PayPoint Plc
Results for the year ended 31 March 2023

A strong year across the PayPoint Group establishing a materially enhanced platform for future growth and reporting profit before tax at the top end of range of market expectations

FINANCIAL HIGHLIGHTS

- Net revenue[1] from continuing operations of £128.9 million (FY22: £115.1 million) increased by £13.8 million (11.9%)
- Underlying EBITDA[2] of £61.3 million (FY22: £58.2 million) increased by £3.1 million (5.2%)
- Underlying profit before tax (profit before tax excluding adjusting items)[3] of £50.8 million (FY22: £48.0 million) increased by £2.8 million (5.8%)
- Strong underlying cash generation from continuing operations excluding exceptional items[4] of £62.3 million (FY22: £53.9 million)
- Net corporate debt[5] of £72.4 million (FY22: £43.9 million) increased by £28.5 million, after cash of £61.9 million used in Appreciate Group acquisition.
- Increased ordinary final dividend of 18.6 pence per share declared, consistent with our progressive dividend policy, and representing an increase of 3.3% vs the final dividend declared on 26 May 2022 of 18.0 pence per share
- Authority in place, and to be renewed at AGM on 7 September 2023, for any future share buyback programme

Year ended 31 March 2023	FY23	FY22	Change
Revenue from continuing operations	**£167.7m**	£145.1m	15.6%
Net revenue from continuing operations[1]	**£128.9m**	£115.1m	11.9%
Underlying EBITDA[2]	**£61.3m**	£58.2m	5.2%
Underlying profit before tax (profit before tax excluding adjusting items)[3] – PayPoint segment	**£50.3m**	£48.0m	4.8%
Underlying profit before tax (profit before tax excluding adjusting items)[3] – Love2shop segment	**£0.5m**	-	-
Underlying profit before tax (profit before tax excluding adjusting items)[3]	**£50.8m**	£48.0m	5.8%
Adjusting items[6]	**£(8.2)m**	£0.5m	n/m
Profit before tax from discontinued operation including exceptional item	**-**	£30.0m	n/m
Profit before tax	**£42.6m**	£78.5m	(45.8)%
Diluted earnings per share from continuing operations excluding adjusting items	**60.3p**	55.4p	8.8%
Ordinary paid dividend per share	**34.6p**	33.6p	3.0%
Ordinary reported dividend per share	**37.0p**	35.0p	5.7%
Cash generation from continuing operations excluding exceptional items[4]	**£62.3m**	£53.9m	15.6%
Net corporate debt[5]	**£(72.4)m**	£(43.9)m	65.0%

Nick Wiles, Chief Executive of PayPoint Plc, said:

"This has been another strong year for the PayPoint Group where we have made significant steps to materially enhance our platform and capabilities to deliver sustainable, profitable growth and enhanced rewards for our shareholders. Our financial performance has been positive, with net revenue growth across all our business divisions, excellent progress in parcels and digital payments, and good momentum in our key growth areas of card processing, Open Banking, integrated payments and the prospect of new opportunities delivered through the acquisition of the Appreciate Group.

Our partnership philosophy across the Group, combined with an intensity and focus on execution, is already unlocking new markets and revenue opportunities for us, including the recently announced partnership with The Fed to launch a network of Park Christmas Savings Super Agents, our success in Open Banking working with Ovo and the Department for Energy Security

[1] Net revenue is an alternative performance measure. Refer to note 3 to the financial information for a reconciliation to revenue.
[2] Underlying EBITDA (EBITDA excluding adjusting items) is an alternative performance measure. Refer to note 1 to the financial information for the definition and the Financial review for a reconciliation to profit before tax.
[3] Underlying profit before tax (profit before tax excluding adjusting items) is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation.
[4] Cash generation is an alternative performance measure. Refer to the Financial review – cash flow and liquidity for a reconciliation to profit before tax
[5] Net corporate debt (excluding IFRS 16 liabilities) is an alternative performance measure. Refer to note 1 to the financial statements for a reconciliation to cash and cash equivalents
[6] Adjusting items comprises exceptional items and amortisation of intangible assets arising on acquisition. Refer to note 1 for a reconciliation.

and Net Zero, and several emerging opportunities in new verticals combining our extensive capabilities across payments and commerce.

We finished FY23 with good momentum, and trading has been positive in the first quarter of FY24 as we continue to leverage our enhanced platform and capabilities which includes: a full-strength sales team delivering high conversion rates and growing our respective estates in PayPoint and Handepay; healthy pipelines for our FMCG and integrated payments propositions; and a dynamic platform of innovative technology and solutions enabling integrated payments and commerce for our extensive base of clients, retailer partners and SMEs. We will continue to invest in growth areas across the Group in the coming year to further enhance our capabilities, unlock opportunities and accelerate our growth.

All of this underlines our confidence in delivering further progress and a quickening momentum in the new financial year, with the acquisition of Appreciate Group expected to be earnings enhancing in our first full year of ownership, and the Group trading in line with expectations."

