card Payments and leases	Six months to 30 September 2022	Six months to 30 September 2021	Change %
Net Revenue (£m)			
Card payments – Handepay & Merchant Rentals	**9.8**	9.8	0.1%
Card payments – PayPoint and RSM 2000[1]	**6.1**	6.2	(1.7%)
Services in Live sites (No.)			
Card payments – Handepay	**22,065**	22,661	(2.6%)
Card terminal lessees – Merchant Rentals	**34,648**	35,447	(2.3%)
Card payments – PayPoint	**9,514**	9,900	(3.9%)
Card payments – RSM 2000	**145**	156	(7.1%)
Transactions (Millions)			
Card payments – Handepay	**78.0**	72.1	8.3%
Card payments – PayPoint	**118.5**	112.6	5.3%
Card payments – RSM 2000	**3.6**	3.3	8.3%

Card payments: Handepay and Merchant Rentals generated £9.8 million net revenue in the six months to September 2022 which is in line with the comparable period. Handepay card payments transactions increased by 8.3% to 78.0 million, maintaining strong transaction volumes seen in FY21 but at a lower average transaction value of £29.2 (September 2021: £31.7). There were 22,065 Handepay card payments sites, a decrease of 731 sites (3.2%) since 31 March 2022. Handepay sales increased in the half year supported by the one month proposition but sites have been impacted by higher churn, particularly in our Worldpay back book in this very competitive market. In the second half new sales will benefit from the new Android terminal and retention focus is being enhanced.

PayPoint card payments transactions increased by 5.3% to 118.5 million although net revenue decreased by 4.3% to £5.5 million, maintaining strong transaction volumes seen in FY21 but at a lower average transaction value of £10.6 (September 2021: £11.3). Across our network there were 9,514 PayPoint card payments sites, a decrease of 152 sites (1.6%) since 31 March 2022. Next day settlement is now live across PayPoint and there is an increased focus on customer retention driven by AI and data analytics.

ATMs and Counter Cash	Six months to 30 September 2022	Six months to 30 September 2021	Change %
Net Revenue (£m)	**4.8**	5.0	(3.2%)
Services in Live sites (No.)	**8,060**	3,827	110.6%
Transactions (Millions)	**15.5**	15.6	(0.5%)

ATMs and Counter Cash: Net revenue reduced by £0.2m (3.2%) to £4.8 million (September 2021: £5.0 million) as transactions reduced by 0.5% to 15.5 million. This is attributable to the continued reduced demand for cash across the economy although our new product Counter Cash continues to grow. ATM and Counter Cash sites increased 110.6% to 8,060 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. Our recent Counter Cash functionality continues to be rolled out and contributed 5% of transactions.

Other: Other shopping services increased by £0.6 million (62.8%) to £1.2 million (September 2021: £0.6 million) this includes the partnership with Snappy Shopper and FMCG campaigns.

E-COMMERCE

Parcels	Six months to 30 September 2022	Six months to 30 September 2021	Change %
Net Revenue (£m)	**3.0**	2.1	45.7%
Services in Live sites (No.)	**9,891**	10,186	(2.9%)
Transactions (Millions)	**23.0**	14.3	60.6%

[1] Net revenue from RSM2000 cards business of £0.5 million in half year ended 30 September 2021 has been represented from Digital net revenue to Card Paymens in line with the year ended 31 March 2022, this has no impact to net revenue overall

E-commerce net revenue increased by £0.9 million (45.7%) to £3.0 million due to the increase in total parcels transactions by 60.6% to 23.0 million. This was driven by excellent volumes, including a number of weeks reaching over one million parcels processed, driven by the continued expansion of new services with carrier partners, the in-store experience from investments made in Zebra label printers over the past 18 months and reflecting our strength in supporting clothing/fashion categories. Net revenue did not increase as much as transactions due to the mix of transactions with parcel returns having a lower transaction rate.

PAYMENTS & BANKING

	Six months to 30 September 2022	**Six months to 30 September 2021**	Change %
Net revenue (£m)			
Cash – bill payments	**12.3**	12.4	(0.6%)
Cash – top-ups	**3.7**	3.9	(7.0%)
Digital[1]	**5.9**	3.0	95.5%
Cash through to digital	**3.4**	4.3	(21.2%)
Other payments and banking	**0.4**	0.6	(22.7%)
Total net revenue (£m)	**25.7**	24.2	6.1%

Payments & Banking divisional net revenue increased by 6.1% to £25.7 million, as a result of continued growth in digital payment transactions, in particular the DWP Payment Exception Service, partially offset by fewer cash through to digital transactions.

Cash – bill payments	**Six months to 30 September 2022**	Six months to 30 September 2021	Change %
Net revenue (£m)	12.3	12.4	(0.6%)
Transactions (millions)	73.3	72.8	0.6%
Transaction value (£m)	1,963.8	1,864.3	5.3%
Average transaction value (£)	26.8	25.6	4.7%
Net revenue per transaction (pence)	16.8	17.0	(1.3%)

Cash - bill payments net revenue only decreased by £0.1 million (0.6%) to £12.3 million changing from the much larger decrease trends seen in recent years. This is primarily as a result of strong energy sector net revenue performance increasing by 8.1% year on year, partially offset by the consumers move to digital payment methods. The increase in Energy Price Cap has seen customers topping up more frequently and with increased average transaction values.

Cash – top-ups	**Six months to 30 September 2022**	**Six months to 30 September** 2021	Change %
Net revenue (£m)	3.7	3.9	(7.0%)
Transactions (millions)	9.7	11.2	(13.3%)
Transaction value (£m)	120.0	134.3	(10.6%)
Average transaction value (£)	12.4	12.0	3.1%
Net revenue per transaction (pence)	38.1	34.8	9.5%

Cash - top-ups net revenue decreased by £0.2 million (7.0%) to £3.7 million. Cash top-ups transactions decreased by 1.5 million (13.3%) to 9.7 million due to further market declines in the prepaid mobile sector, whereby UK direct debit pay monthly options displace UK prepay mobile.

Digital	**Six months to 30 September 2022**	**Six months to 30 September** 2021	Change %
Net revenue (£m) 1	5.9	3.0	87.1%
Transactions (millions)	23.5	13.5	74.6%
Transaction value (£m)	482.9	292.8	64.9%

1 Net revenue from RSM2000 cards business of £0.5 million in half year ended 30 September 2021 has been represented from Digital net revenue to Card Paymens in line with the year ended 31 March 2022, this has no impact to net revenue overall

Average transaction value (£)	20.5	21.7	(5.5%)
Net revenue per transaction (pence)	25.1	22.2	13.0%

Digital (MultiPay, Cash Out and RSM 2000) net revenue increased by £2.9 million (87.1%) to £5.9 million and digital transactions increased by 10.0 million (74.6%) to 23.5 million driven by the DWP Payment Exception Service via the i-movo acquisition contributing an additional £2.0m of net revenue. MultiPay net revenue increased by £0.5 million to £1.9 million (September 2021: £1.4 million) this was due to increased volumes by 5.3 million transactions (48.1%) to 16.2 million. Net revenue per transaction has increased due to the cash out transactions.

Cash through to digital	**Six months to 30 September 2022**	**Six months to 30 September** 2021	Change %
Net revenue (£m)	3.4	4.3	(21.2%)
Transactions (millions)	4.3	5.8	(25.6%)
Transaction value (£m)	244.1	254.2	(4.0%)
Average transaction value (£)	56.4	43.8	29.0%
Net revenue per transaction (pence)	79.1	74.1	6.7%

Cash through to digital (eMoney) net revenue decreased by £0.9 million (21.2%) to £3.4 million (September 2021: £4.3 million) and transactions decreased by 1.5 million (25.6%) to 4.3 million (September 2021: 5.8 million) due to the continued resetting of consumer behaviour following the peaks experienced during Covid-19

Other payments & banking net revenue includes SIM sales and other ad-hoc items which contributed £1.0 million (September 2021: £1.2 million) net revenue. The decrease reflects the continuing decline in SIM sales, accentuated by the impact of Covid-19 on tourism.

TOTAL COSTS

	Six months to 30 September 2022	Restated[1] Six months to 30 September 2021	Change %
Continuing operations excluding exceptional items			
Other costs of revenue	**7.1**	5.3	(34.0%)
Depreciation and amortisation (costs of revenue)	**3.4**	3.6	6.7%
Depreciation and amortisation (administrative expenses)	**1.3**	1.5	13.3%
Other administrative costs (administrative expenses)	**24.2**	22.6	(7.1%)
Net finance costs	**1.0**	1.0	-
Total costs from continuing operations excluding exceptional items	**37.0**	34.0	(8.8%)

Total costs from continuing operations increased by £3.0 million (8.8%) to £37.0 million. The increase in costs was primarily driven by higher transactional, acquisition and depreciation costs incurred to support the growth in revenue in digital transations and Handepay & Merchant Rentals cards which are key growing revenue streams. The result includes 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.

Prior year costs have been restated and reduced by £0.2 million by the retrospective application of the change in accounting policy on intangible assets following the April 2021 IFRIC agenda decision on costs incurred in implementing cloud computing SaaS arrangements. This is the net impact of reversing amortisation of previously capitalised intangible assets and expensing rather than capitalising SaaS type expenditure in the year.

OPERATING MARGIN BEFORE EXCEPTIONAL ITEMS[2]

[1] Comparative information has been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to Note 1 and Note 18.

[2] Operating margin before exceptional items % is an alternative performance measure and is calculated by dividing operating profit before exceptional items by net revenue.

Operating margin from continuing operations before exceptional items of 39.7% (September 2021: 41.2%) decreased by 1.5 ppts due to higher transactional, acquisition and depreciation costs incurred to support the growth in revenue, combined 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.

PROFIT BEFORE TAX AND TAXATION

The tax charge for continuing operations of £3.9 million (September 2021: £4.6 million) on profit before tax from continuing operations of £21.0 million (September 2021: £25.0 million) represents an effective tax rate[1] of 18.7% (September 2021: 18.3%). 0.4ppts higher than prior year due to a decrease in disallowable expenses associated with the prior year one-off acquisition and disposal costs.

GROUP STATEMENT OF FINANCIAL POSITION

Net assets of £88.4 million (September 2021: £74.3 million) increased by £14.1 million. Current assets increased by £13.6 million to £108.3 million (September 2021: £94.8 million) as a result of higher balances held for items in the course of collection. Non-current assets of £124.0 million (September 2021: £126.8 million) decreased by £2.8 million mainly due to the movement of the Snappy Shopper investment to assets held for sale partially offset by the investment in convertibile loan notes issued by OBConnect.

Current liabilities increased £8.9 million as a result of higher short term borrowing on the revolving credit facility with £26.0 million borrowed at 30 September 2022 (September 2021: £12.0 million). Non-current liabilities of £9.5 million (September 2021: £21.7 million) decreased mainly by the non-current portion of the 3 year term loan being paid down over time.

GROUP CASH FLOW AND LIQUIDITY

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

	Six months to 30 September 2022	Restated[2] Six months to 30 September 2021	Change %
Profit before tax from continuing and discontinued operations	**21.0**	55.0	61.8%
Exceptional items	**1.5**	(2.9)	n/m
Gain on disposal of investments Romania	**-**	(30.0)	-
Depreciation and amortisation	**4.7**	5.1	(8.7%)
Share-based payments and other items	**0.3**	0.3	-
Working capital changes (corporate)	**0.8**	(5.7)	n/m
Cash generation from continuing operations	**28.3**	21.8	29.5%
Taxation payments	**(1.3)**	(3.9)	(66.7%)
Capital expenditure	**(6.0)**	(3.7)	60.0%
Acquisitions of subsidiaries net of cash acquired	**-**	(4.5)	-
Contingent consideration cash paid	**(1.0)**	-	-
Purchase of investment in associate	**-**	(6.7)	-
Purchase of convertible loan note	**(3.0)**	-	-
Disposals of business net of cash disposed	**-**	20.2	-
Movement in loans and borrowings	**(8.4)**	(42.9)	(80.4%)
Lease payments	**(0.1)**	(0.1)	-
Dividends paid	**(12.4)**	(11.4)	8.8%
Net decrease in corporate cash and cash equivalents	**(3.9)**	(31.2)	(87.5%)
Net change in clients' funds and retailers' deposits	**(0.1)**	(10.2)	n/m
Net decrease in cash and cash equivalents	**(4.0)**	(41.4)	(90.3%)
Cash and cash equivalents at the beginning of year	**24.4**	64.8	-
Effect of foreign exchange rate changes	**-**	-	-
Cash and cash equivalents at the end of year	**20.4**	23.4	-
Comprising:			
Corporate cash	**3.8**	7.2	-
Clients' funds and retailers' deposits	**16.6**	16.2	-

Cash generation from continuing operations increased to £28.3 million (September 2021: £22.1 million) delivered from profit before tax from continuing and discontinued operations of £21.0 million (September 2021: £55.0 million). There was a net

[1] Effective tax rate is the tax cost as a percentage of profit before tax.
[2] Comparative information has been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to Note 1 and Note 18.

working capital inflow of £0.8 million, primarily as a result of the net investment in finance leases reducing as more terminal leasing merchants move onto the new one month deal.

Taxation payments on account of £1.3 million (September 2021: £3.9 million) are lower compared to the prior period due to a £3.2 million refund received following the submission of the FY21 tax computatons . Dividend payments were higher compared to the prior period due to the increase in the interim and final ordinary dividend paid per share compared to the prior year ended 31 March 2022.

Capital expenditure of £6.0 million (September 2021: £3.7 million) was £2.3 million higher than the prior year. Capital expenditure primarily consists of IT hardware, PayPoint One terminals, hardware for terminal leasing and the enhancement to the Direct Debit platform. The increase in capital expenditure is primarily driven by the launch of Merchant Rentals one month deal since October 2021 with £1.6 million being invested in terminals in the six months to September 2022.

At 30 September 2022 net corporate debt was £39.4 million (September 2021: £36.5 million) and has increased by £2.9 million from the prior period end position although decreased by £4.5 million from the year end position following positive cash generation partially offset by tax, capital and dividend requirements. Total loans and borrowings of £43.2 million which have decreased by £0.5 million consisted of a £16.3 million amortising term loan, £26.0 million drawdown of the £75.0 million revolving credit facility and £0.9 million of asset financing balances (September 2021: £12.0 million drawdown from the revolving credit facility, £27.1 million amortising term loan and £4.6 million of asset financing balances).

DIVIDENDS

	Six months to 30 September 2022	**Six months to 30 September 2021**	Change %
Ordinary reported dividends per share (pence)			
Interim (proposed)	**18.4**	**17.0**	8.2%
Final (paid)	**18.0**	**16.6**	8.4%
Total dividends per share (pence)	**36.4**	**33.6**	8.3%
Total dividends paid in period (£m)	**12.4**	**11.4**	8.8%

In the six months to 30 September 2022, total dividend payments of £12.4 million or 18.0 pence per share (September 2021: £11.4 million or 16.6 pence per share) were made, representing the final ordinary dividend for the year ended 31 March 2022. This is a 8.4% increase in the final dividend since last year.

We have declared an increased interim dividend of 18.4 pence per share (September 2021: 17.0 pence) payable in equal instalments of 9.2 pence per share on 30 December 2022 and 6 March 2023 (to shareholders on the register on 2 December 2022) and 6 March 2023 (to shareholders on the register on 3 February 2023). This is an increase of 2.2% compared to the final dividend declared on 25 May 2022 of 18.0 pence per share, and an increase of 8.2% compared to the same period last year (September 2021: 17.0 pence).

The final dividends will result in £12.7 million (September 2021: £11.4 million) being paid to shareholders from the standalone statement of financial position of the Company which, as at 30 September 2022, had approximately £62.7 million (September 2021: £79.9 million) of distributable reserves.

CAPITAL ALLOCATION

The Board's 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 not materially changed since the prior year end and 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 Group and investment in OB Connect;
- Progressive ordinary dividends targeting a cover ratio of 1.2 to 1.5[1] times from continuing operations earnings 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. Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group including dividends.

Alan Dale
Finance Director

[1] Dividend cover represents profit after tax from continuing operations excluding exceptional items divided by reported dividends.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**6 months ended 30 September 2022 £000**	Restated[1] 6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Continuing operations				
Revenue	3	**75,385**	70,199	145,144
Cost of revenue	5	**(26,602)**	(23,014)	(48,725)
Gross profit		**48,783**	47,185	96,419
Administrative expenses – excluding exceptional items		**(25,237)**	(24,084)	(48,751)
Operating profit before exceptional items		**23,546**	23,101	47,668
Exceptional item (administrative expenses) – impairment loss on reclassification of investment in associate to asset held for sale	6	**(1,253)**	-	-
Exceptional item (administrative expenses) – acquisition costs expensed	6	**(300)**	-	-
Exceptional item (administrative expenses) – revaluation of deferred, contingent consideration liability	6	**-**	2,880	2,880
Operating profit		**21,993**	25,981	50,548
Finance income		**71**	12	13
Finance costs		**(1,088)**	(1,038)	(2,046)
Profit before tax from continuing operations		**20,976**	24,955	48,515
Tax on continuing operations	7	**(3,931)**	(4,555)	(8,986)
Profit from continuing operations		**17,045**	20,400	39,529
Discontinued operation				
Profit from discontinued operation, net of tax		**-**	148	148
Exceptional item – gain on disposal of discontinued operation, net of tax	6	**-**	29,863	29,863
Profit for the period attributable to equity holders of the parent		**17,045**	50,411	69,540
Earnings per share				
Basic	8	**24.7p**	73.5p	101.3p
Diluted	8	**24.4p**	72.7p	100.2p
Earnings per share - continuing operations				
Basic	8	**24.7p**	29.7p	57.6p
Diluted	8	**24.4p**	29.4p	57.0p

[1]The prior period comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 18.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 September 2022 £000	Restated[1] 6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
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	**-**	1,645	1,645
Other comprehensive income for the period	**-**	1,645	1,645
Profit for the period	**17,045**	50,411	69,540
Total comprehensive income for the period attributable to equity holders of the parent	**17,045**	52,056	71,185