STRATEGIC HIGHLIGHTS

We have materially enhanced our platform across the Group in the past year: our integrated payments platform has expanded with the addition of Open Banking and prepaid solutions to our capability in card processing, Direct Debit and cash; our retailer and SME proposition is now stronger than ever, with multiple opportunities for partners to earn revenue; and our e-commerce offering has gone from strength to strength, delivering record volumes and an unparalleled in-store experience for consumers.

This enhanced platform will unlock future opportunities and deliver sustainable and profitable growth for shareholders, underpinned by our business-wide partnership philosophy and intensity of execution.

- **Appreciate Group (now known as Love2shop)** – acquisition completed on 28 February 2023, opening up further revenue opportunities, expanding our capabilities in the gifting, rewards and prepaid savings markets and enabling the creation of enterprise level solutions into new markets, combining our extensive payments and commerce capabilities

- **Open Banking** - partnership with OBConnect has already yielded positive results, particularly with our new PayPoint OpenPay service with Ovo to support Alternative Fuel Payment, rolling out our Confirmation of Payee service with the Department of Energy Security and Net Zero, launching a trial of our AIS customer support tool with Citizen's Advice and a growing number of additional clients onboarded

- **Central Government** - over £246 million of Energy Bills Support Scheme vouchers were redeemed across our extensive network of over 28,000 retailer partners from October 2022 to March 2023, providing a £400 payment over the winter months to households across the UK, all underpinned with greater engagement with key stakeholders, including Ofgem, UK Finance, Pay.UK and the Department of Energy Security and Net Zero

- **Cards** - new acquiring partnership with EVO, becoming the single acquirer across the Group. The move enables our merchant estate acceleration plans and mid-market segment focus, increases our efficiency as an ISO and begins the journey to becoming a fully integrated Payment Facilitator

- **E-commerce** - excellent volume growth year on year in Collect+, driven by strong partnership approach with carrier partners, our positive reputation as the leading carrier agnostic Out of Home network, and backed up by continued investment into the in-store customer experience

- **Digital Payments** - our Payment Exception Service, delivered for the Department for Work and Pensions and enabling the digital disbursement of benefit payments, recorded significant growth year on year and received three industry accolades for Social Inclusion in Financial Services at the recent Payment Awards, FSTech Awards and Card and Payments Awards, underlining the vital role our solutions play in serving some of the most vulnerable people in the UK

- **FMCG** – positive progress and partnerships established with Coca-Cola, Amazon, AG Barr and JTI, delivering a number of FMCG brand campaigns in the year and a strong pipeline of future activity. Our consumer engagement solution, PayPoint Engage, leverages our PayPoint One platform, advertising screens and imovo vouchering capability to help our retailer partners drive sales and help brands engage thousands of consumers across our network

- **New Sectors** – continued expansion of our integrated payments solution, MultiPay, into the housing, charity and local authority sectors, including launching Direct Debit for POBL Housing and Thames Hospice, further Cash Out expansion across 6 new local authorities and delivering Confirmation of Payee services for 4 new local authorities across the UK

DIVISIONAL HIGHLIGHTS

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

Shopping

Shopping divisional net revenue increased by 5.6% to £62.0 million (FY22: £58.7 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 8.3% to £17.9 million, reflecting growth in the number of revenue-generating PayPoint One sites to 18,453 (FY22: 18,120) and the impact of the annual RPI increase
- Card payment net revenue increased by 4.3% to £31.8 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
- Card payment sites in the Handepay EVO estate grew to 18,397 (31 March 2022: 17,499) driven by the enhanced proposition, the new Android terminal and the increased optimisation of our sales efforts, now at full headcount and in spite of recruitment challenges earlier in the financial year
- UK retail network increased to 28,478 sites (31 March 2022: 28,254), with 70.0% in independent retailer partners and 30.0% in multiple retail groups

E-commerce

E-commerce divisional net revenue increased strongly by 46.5% to £7.3 million (FY22: £4.9 million) and transactions grew by 69.6% to 56.4 million (FY22: 33.3 million) through our e-commerce technology platform, Collect+, including regularly achieving over 1 million parcels processed per week. This was 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 9.1% to £56.2 million (FY22: £51.5 million), driven by continued growth in digital transactions and a resilient performance in the energy sector, partially offset by a reduction in cash through to digital volumes as consumer behaviour has continued to reset post Covid-19.

- Continued digital payments growth to 52.3 million transactions (FY22: 34.2 million) and net revenue increasing by 102.7% to £15.7 million (FY22: £7.8 million), with our Cash Out services and the DWP Payment Exception Service, delivered via i-movo
- Over £246 million of Energy Bills Support Scheme vouchers were redeemed across PayPoint's extensive network of over 28,000 retailer partners, providing a £400 payment over the winter months to households across the UK, leveraging our Cash Out digital capability
- Cash payments net revenue delivered a resilient performance, decreasing by 5.4% to £33.6 million (FY22: £35.5 million) and transactions decreasing by 1.2% to 176.3 million (FY22: 178.4 million), with energy sector net revenue better than expected, only decreasing by 5% year on year, and the continued reduction in consumers topping up mobile phones in store
- Cash through to digital net revenue decreased by 16.5% to £6.9 million (FY22: £8.2 million) and transactions decreased by 19.6% to 8.5 million (FY22: 10.6 million), with volumes returning to pre-Covid-19 levels and a new baseline set for the category. In addition to the range of digital brands we work with, we are launching new partnerships with neo-banks, including JPMorgan Chase, enabling withdrawals and deposits across our extensive network of retailer partners