[1]The prior period comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 18.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2022 £000	Restated[1] 30 September 2021 £000	31 March 2022 £000
Non-current assets				
Goodwill	10	**57,668**	57,668	57,668
Other intangible assets		**35,886**	35,149	35,990
Investment in associate		**-**	6,739	6,739
Convertible loan notes	11	**3,750**	-	750
Property, plant and equipment		**22,551**	20,863	21,782
Net investment in finance lease receivables		**3,233**	6,402	4,407
Total non-current assets	2	**123,088**	126,821	127,336
Current assets				
Inventories		**66**	632	332
Trade and other receivables		**81,830**	68,155	75,975
Current tax asset		**1,562**	2,592	4,191
Cash and cash equivalents – clients' funds and retailer partners' deposits	12	**16,636**	16,147	16,646
Cash and cash equivalents – corporate cash	12	**3,752**	7,224	7,653
		103,846	94,750	104,797
Asset held for sale	13	**5,502**	-	-
Total current assets		**109,348**	94,750	104,797
Total assets		**232,436**	221,571	232,133
Current liabilities				
Trade and other payables		**96,990**	95,942	92,375
Deferred consideration liability	14	**-**	3,954	1,000
Lease liabilities		**157**	200	200
Loans and borrowings	15	**37,336**	25,461	39,643
Total current liabilities		**134,483**	125,557	133,218
Non-current liabilities				
Lease liabilities		**-**	172	60
Loans and borrowings	15	**5,818**	18,237	11,891
Deferred tax liability		**3,687**	3,300	3,706
Total non-current liabilities		**9,505**	21,709	15,657
Total liabilities		**143,988**	147,266	148,875
Net assets		**88,448**	74,305	83,258
Equity				
Share capital	16	**230**	229	230
Share premium	16	**1,000**	-	1,000
Merger reserve	16	**999**	999	999
Share-based payment reserve		**1,560**	1,178	1,570
Retained earnings		**84,659**	71,899	79,459
Total equity attributable to equity holders of the parent		**88,448**	74,305	83,258

[1]The prior period comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 18. The prior period comparatives have also been restated for a retrospective measurement period adjustment to goodwill and inventories as set out in the Annual Report for the year ended 31 March 2022.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Share premium £000	Merger reserve £000	Share-based payment reserve £000	Translation reserve £000	Restated[1] Retained earnings £000	Restated[1] Total equity £000
Opening equity 1 April 2021, previously stated[1]		229	4,975	999	2,005	(1,645)	32,907	39,470
Reversal of previously capitalised SaaS implementation costs[1]		-	-	-	-	-	(6,170)	(6,170)
Opening equity 1 April 2021, restated[1]		**229**	**4,975**	**999**	**2,005**	**(1,645)**	**26,737**	**33,300**
Profit for the period, previously stated[1]		-	-	-	-	-	50,207	50,207
Reversal of previously capitalised SaaS implementation costs[1]		-	-	-	-	-	204	204
Profit for the period, restated[1]							50,411	50,411
Exchange differences on disposal of discontinued operation reclassified to profit or loss		-	-	-	-	1,645	-	1,645
Comprehensive income for the period		-	-	-	-	1,645	50,411	52,056
Equity-settled share-based payment expense		-	-	-	358	-	-	358
Vesting of share scheme		-	-	-	(1,185)	-	1,185	-
Reclassification of share premium into retained earnings		-	(4,975)	-	-	-	4,975	-
Dividends	9	-	-	-	-	-	(11,409)	(11,409)
Closing equity 30 September 2021, restated[1]		**229**	**-**	**999**	**1,178**	**-**	**71,899**	**74,305**
Profit for the period		-	-	-	-	-	19,129	19,129
Comprehensive income for the period		-	-	-	-	-	19,129	19,129
Issue of shares		1	1,000	-	-	-	-	1,001
Equity-settled share-based payment expense		-	-	-	510	-	-	510
Vesting of share scheme		-	-	-	(118)	-	118	-
Dividends		-	-	-	-	-	(11,687)	(11,687)
Closing equity 31 March 2022		**230**	**1,000**	**999**	**1,570**	**-**	**79,459**	**83,258**
Profit for the period		-	-	-	-	-	17,045	17,045
Comprehensive income for the period		-	-	-	-	-	17,045	17,045
Issue of shares		-	-	-	-	-	-	-
Equity-settled share-based payment expense		-	-	-	556	-	-	556
Vesting of share scheme		-	-	-	(566)	-	566	-
Dividends	9	-	-	-	-	-	(12,411)	(12,411)
Closing equity September 2022		**230**	**1,000**	**999**	**1,560**	**0**	**84,659**	**88,448**

[1]The prior period comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 18.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	6 months ended 30 September 2022 £000	Restated[1] 6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Cash generated by operations	17	**29,537**	22,894	43,344
Corporation tax paid		**(1,321)**	(3,896)	(9,161)
Finance costs paid		**(1,126)**	(951)	(1,913)
Cash generated from operating activities (corporate)		**27,090**	18,047	32,270
Movement in clients' cash and retailer partners' deposits[2]		**(146)**	(10,221)	(9,718)
Net cash inflow from operating activities		**26,944**	7,826	22,552
Investing activities				
Finance income		**71**	12	13
Purchases of property, plant and equipment		**(3,075)**	(1,719)	(5,185)
Purchases of intangible assets		**(2,950)**	(2,007)	(5,627)
Acquisitions of subsidiaries net of cash acquired		**-**	(4,543)	(4,543)
Deferred consideration cash paid	14	**(1,000)**	-	(2,000)
Purchase of investment in associate		**-**	(6,739)	(6,739)
Purchase of convertible loan notes	11	**(3,000)**	-	(750)
Proceeds from disposal of discontinued operation net of cash disposed		**-**	20,159	20,159
Net cash (used in)/from investing activities		**(9,954)**	5,163	(4,672)
Financing activities				
Dividends paid	9	**(12,411)**	(11,409)	(23,096)
Proceeds from issue of share capital		**-**	-	1
Repayment of loans and borrowings	15	**(8,380)**	(54,306)	(61,469)
Proceeds from loans and borrowings	15	**-**	11,421	26,420
Payment of lease liabilities		**(110)**	(130)	(243)
Net cash used in financing activities		**(20,901)**	(54,424)	(58,387)
Net decrease in cash and cash equivalents		**(3,911)**	(41,435)	(40,507)
Cash and cash equivalents at beginning of year		**24,299**	64,806	64,806
Cash and cash equivalents at period end		**20,388**	23,371	24,299
Reconciliation of cash and cash equivalents				
Continuing operations				
Corporate cash		**3,752**	7,224	7,653
Clients' funds and retailer partners' deposits		**16,636**	16,147	16,646
Cash and cash equivalents on the condensed consolidated statement of financial position	12	**20,388**	23,371	24,299

[1]The prior period comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 18.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting policies

Reporting entity

PayPoint plc ('PayPoint' or the 'Company') is a public limited company and is incorporated and registered in England in the UK under the Companies Act 2006. The Company's ordinary shares are traded on the London Stock Exchange. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 September 2022 are made up of the Company and its subsidiaries (together referred to as the 'Group').

Basis of preparation

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK, and should be read in conjunction with the Group's last annual financial statements as at and for the year ended 31 March 2022 ('last annual financial statements'). They do not include all the information required for a complete set of financial statements which comply with International Financial Reporting Standards ('IFRS'). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. The interim financial statements contained in this report are unaudited, but have been formally reviewed by the auditor and their report to the Company is set out on page 44.

The information shown for the year ended 31 March 2022, which was prepared in accordance with UK-adopted international accounting standards (UK-adopted IFRS), does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The report of the auditor on the statutory accounts for the year ended 31 March 2022 was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006 and has been filed with the Registrar of Companies.

By order of the Board, the interim financial statements were authorised for issue on 23 November 2022.

Adoption of standards and policies

The accounting policies applied by the Group in the interim financial statements for the period ended 30 September 2022 are consistent with those set out in the Group's Annual Report for the year ended 31 March 2022, apart from the addition of the accounting policy for purchases of convertible loan notes as detailed below.

Prior to conversion, purchases of convertible loan notes are accounted for under IFRS 9 Financial Instruments and carried at fair value through other comprehensive income, so long as control has been assessed not to exist. PayPoint has taken the irrevocable election available under IFRS 9 to designate convertible loan notes as fair value through other comprehensive income. Purchased convertible loan notes are revalued at each reporting date. Fair value adjustments are recognised through the statement of other comprehensive income and are not subsequently transferred to profit or loss. The purchased convertible loan notes are classified as Level 3 in the fair value hierarchy as the valuation inputs are unobservable (not based on observable market data). The fair value of purchased loan notes are valued using a combination of income approaches (discounted cash flow technique) and market approaches (valuation multiples market approach technique).

Prior period restatement for implementation costs of cloud computing SaaS arrangements

During the prior year ended 31 March 2022, the Group updated its accounting policy on intangible assets following the April 2021 International Financial Reporting Interpretations Committee ("IFRIC") agenda decision on the configuration and customisation costs incurred in implementing cloud computing SaaS arrangements. The Group's previously capitalised SaaS related costs primarily relate to the implementation costs for PayPoint's cloud–hosted SaaS CRM platform.

Under the revised accounting policy, costs incurred in the configuration and customisation of cloud–hosted SaaS arrangements are now 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. The revision to the accounting policy has been accounted for retrospectively, resulting in a prior period restatement for the six months ended 30 September 2021. The restatement for the full financial year ended 31 March 2021 was set out in the Group's Annual Report for the year ended 31 March 2022. See note 18 for the impacts of the restatement.

The restatement represents a non-cash adjustment. The Group prior period comparatives have been restated to derecognise previously capitalised SaaS related costs for additions amounting to £0.3 million and amortisation on previously capitalised intangible assets of £0.5 million for the six months ended 30 September 2021 which no longer meet the criteria for recognition as an asset under IAS 38. The impact of the restatements has decreased the restated opening Group retained earnings at 1 April 2021 by £6.2 million, increased the Group's profit for the six months ended 30 September 2021 by £0.2 million and decreased total Group assets on the prior period balance sheet by £6.0 million.

Going concern
The interim financial statements have been prepared on a going concern basis. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt to equity balance. The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent comprising capital, reserves and retained earnings.

The Group's policy is to borrow centrally to meet anticipated funding requirements. Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group. At 30 September 2022, the Group had cash and cash equivalents of £20.4 million, consisting of £16.6 million corporate cash and £3.8 million clients' funds and retailer partners' deposits. On the 7 November 2022 a one-year extension of PayPoint plc financing facility was secured along with a new term loan of £36.0 million starting from completion of the acquisiton of Appreciate Group plc. The Group's borrowing facilities currently consist of a £16.3 million amortising term loan which is due to be repaid in full by February 2024 and an unsecured £75.0 million revolving credit facility with a £30.0 million accordion facility (uncommitted) expiring in February 2026. At 30 September 2022, £26.0 million (31 March 2022: £27.0 million) was drawn down from the revolving credit facility. At 30 September 2022 the Group also had £0.9 million of block loan balances.

The Group has a strengthened statement of financial position, with net assets of £88.4 million as at 30 September 2022 (30 September 2021 restated: £74.3 million), having made a profit for the period of £17.0 million (30 September 2021 restated: £20.4 million from continuing operations) and delivered net cash flows from operating activities of £26.9 million for the period then ended (30 September 2021 restated: £7.8 million). The Group had net current liabilities of £25.1 million at 30 September 2022 (30 September 2021 restated: £30.8 million), which included the drawn down revolving credit facility balance of £26.0 million (31 March 2022: £27.0 million) classified as a current liability.

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

Alternative performance measures
Non-IFRS measures or alternative performance measures are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes which have remained consistent with the alternative performance measures disclosed in the Annual Report for the year ended 31 March 2022. These measures are included in these interim financial statements to provide additional useful information on performance and trends to shareholders.

These measures are not defined terms under IFRS and therefore they may not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures.

Underlying performance measures (non-IFRS measures)
Underlying performance measures are useful to shareholders in understanding the underlying operational performance in the period, facilitating comparison with prior periods and assessing trends in financial performance. They usually exclude the impact of one-off, non-recurring and exceptional items (exceptional items are disclosed in note 6).

Net revenue (non-IFRS measure)
Net revenue is revenue less commissions paid to retailer partners and the cost of SIM cards where PayPoint is principal. This reflects the benefit attributable to PayPoint's performance eliminating pass–through costs which creates comparability where PayPoint is agent or principal and is an important measure of the overall success of our strategy. A reconciliation from revenue to net revenue is included in note 4.

Effective tax rate (non-IFRS measure)
Effective tax rate (note 7) is the tax charge as a percentage of the net profit before tax.

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

Cash generation (non-IFRS measure)
Cash generation reflects earnings before tax, depreciation, amortisation and exceptional items adjusted for working capital (excluding movement in clients' funds and retailers' deposits) as detailed in note 12. This measures the cash generated which can be used for tax payments, new investments and financing activities.

Total costs (non-IFRS measure)
Total costs comprise other cost of revenue (note 5), administrative expenses, financing income and financing costs. Total costs exclude exceptional costs.

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

	30 September 2022 £000	Restated[1] 30 September 2021 £000	31 March 2022 £000
Operating profit from continuing operations	**21,993**	25,981	50,548
Adjust for:			
Exceptional item (administrative expenses) – impairment loss on reclassification of investment in associate to asset held for sale	**1,253**	-	-
Exceptional item (administrative expenses) – acquisition costs expensed	**300**	-	-
Exceptional item (administrative expenses) – revaluation of deferred, contingent consideration liability	**-**	(2,880)	(2,880)
Operating profit from continuing operations before exceptional items	**23,546**	23,101	47,668
Net revenue from continuing operations	**59,472**	56,129	115,112
Operating margin before exceptional items	**39.7%**	41.2%	41.4%

[1]The prior period comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 18.

Net corporate debt (non-IFRS measure)
Net corporate debt represents corporate cash (cash and cash equivalents), less amounts borrowed under financing facilities (excluding IFRS 16 liabilities).

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

	30 September 2022 £000	30 September 2021 £000	31 March 2022 £000
Corporate cash (cash and cash equivalents)	**3,752**	**7,224**	7,653
Less:			
Loans and borrowings (note 15)	**(43,154)**	**(43,698)**	(51,534)
Net corporate debt	**(39,402)**	**(36,474)**	(43,881)

Use of judgements and estimates
In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement: recognition of cash and cash equivalents
The nature of bill payments services means that PayPoint collects and holds funds on behalf of clients as those funds pass through the settlement process and also retains retailer partners' deposits as security for those collections.

A critical judgement in this area is whether clients' funds and retailer partners' deposits are recognised in the condensed consolidated statement of financial position. This includes evaluating:

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

Critical estimate: Valuation of goodwill relating to the Group's cash generating units

The £35.6 million carrying value of goodwill which arose on the acquisition of Handepay Limited was a critical estimate at 30 September 2022. This goodwill was entirely allocated to the Handepay CGU at the 30 September 2022 reporting date, on the basis of independently managed cash flows. The Group tests goodwill for impairment annually and more frequently if there are indicators of impairment. The Handepay CGU was tested for impairment at the 30 September 2022 reporting date.

The recoverable amount of the Handepay CGU was measured at its value-in-use (VIU) by discounting the future expected cash flows to be generated by the assets in the CGU. A five-year cash flow forecast was derived from the most recent three-year financial forecasts approved by the Board which were extrapolated for a further two years using appropriate assumptions and subsequently extended to perpetuity. The key sources of estimation in calculating the VIU for the Handepay CGU were:

- The impact of revenue growth prospects on the cash flow forecasts, which were determined using an estimate of future results based on the latest business forecasts and appropriately reflected expected performance of the CGU
- The terminal value which was based on a long-term growth rate of 2%, appropriately reflecting the expected long-term rate of GDP growth in the UK
- The pre-tax risk adjusted discount rate used to discount the forecast cash flows, which was calculated by reference to the weighted average cost of capital ('WACC').

The Handepay CGU generated a VIU in excess of its carrying value. Sensitivity analysis was applied to determine the impacts of reasonably possible changes in the assumptions used for the VIU calculation. Sensitivity analysis demonstrated that no reasonably possible change in any of the above assumptions caused the carrying value of the CGU to materially exceed its recoverable amount.

Prior year critical estimates

The initial recognition at fair value of acquired intangible assets and goodwill arising on the acquisition of RSM 2000, which were critical estimates in the prior year ended 31 March 2022, are no longer considered to be critical estimates. The fair value of the acquired customer relationship intangible asset was valued using the multi period excess earnings method (MEEM) income approach and the fair value measurement of the acquired regulatory licences intangible asset was valued using the cost to recreate approach. The acquisition completed on 12 April 2021 and the acquisition accounting has since been finalised. In the current period no impairment indicators were identified which had a significant risk of resulting in a material adjustment to the carrying amounts of the acquired intangible assets and goodwill arising on the acquisition of RSM 2000 within the next financial year.

The valuation of the deferred, contingent consideration liability arising from the i-movo acquisition, which was a critical estimate in the prior year ended 31 March 2022, is no longer considered to be a critical estimate. The i-movo sale and purchase agreement includes four elements of deferred consideration which are contingent on future performance over the earnout period and are linked to four monthly revenue growth targets on two potential key revenue streams. The £nil valuation of the deferred, contingent consideration liability at 30 September 2022 (30 September 2021: £3.0 million and 31 March 2022: £nil) is based on estimated future performance of the related business over the earnout period using management's latest forecasts and does not have a significant risk of resulting in a material adjustment to the carrying amount of the deferred, contingent consideration liability within the next financial year.

2. Segmental reporting

The Group provides a number of different services and products. However, these do not meet the definition of different segments under IFRS 8, as the chief operating decision maker, the Executive Board, does not review those separately to make decisions about resource allocation and performance. Therefore, the Group has only one operating segment. A business division analysis of revenue has been provided in note 3.

Geographical information

	6 months ended 30 September 2022 £000	6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Revenue			
Continuing operations – UK	**75,385**	70,199	145,144
Discontinued operation – Romania[1]	**-**	1,258	1,258
Total	**75,385**	71,457	146,402

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

The total £123.1 million (30 September 2021 restated: £126.8 million) non-current assets at 30 September 2022 are geographically located within the UK.

3. Revenue

Disaggregation of revenue

	6 months ended 30 September 2022 £000	6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Continuing operations			
Shopping			
Card payments and terminal leases	**15,857**	**15,466**	30,517
Service fees	**8,910**	**8,163**	16,575
ATMs	**6,727**	**7,086**	13,858
Other shopping	**1,424**	**818**	1,936
Shopping total	**32,918**	**31,533**	62,886
e-commerce total	**8,143**	**5,741**	13,600
Payments and banking			
Cash – bill payments	**16,928**	**17,050**	36,660
Cash – top-ups	**6,046**	**6,620**	12,898
Digital	**6,842**	**3,524**	8,224
Cash through to digital	**3,844**	**4,959**	9,411
Other payments and banking	**664**	**772**	1,465
Payments and banking total	**34,324**	**32,925**	68,658
Total continuing operations	**75,385**	**70,199**	145,144
Discontinued operation			
Romania[1]	**-**	**1,258**	1,258
Total	**75,385**	**71,457**	146,402

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

Management fees, set-up fees and up-front lump sum payments of £0.3 million (September 2021: £0.7 million) are recognised on a straight-line basis over the period of the contract. Service fee revenue are recognised on a straight-line basis over the period of the contract. Card terminal leasing revenue 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. The remainder of revenue is recognised at the point in time when each transaction is processed. The usual timing of payment by customers is on fourteen-day terms.

Revenue subject to variable consideration of £7.0 million (September 2021: £6.1 million) exists where the consideration which PayPoint is entitled to varies according to transaction volumes processed and rate per transaction. Management estimates the total transaction price using the expected value method at contract inception, which is reassessed at the end of each reporting period, by applying a blended rate per transaction to estimated transaction volumes. Any required adjustment is made against the transaction prices 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.

Seasonality of operations

PayPoint operates in many sectors, some with their own forms of seasonality. Overall, PayPoint's performance is expected to be weighted towards the second half of the current financial year due to the impacts of seasonality, however this does not constitute "highly seasonal" as considered by IAS 34 Interim Financial Reporting. e-commerce typically generates more transactions and revenue in the lead up to Christmas (H2). Bill payments transactions, which were historically higher during the winter months (H2), continue to be impacted by the shift in consumer behaviour towards making fewer, larger payments and structural changes in this market. Card payments typically generates higher value processed and revenue in the summer months (H1). Card terminal leasing revenue is less affected by seasonality.

4. Net revenue (alternative performance measure)

	6 months ended 30 September 2022 £000	6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Continuing operations			
Service revenue	**73,116**	68,416	141,310
Sale of goods	**637**	631	1,183
Royalties	**1,632**	1,152	2,651
Revenue from continuing operations	**75,385**	70,199	145,144
less:			
Retailer partners' commissions	**(15,818)**	(13,960)	(29,827)
Cost of SIM cards as principal	**(95)**	(110)	(205)
Net revenue from continuing operations	**59,472**	56,129	115,112
Discontinued operation[1]			
Service revenue	**-**	366	366
Sale of goods	**-**	892	892
Revenue from discontinued operation	**-**	1,258	1,258
less:			
Retailer partners' commissions	**-**	(101)	(101)
Cost of mobile top-ups and SIM cards as principal	**-**	(897)	(897)
Net revenue from discontinued operation	**-**	260	260
Total net revenue	**59,472**	56,389	115,372

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

5. Cost of revenue

	6 months ended 30 September 2022 £000	Restated[1] 6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Continuing operations			
Retailer partners' commissions	**15,818**	13,960	29,827
Cost of SIM cards as principal	**95**	110	205
Cost of revenue deducted for net revenue	**15,913**	14,070	30,032
Depreciation and amortisation	**3,391**	3,606	7,626
Field service costs	**2,975**	2,289	5,115
Other	**4,323**	3,049	5,952
Total other costs of revenue	**10,689**	8,944	18,693
Total cost of revenue from continuing operations	**26,602**	23,014	48,725
Discontinued operation[2]			
Retailer partners' commissions	**-**	101	101
Cost of mobile top-ups and SIM cards as principal	**-**	897	897
Cost of revenue deducted for net revenue	**-**	998	998
Depreciation and amortisation	**-**	10	10
Other	**-**	(10)	(10)
Total other costs of revenue	**-**	-	-
Total cost of revenue from discontinued operation	**-**	998	998
Total cost of revenue	**26,602**	24,012	49,723

[1]The prior period comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 18.
[2]The prior period revenue from the discontinued operation represents the revenue from Romania between 1 and 8 April 2021 prior to disposal.

6. Exceptional items

	6 months ended 30 September 2022 £000	6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Exceptional item (administrative expenses) – impairment loss on reclassification of investment in associate to asset held for sale	**(1,253)**	-	-
Exceptional item (administrative expenses) – acquisition costs expensed	**(300)**	-	-
Exceptional item (administrative expenses) – revaluation of deferred, contingent consideration liability	**-**	2,880	2,880
Total exceptional items included in operating profit	**(1,553)**	2,880	2,880
Exceptional item – gain on disposal of discontinued operation, net of tax	**-**	29,863	29,863
Total exceptional items included in profit or loss	**(1,553)**	32,743	32,743

Reconciliation of profit before tax from continuing operations to profit before tax from continuing operations before exceptional items

	6 months ended 30 September 2022 £000	Restated[1] 6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Profit before tax from continuing operations	**20,976**	24,955	48,515
Exceptional item (administrative expenses) – impairment loss on reclassification of investment in associate to asset held for sale	**1,253**	-	-
Exceptional item (administrative expenses) – acquisition costs expensed	**300**	-	-
Exceptional item (administrative expenses) – revaluation of deferred, contingent consideration liability	**-**	(2,880)	(2,880)
Profit before tax from continuing operations before exceptional items	**22,529**	22,075	45,635

[1]The prior period comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 18.

Reconciliation of earnings from continuing operations to earnings from continuing operations before exceptional items

	6 months ended 30 September 2022 £000	Restated[1] 6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Earnings from continuing operations	**17,045**	20,400	39,529
Exceptional item (administrative expenses) – impairment loss on reclassification of investment in associate to asset held for sale	**1,253**	-	-
Exceptional item (administrative expenses) – acquisition costs expensed	**300**	-	-
Exceptional item (administrative expenses) – revaluation of deferred, contingent consideration liability	**-**	(2,880)	(2,880)
Earnings from continuing operations before exceptional items	**18,598**	17,520	36,649

[1]The prior period comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 18.

7. Tax

	6 months ended 30 September 2022 £000	Restated[1] 6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Current tax	**3,949**	4,312	8,340
Deferred tax	**(18)**	243	646
Total	**3,931**	4,555	8,986

[1]The prior period comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 18.

	6 months ended 30 September 2022	Restated[1] 6 months ended 30 September 2021	Year ended 31 March 2022
Effective tax rate on continuing operations	**18.7%**	18.3%	18.5%

[1]The prior period comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 18.

The tax charge was £3.9 million (September 2021: £4.6 million on continuing operations) resulting in an effective tax rate of 18.7% (September 2021: 18.3%). This is lower than the UK statutory rate of 19% due to expenditure qualifying for the capital allowances super deduction and research and development credits, partially offset by the current period non-taxable exceptional impairment loss. The effective tax rate is higher than the prior period due to the current period non-taxable exceptional impairment loss and the prior period non-taxable exceptional revaluation credit, partially offset by the prior period impact of the enacted new tax rate on our deferred tax liabilities.

An increase in the main rate of UK corporation tax from 19% to 25% was enacted in June 2021 with effect from 1 April 2023. Deferred tax has been calculated based on the rate applicable at the date timing differences are expected to reverse.

8. Earnings per share

Basic and diluted earnings per share are calculated on the net profit attributable to equity holders of the parent and the weighted average number of ordinary shares in issue as follows:

	6 months ended 30 September 2022 £000	Restated[1] 6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Net profit attributable to equity holders of the parent			
Total operations	**17,045**	50,411	69,540
Continuing operations	**17,045**	20,400	39,529
Continuing operations – before exceptional items (note 6)	**18,598**	17,520	36,649
Discontinued operation	**-**	30,011	30,011

	30 September 2022 Number of Shares Thousands	30 September 2021 Number of Shares Thousands	31 March 2022 Number of Shares Thousands
Weighted average number of ordinary shares in issue (for basic earnings per share)	**69,051**	**68,624**	68,631
Potential dilutive ordinary shares:			
Long-term incentive plan	**59**	**164**	164
Restricted share awards	**605**	**406**	408
Deferred annual bonus scheme	**120**	**108**	108
SIP and other	**36**	**47**	58
Weighted average number of ordinary shares in issue (for diluted earnings per share)	**69,871**	**69,349**	69,369

Earnings per share (pence)	**6 months ended 30 September 2022**	Restated[1] 6 months ended 30 September 2021	Year ended 31 March 2022
Basic	**24.7**	73.5	101.3
Diluted	**24.4**	72.7	100.2
Earnings per share (pence) – continuing operations			
Basic	**24.7**	29.7	57.6
Diluted	**24.4**	29.4	57.0
Earnings per share before exceptional items (pence) – continuing operations			
Basic	**26.9**	25.5	53.4
Diluted	**26.6**	25.3	52.8
Earnings per share (pence) – discontinued			
Basic	**-**	43.7	43.7
Diluted	**-**	43.3	43.2

[1]The prior period comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 18.

9. Dividends

	6 months ended 30 September 2022 £000	6 months ended 30 September 2022 pence per share	6 months ended 30 September 2021 £000	6 months ended 30 September 2021 pence per share
Interim reported dividend is the interim ordinary dividend declared for the current period (non-IFRS measure)	**12,692**	**18.4**	11,686	17.0
Interim dividend paid is the final ordinary dividend for the prior year	**12,411**	**18.0**	11,409	16.6
Number of shares in issue used for purposes of dividends per share calculations	**68,978,647**		68,466,044	

An interim dividend of 18.4 pence per share (September 2021: 17.0 pence) has been declared. The total dividend of 18.4 pence per share will be paid in equal instalments of 9.2 pence per share on 30 December 2022 (to shareholders on the register on 2 December 2022) and 6 March 2023 (to shareholders on the register on 3 February 2023). Total dividends of £12.4 million (18.0 pence per share) were paid during the period and comprised of the final ordinary dividend for the year ended 31 March 2022.

10. Goodwill

	i-movo CGU £000	Handepay CGU £000	Restated Merchant Rentals CGU £000	Digital payments CGU £000	Total CGUs £000
At 30 September 2021, previously stated	**6,867**	**35,632**	**9,052**	**5,583**	**57,134**
Measurement period adjustment – Merchant Rentals	–	–	534	–	534
At 30 September 2021, restated	**6,867**	**35,632**	**9,586**	**5,583**	**57,668**
At 30 September 2022	**6,867**	**35,632**	**9,586**	**5,583**	**57,668**

In the prior year, the goodwill arising on the acquisition of Merchant Rentals during the year ended 31 March 2021 was restated for a retrospective measurement period adjustment which resulted in an increase in the goodwill attributable to the Merchant Rentals acquisition by £0.5 million. New information about facts and circumstances that existed at the acquisition date was obtained within the measurement period which, if known, would have resulted in an adjustment to reduce the fair value of inventories purchased at the acquisition date.

11. Convertible loan notes

	30 September 2022 £000	30 September 2021 £000	31 March 2022 £000
At beginning of period	**750**	-	-
Purchase of convertible loan note from OBConnect Ltd	**3,000**	-	-
Purchase of convertible loan note from Optus Homes Ltd	**-**	-	750
At end of period	**3,750**	-	750

The convertible loan notes are carried at fair value through other comprehensive income and classified as Level 3 in the fair value hierarchy. Fair value adjustments are recognised through the statement of other comprehensive income where material and are not subsequently transferred to profit or loss.

Following conversion into equity, a reassessment of the accounting treatment will be performed based on the extent to which significant influence or control exists.

<u>OBConnect Ltd</u>
On 7 July 2022 PayPoint plc purchased a convertible loan note of nominal amount £3,000,000 from OBConnect Ltd.

The initial fair value of the convertible loan note instrument purchased from OBConnect was robustly negotiated in good faith between PayPoint and the seller and therefore reflects the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. There are no comparable market-based transactions to date and PayPoint did not develop quantitative unobservable inputs to measure fair value. Given the proximity of the timing of the purchase to 30 September 2022, the transaction price was considered to approximate to fair value at the reporting date.

Sensitivity analysis was performed on the fair value of the convertible loan note purchased from OBConnect as at 30 September 2022, by applying a range of comparable peer company trading multiples to the business forecasts (valuation multiples market approach technique). The sensitivity analysis demonstrated that changes in unobservable inputs (business forecasts and trading multiples) did not result in a significantly higher or lower fair value measurement.

Optus Homes Ltd
On 25 March 2022 PayPoint Plc purchased a convertible loan note of nominal amount £750,000 from Optus Homes Ltd.

The initial fair value of the convertible loan note instrument purchased from Optus Homes was valued using the discounted cash flow income approach technique, by discounting the future cash flows of the business at a risk-adjusted discount rate. The significant unobservable inputs were the business forecasts and discount rate. The sensitivity analysis demonstrated that changes in unobservable inputs (business forecasts and trading multiples) did not result in a significantly higher or lower fair value measurement. Any change in the fair value of the convertible loan note instrument purchased from Optus Homes in the six months ended 30 September 2022 would not be material to recognise.

12. Cash and cash equivalents
Total cash and cash equivalents from continuing operations of £20.4 million (September 2021: £23.4 million) consists of £3.8 million (September 2021: £7.2 million) corporate cash and £16.6 million (September 2021: £16.1 million) relating to funds collected on behalf of clients where PayPoint has title to the funds (clients' funds) and where retailer partners have provided security deposits (retailer partners' deposits). A balance equivalent to the latter amount is included within trade payables. Clients' funds held in trust which are not included in cash and cash equivalents amounted to £68.3 million (September 2021: £38.4 million).

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

13. Asset held for sale
The sale of PayPoint plc's investment in Snappy Shopper Limited to Highland Tech Limited completed on 13 October 2022, after the 30 September 2022 reporting date. At 30 September 2022, the Group's investment in associate (Snappy Shopper Limited) was reclassified as held for sale, as completion of the sale was anticipated to take place within the current financial year, subject only to terms that are usual and customary for sales of such assets.

The carrying amount of the investment in associate immediately prior to reclassification as held for sale was £6.7 million. A sale price of £5.5 million was agreed through robust negotiation in good faith between the buyer and PayPoint. The sale price therefore reflects fair value of the asset held for sale at 30 September 2022, or the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. Costs to sell were £15k. Accordingly, an impairment loss of £1.2 million has been recognised as an exceptional item within administrative expenses in the current interim reporting period.

This impairment loss includes PayPoint's share of Snappy Shopper's result, which were not recognised separately in the consolidated financial statements for the current period or prior year as it was immaterial.

14. Deferred consideration liability

	30 September 2022 £000	30 September 2021 £000	31 March 2022 £000
At beginning of period	**1,000**	5,747	5,747
Settlement of RSM 2000 deferred consideration liability – cash consideration paid in the period	**(1,000)**	-	-
Settlement of i-movo deferred, contingent consideration liability – cash consideration paid in the period	**-**	-	(2,000)
Settlement of i-movo deferred, contingent consideration liability – shares consideration paid in the period	**-**	-	(1,000)
Recognition of deferred consideration liability on acquisition of RSM 2000	**-**	1,000	1,000
Revaluation of i-movo deferred, contingent consideration liability	**-**	(2,880)	(2,880)
Discount unwind on deferred consideration	**-**	87	133
At end of period	**-**	3,954	1,000

The total £1.0 million deferred consideration liability at 31 March 2022 related to the acquisition of RSM 2000. Of the total deferred consideration liability at 30 September 2021, £3.0 million related to the acquisition of i-movo and £1.0 million related to the acquisition of RSM 2000.

i-movo
There was no movement in the £nil fair value of the deferred, contingent consideration liability in relation to the i-movo acquisition since 31 March 2022 (September 2021: £3.0 million). The fair value of the liability is considered to approximate to its fair value and is categorised as Level 3 in the fair value hierarchy. The deferred consideration is contingent on two remaining monthly revenue growth targets on a potential key revenue stream and is capped at £3.0 million (£2.0 million cash and £1.0 million shares).

RSM 2000
During the current period, the £1.0 million deferred consideration liability was paid out in cash on the first anniversary of completion. The deferred consideration was not contingent on any factors.

15. Loans and borrowings

The following table reconciles the changes in loans and borrowings arising from financing activities:

	30 September 2022 £000	30 September 2021 £000	31 March 2022 £000
At beginning of period	**51,534**	86,583	86,583
Changes in financing cash flows			
Repayment of old revolving credit facility	**(1,000)**	(47,000)	(47,000)
Drawdown of new revolving credit facility	**-**	9,500	24,500
Repayment of amortising term loan	**(5,416)**	(5,416)	(10,833)
Repayment of block loans	**(1,964)**	(1,890)	(3,636)
Funding from block loans	**-**	1,921	1,920
Total changes from financing cash flows	**(8,380)**	(42,885)	(35,049)
Other liability related changes			
Interest charge expensed	**1,126**	951	1,913
Cash interest paid	**(1,126)**	(951)	(1,913)
At end of period	**43,154**	43,698	51,534
Disclosed as:			
Current	**37,336**	25,461	39,643
Non-current	**5,818**	18,237	11,891
Total loans and borrowings	**43,154**	43,698	51,534

16. Share capital, share premium and merger reserve

	30 September 2022 £000	30 September 2021 £000	31 March 2022 £000
Called up, allotted and fully paid share capital			
68,978,647 (September 2021: 68,740,399) ordinary shares of 1/3p each	**230**	229	230
Total	**230**	229	230

In the current period 47,899 shares were issued (of 1/3p each) for share awards which vested in the period and 14,799 matching shares were issued (of 1/3p each) under the Employee Share Incentive Plan.

The share premium of £1.0 million (September 2021: £nil) 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 £1.0 million (September 2021: £1.0 million) represents initial share consideration in excess of the nominal value of shares issued on the initial acquisition of i-movo.

17. Notes to the condensed consolidated statement of cash flows

	6 months ended 30 September 2022 £000	Restated[1] 6 months ended 30 September 2021 £000	Year ended 31 March 2022 £000
Profit before tax from continuing operations	**20,976**	24,955	48,515
Profit before tax from discontinued operation	**-**	30,011	30,011
Adjustments for:			
Depreciation of property, plant and equipment	**2,375**	2,285	4,768
Amortisation of intangible assets	**2,341**	2,832	5,801
Profit from discontinued operation		(30,011)	(30,011)
R&D credits	**-**	-	(15)
Exceptional item – impairment loss on reclassification of investment in associate as asset held for sale	**1,538**	-	-
Exceptional item – revaluation of deferred, contingent consideration liability	**-**	(2,880)	(2,880)
Loss on disposal of fixed assets	**40**	-	59
Net finance costs	**1,017**	1,026	2,033
Share-based payment charge	**556**	358	868
Operating cashflows before movements in corporate working capital	**28,843**	28,576	59,149
Movement in inventories	**267**	(108)	70
Movement in trade and other receivables	**125**	(703)	(526)
Movement in finance lease receivables	**1,495**	543	4,354
Movement in contract assets	**(474)**	161	(24)
Movement in contract liabilities	**67**	(371)	(684)
Movement in provision in relation to Ofgem Statement of Objections	**-**	-	(12,500)
Movement in payables	**(787)**	(5,202)	(6,488)
Movement in lease liabilities	**1**	(2)	(7)
Cash generated by operations	**29,537**	22,894	43,344

[1]The prior period comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 18.

[2] Items in the course of collection and settlement payables are included in this reconciliation on a net basis through the clients' funds and retailer partners' deposits line. The Directors have included these items on a net basis to best reflect the operating cash flows of the business.

18. Prior period restatement for implementation costs of cloud computing SaaS arrangements

The below tables show the impacts of restating the prior period consolidated financial statements for the 6 months ended 30 September 2021 for the retrospective application of the change in the Group's accounting policies on intangible assets to derecognise previously capitalised SaaS related costs and amortisation which no longer meet the criteria for recognition as an asset, following the April 2021 IFRIC agenda decision on the configuration and customisation costs incurred in implementing cloud computing SaaS arrangements, as disclosed in note 1. The restatements for the full financial year ended 31 March 2021 were disclosed in note 32 of the 31 March 2022 Annual Report.

Consolidated statement of profit or loss for the 6 months ended 30 September 2021

	Previously reported 6 months ended 30 September 2021 £'000	Restatement £'000	**Restated 6 months ended 30 September 2021 £'000**
Continuing operations			
Revenue	**70,199**	–	**70,199**
Cost of revenue	**(23,468)**	454	**(23,014)**
Gross profit	**46,731**	454	**47,185**
Administrative expenses – excluding exceptional items	**(23,834)**	(250)	**(24,084)**
Operating profit before exceptional items	**22,897**	204	**23,101**
Exceptional items – administrative expenses	**2,880**	–	**2,880**
Operating profit	**25,777**	204	**25,981**
Finance income	**12**	–	**12**
Finance costs – excluding exceptional items	**(1,038)**	–	**(1,038)**
Profit before tax from continuing operations	**24,751**	204	**24,955**
Tax on continuing operations	**(4,555)**	–	**(4,555)**
Profit from continuing operations	**20,196**	204	**20,400**
Discontinued operation	**148**		**148**
Profit from discontinued operation, net of tax	**29,863**	–	**29,863**
Profit for the period attributable to equity holders of the parent	**50,207**	204	**50,411**

	Previously reported 6 months ended 30 September 2021 £'000	**Restated 6 months ended 30 September 2021 £'000**
Earnings per share		
Basic	73.2p	**73.5p**
Diluted	72.4p	**72.7p**
Earnings per share – continuing operations		
Basic	29.4p	**29.7p**
Diluted	29.1p	**29.4p**

Selected extracts from the consolidated statement of financial position for the 6 months ended 30 September 2021

	Previously reported 6 months ended 30 September 2021 £'000	Restatement £'000	**Restated[1] 6 months ended 30 September 2021 £'000**
Inventories[1]	**1,166**	(534)	**632**
Total current assets	**95,284**	(534)	**94,750**
Goodwill[1]	**57,134**	534	**57,668**
Other intangible assets	**41,115**	(5,966)	**35,149**
Total non-current assets	**132,253**	(5,432)	**126,821**
Total assets	**227,537**	(5,966)	**221,571**
Net assets	**80,271**	(5,966)	**74,305**
Retained earnings	**77,865**	(5,966)	**71,899**
Total equity attributable to equity holders of the parent	**80,271**	(5,966)	**74,305**

[1]The prior period comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. The prior year comparatives have also been restated for a retrospective measurement period adjustment to goodwill and inventories as set out in the Annual Report for the year ended 31 March 2022.

Selected extracts from the consolidated statement of cash flows for the 6 months ended 30 September 2021

	Previously reported 6 months ended 30 September 2021 £'000	Restatement £'000	**Restated 6 months ended 30 September 2021 £'000**
Profit before tax from continuing operations	24,751	204	24,955
Amortisation of intangible assets	3,286	(454)	2,832
Operating cash flows before movements in working capital	28,826	(250)	28,576
Cash generated by operations	23,144	(250)	22,894
Net cash from operating activities (corporate)	18,297	(250)	18,047
Net cash inflow from operating activities	8,076	(250)	7,826
Purchases of intangible assets	(2,257)	250	(2,007)
Net cash used in investing activities	4,913	250	5,163

19. Subsequent events

Sale of PayPoint plc's investment in Snappy Shopper Limited
On 13 October 2022 PayPoint plc completed the sale of its investment in Snappy Shopper Limited to Highland Tech Limited, resulting in a £1.2m impairment loss recognised as an exceptional item within administrative expenses in the current interim reporting period. No further gain or loss arose on completion of the sale.

The capital loss arising on the sale is not taxable. The capital loss is available to be carried forward and deducted from capital gains in future accounting periods.

Proposed acquisition of Appreciate Group plc
On 7 November 2022 PayPoint plc announced the proposed acquisition of Appreciate Group plc for consideration of £83.0 million. The acquisition is subject to shareholder and regulatory approval with completion expected in H1 FY24.

Extension of existing financing facility
On the 7 November 2022 a one-year extension of PayPoint plc financing facility was secured along with a new term loan of £36.0 million starting from completion of the acquisiton of Appreciate Group plc. The Group's borrowing facilities currently include a £16.3 million amortising term loan which is due to be repaid in full by February 2024 and an unsecured £75.0 million revolving credit facility with a £30.0 million accordion facility (uncommitted) expiring in February 2026.

PRINCIPAL RISKS AND UNCERTAINTIES

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.

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. The Board is responsible for overseeing the risk management process and approves levels of acceptable risk. The Board is also responsible for maintaining an appropriate internal control environment to manage risk effectively. The Audit Committee supports the Board in reviewing the effectiveness of risk management and internal controls. The risk management and internal control framework aims to provide assurance to stakeholders regarding PayPoint's ability to deliver its objectives and manage risks.

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 in 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 process 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 which form an important component of our governance framework. Risks and controls are determined by Executive Board members and senior management, and discussed with the Head of Risk and Internal Audit. Risk and control registers contain a risk description, 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 processes are agreed with Executive Board members to determine principal and emerging risks. The Audit Committee receives and reviews information on the risk framework and principal and emerging risks and advises the Board on risks.

The table below 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 period and risk appetite. They do not comprise all risks faced by the Group and are not set out in order of priority.

	Risk Trend & Appetite	Potential Impact	Mitigation Strategies	Status
Principal Risks				
Market Risks				
1	**Competition and Markets** Trend = Increasing Appetite = Medium	PayPoint's markets and competitors continue to evolve and failure to deliver effective strategies to respond to market and competitor changes could reduce market share, revenue and profits. The decline in cash usage, accelerated by Covid-19, is expected to continue impacting some of our markets,. Our business may also be impacted by changing consumer trends, competitor activity and new and alternative payment solutions.	The Executive Board regularly reviews markets, competitor activity, trading opportunities and potential acquisitions, and the Board oversees and challenges strategic direction. We closely monitor consumer and technological trends and engage with clients, retailers and other stakeholders to improve our proposition. We continually develop products, services and systems to adapt to changes in consumer trends and technology, and make strategic acquisitions where appropriate.	Risk is considered increasing as competition is increasing across our business but particularly in bill payment and top up markets which is seeing downward pressure on margins due to competition. However recent acquisitions have diversified our business into new markets and strengthened our card and digital payment businesses as we transition away from cash with our digital strategy. The current economic climate and price cap increases provide uncertainty but we have development new products like our EBSS solution which counters the potential decline in energy transactions
2	**Emerging Technology** Trend = Stable	New and emerging technologies are changing the way consumers pay for goods and services, impacting our products and markets. For many years cash was the principal method for topping up gas and electricity however this is changing and PayPoint needs to evolve its proposition to capitalise	We continually develop products with the latest technology and evolve them to take advantage of new and expanding markets. The Executive Board closely monitors emerging technologies and the impact they may have on PayPoint, and mitigating strategies are implemented where possible.	Risk is considered stable as recent acquisitions have accelerated our ability to mitigate the impact of emerging technologies and re-platforming of our digital proposition will better enable us to expand our presence in digital payment markets.

	Appetite = Medium	on new technology and payment methods. New disruptive fintech products, and large tech companies who are increasingly advancing into payment solutions, have the potential to significantly impact our business. Covid-19 accelerated global digital transformation. There is risk to our business if our digital transformation fails to keep pace and we do not exploit new technologies and markets to evolve our proposition.	Emerging technology is a key component of our acquisition strategy with recent acquisitions focussing on digital products.	We are engaged in various government schemes involving new technology such as our Department for Work and Pensions cash out product, as well as other technological product advances such as EBSS solution and COP.
Strategic Risks				
3	**Trans-formation** Trend = Stable Appetite = Medium	Our business relies on continued innovation and implementations and failure to effectively manage our transition from cash to digital would impede business performance and our ability to achieve strategic goals. Continued system infrastructure improvements are essential in providing great products and customer service, and a lack of investment would impact our business.	The Executive Board assesses transformation as part of the strategic planning process and the Board oversee and challenge strategic direction. PayPoint is committed to its transition from cash to digital and we continue to innovate our legacy products. Product and infrastructure reviews are regularly conducted to identify improvements in processes, systems and products.	Risk is considered stable as recent acquisitions have significantly rebalanced our business away from cash to digital channels. Numerous IT infrastructure improvement programmes are underway following recent architecture reviews, including migration to the cloud. Re-platforming of our digital proposition is underway with lived Bureau now live. The addition of Open Banking products via ourpartner OB Connect has put us at the front of that development.
Business Risks				
4	**Operating Model** Trend = Stable Appetite = Medium	Our core business relies on an appropriate mix of clients and retailers and failure to maintain attractive propositions with relevant products and technology, may cause attrition adversely impacting our business model. Other business areas such as card payments also rely on key partner relationships and it is important strong relationships are maintained to ensure a resilient and sustainable operating model.	PayPoint builds strategic relationships with key clients, merchants and retailers and we continually seek to improve service levels through new initiatives, products and technology. We monitor performance through regular retailer engagement and surveys and are proactive in addressing areas for improvement. New clients, retailers and merchants are routinely onboarded ensuring a sustainable customer across a diversified range of sectors. Where products rely on key partners including our ATM and card payment businesses, we invest in relationships and propositions to ensure sustainable partnerships.	Risk is considered stable as we continue to renew contracts and onboard new retailers, clients and merchants in line with expectations. Our acquisition of Handepay and Merchant Rentals increased our card acquirer partnerships and we expanded our relationship with LINK through the of the Counter Cash product. We continue to focus on retailer engagement and enhance our proposition with new and varied initiatives such as EBSS and COP in Open Banking.
5	**Legal and Regulatory** Trend = Stable Appetite = Low	PayPoint is required to comply with numerous contractual, legal and regulatory requirements and failure to meet obligations may result in fines, penalties, prosecution and reputational damage. Recent acquisitions have increased the number of regulated entities and as regulatory landscapes evolve, there is a risk that changes may adversely impact our business.	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 engage 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. External counsel is engaged where required and we respond promptly and comprehensively to all regulatory enquiries.	Risk is considered stable as recently acquired regulated companies have been integrated into the PayPoint Group, with regulatory compliance requirements harmonised where appropriate. PayPoint's commitments to address Ofgem's competition law concerns in relation to our pre-payment energy business have been implemented as required and monthly reporting requirements to Ofgem have ceased. PayPoint continues to provide annual confirmation of compliance with the ongoing commitments to Ofgem. The Payment Systems Regulator's Card Acquiring Market Review Remedies have been published for implementation however due to

			The monthly management committees of our FCA regulated entities review compliance with all regulatory requirements and a quarterly summary report is reviewed by each regulated Board and the PayPoint Audit Committee.	changes we made to the duration of our terminal hire products last year, we do not expect these to require significant changes to our current new business proposition. The FCA's new Consumer Duty Principle was launched in July 2022 and relevant regulated entity Boards have approved Implementation Plans in accordance with the FCA's requirements. No other significant legal or regulatory matters occurred during the period.
6	**People** Trend = Increasing Appetite = Low	Failure to retain and attract 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. Our transition to a new hybrid working model with increased home working increases the importance of supporting and engaging our people to ensure business objectives are met.	The Executive Board define and advocate PayPoint's purpose, vision and values and an Employee Forum comprising employees from across the business engages directly with the Board on employee matters. We continue to invest in and support our people. Numerous steps have been taken to ensure employee wellbeing. We have well established processes for retaining and recruiting key talent and developing our people, and there is continued focus on culture, ethics and diversity.	Risk is considered increasing due to current market conditions. The UK recruitment market is extremely competitive at present impacting retention and recruitment. PayPoint's employee turnover increased during the period Retention plans were implemented and vacancies continue to be recruited Employees from recent acquisitions have been fully integrated and hybrid working embedded. Employee engagement surveys continue to be positive and the Employee Forum continues to play an active role in employee engagement.
	Operational Risks			
7	**Cyber Security** Trend = Increasing Appetite = Low	Cyber attacks may significantly impact service delivery and data protection causing harm to PayPoint, our customers and other stakeholders. Globally, criminals continue to exploit vulnerabilities, and recent acquisitions have increased the number of IT environments, products and systems we need to protect. Although PayPoint has multiple cyber security systems, capabilities and controls, ransomware attacks remain a constant threat. Failure to safeguard systems, networks and data and comply with data protection requirements may result in significant financial loss and reputational damage.	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 engage with stakeholders on cyber-crime (including clients, suppliers and law enforcement) and proactively manage adherence for all parties with data protection requirements.	Risk is considered increasing because of the increasing external threats which has potentially increased due to the crisis in Ukraine. PayPoint has not experienced any material attacks or data breaches during the period but cyber security continues to be a key focus. Group security standards and systems have now been applied to acquisition 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.
8	**Business Interruption** Trend = Increasing Appetite = Low	Our customers and stakeholders rely on our systems, products and services being resilient with continued service delivery. Failure to maintain resilience or promptly recover services following an outage may result in financial loss, reputational harm and potential regulatory scrutiny.	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	Risk is considered increasing as although we have not suffered any significant outages during the year, we do experience small business interruption events due to supplier performance and internal processes. The crisis in Ukraine also has the potential to cause disruption to our services, suppliers and partners.

		Changes to our infrastructure as we transform our business from cash to digital and transition to the cloud increases the risk of disruptive events and effective IT change processes and controls are vital to avoid disruption. Our infrastructure and service delivery is supported by multiple suppliers and poor supplier performance or supplier failure may adversely impact our business.	across third party data centres and the cloud. Systems are routinely upgraded with numerous change management processes deployed and resilience embedded where possible. Supplier failure can disrupt PayPoint's service delivery and risk is managed through contractual arrangements, alternative supplier arrangements and business continuity plans.	Although system disruption is an inherent business risk, our incident monitoring and response processes are regularly reviewed and enhanced and we continue to enhance our infrastructure and processes to strengthen continuity controls.
9	**Credit and Operational** Trend = Increasing Appetite = Low	PayPoint has material credit exposures with large retailers and other counterparties and significant financial loss may result in the event of a default. We process large volumes of payments daily therefore effective operational controls are essential to ensure funds are settled accurately, securely and timely. Absent or ineffective processes and controls 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. Settlement systems and controls are continually assessed and enhanced with new systems and technology implemented. We have effective governance with oversight committees, delegated authorities and policies for key processes. Segregation of duties and approvals are implemented for all areas where fraud or material error may occur.	Risk to credit and operational exposures is increasing following the government ending business support for Covid-19, and other impacts on the UK economy from increasing energy prices and inflation. During the period we saw McColls, one of our largest retailer partners, go into administration. Our credit management processes reduced the amount of funds, collected by McColls retailers from customers of PayPoint's clients, held by McColls at the point of its administration. Our claim for full recovery is being progressed with the administrator. We continue to review and enhance our operational processes and controls and have made good progress during the period aligning processes and controls for the recent acquisitions.
10	**Operational Delivery** Trend = Increasing Appetite = Low	Effective operational delivery of key initiatives and strategic objectives is central to achieving our transformation aims. Poor delivery would impede our business performance and impact our stakeholders. Additionally, poor planning and forecasting of business initiatives may impede financial targets and business performance.	The Executive Board has overall responsibility for delivering key initiatives and ensuring effective governance. Larger initiatives have steering groups and project teams with representatives from across the business to ensure all business considerations are included in planning and delivery. We regularly liaise with 3rd party stakeholders throughout implementation to agree and revise objectives and targets as projects progress. Finance teams are actively involved in key projects to ensure cost and revenue considerations are continually reviewed and post project assessments are made to establish lessons for future deliveries.	Risk is considered to be increasing as we are continuing our transformation from cash to digital. We have a number of key initiatives underway to ensure sustainable revenue and growth into the future. During the period we have continued to roll out our Counter Cash product and zebra thermal printers to parcel retailers as well introducing our new Android terminal for Handepay card merchants. We continue with other new initiatives and products including Open Banking and EBSS.
Emerging Risks				
1	ESG and Climate	Focus on environmental, social and governance matters continues to increase and our business needs to be environmentally responsible and create shared value for all stakeholders to ensure sustainability and reinforce our values and brand.	The CEO and the Executive Board have overall accountability for PayPoint's climate and social responsibility agendas and recommends strategy to the Board. We align our business with reducing carbon emissions, and continually assess our approach to environmental risk and social	Last year we implemented an ESG Working Group comprising Executive Board members and other key stakeholders, which is responsible for overseeing ESG and climate matters and updating the Executive Board and Board.

		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.	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.	We also implemented the new Task Force on Climate-related Financial Disclosures (TCFD), and comprehensively assessed carbon emissions across our value chain. In doing so, we have been able to set net-zero targets and make various carbon emission reductions. In the current period we have now published our Carbon Reduction Plan on our website. We have reviewed and updated many of our environmental and social responsibility policies, which are approved by the Board. ESG and climate were also embedded into our risk management framework.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the set of interim financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as contained in UK-adopted IFRS;
(b) the half yearly financial report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first half and description of principal risks and uncertainties for the remaining half of the year); and
(c) the half yearly financial report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

Nick Wiles
Chief Executive

Alan Dale
Finance Director

INDEPENDENT REVIEW REPORT TO PAYPOINT PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 which comprises the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern, and the above conclusions are not a guarantee that the group will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

James Tracey
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

23 November 2022