RECONCILIATION OF RE-PRESENTED NUMBERS

£m	FY23	FY22
Reported profit before tax from continuing operations	**42.6**	48.5
Exceptional items	**5.6**	(2.9)
Profit before tax from continuing operations excluding exceptional items	**48.2**	**45.6**
Amortisation of intangible assets arising on acquisition – PayPoint (previous acquisitions)	**2.1**	2.4
Amortisation of intangible assets arising on acquisition – Love2shop	**0.5**	-
Underlying profit before tax (profit before tax excluding adjusting items)	**50.8**	**48.0**
Underlying EBITDA	**61.3**	**58.2**

BUSINESS DIVISION NET REVENUE AND MIX

Net revenue by business division (£m)	FY23	FY22	FY21
Shopping	**62.0**	58.7	40.2
E-commerce	**7.3**	4.9	3.6
Payments & Banking	**56.2**	51.5	53.3
PayPoint Segment Total	**125.5**	115.1	97.1
Love2shop Segment Total	**3.4**	N/A	N/A
PayPoint Group Total	**128.9**	115.1	97.1
Business division mix	**FY23**	**FY22**	**FY21**
Shopping	**48.1%**	51.0%	41.4%
E-commerce	**5.6%**	4.3%	3.7%
Payments & Banking	**43.6%**	44.7%	54.9%
Love2shop	**2.7%**	N/A	N/A

Enquiries

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A *presentation for analysts is being held at 9.30am today (28 July 2023) via webcast. This announcement, along with details for the webcast, is available on the PayPoint plc website: corporate.paypoint.com*

CHAIRMAN'S STATEMENT

I am pleased to report that for the year under review, we have consistently applied the Principles of Good Governance contained in the 2018 UK Corporate Governance Code save that we have not completed a review of the effectiveness of Appreciate Group's ("Appreciate") risk management and internal control systems (with respect to Provision 29 of the Code) due to the proximity of the acquisition of Appreciate, which occurred on 28 February 2023, to our financial year-end.

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

The year in review

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

Executive and Plc Boards

The Board and Nomination Committee has continued to work on succession planning and Board composition. We have worked actively with Teneo People Advisory to ensure the Board has the necessary skills, experience and knowledge and, following an extensive search process, we were delighted to appoint Rob Harding as Chief Financial Officer. Rob will be joining the Company on 1 August 20203 and will replace Alan Dale who is retiring. I would like to express my gratitude for Alan's contribution to the Company.

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

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

Board Evaluation

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

Stakeholder Engagement

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

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

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

Conclusion

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

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

Giles Kerr
Chairman
27 July 2023

CHIEF EXECUTIVE'S REVIEW

Strong year delivering an enhanced platform for growth

This has been another strong year for the PayPoint Group where we have made significant steps to materially enhance our platform and capabilities to deliver sustainable, profitable growth and enhanced rewards for our shareholders. Our financial performance has been positive, with net revenue growth across all our business divisions, excellent progress in parcels and digital payments, and good momentum in our key growth areas of card processing, Open Banking, integrated payments, and the new opportunities delivered through the acquisition of the Appreciate Group.

Expanded capabilities and partnership philosophy opening up new revenue opportunities

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

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

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

Accelerated revenue growth and momentum across all business divisions

Shopping

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

In Handepay, we have ended the year with our strongest ever sales performance in H2 FY23 and have returned the EVO merchant book back to growth, ending the year at 18,397 sites, with the sales team now at full headcount and in spite of recruitment challenges experienced earlier in the financial year. This positive progress since H1 FY23 has been driven by the enhanced proposition, new Android terminal and the increased optimisation of our sales efforts in the Handepay business; and in PayPoint, improved cards pricing and next day settlement were launched for new and existing merchants. As we move into the new financial year, we look forward to accelerating our cards business further and proactively targeting the mid-market merchant segment with a dedicated team. We will continue our focus on equipping our people with better data, AI tools and analytics to have quality conversations with retailer partners/SMEs and a stronger focus on retention and yielding improved conversion rates. In addition, the positive performance of Business Finance via YouLend across both PayPoint and Handepay was particularly pleasing, supporting our retailer and SME partners during the current economic challenges.

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

E-commerce

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

Payments & Banking

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

Similarly, over £246 million of Energy Bills Support Scheme vouchers were redeemed across our extensive network of over 28,000 retailer partners from October 2022 to March 2023, providing a £400 payment over the winter months to households across the UK. This vital support for consumers to help with the Cost of Living leveraged our Cash Out digital capability. All of these efforts have been underpinned with greater engagement with key senior stakeholders across the sectors we operate in, including Ofgem, UK Finance, Pay.UK and the Department of Energy Security and Net Zero.

Further progress on our ESG commitments

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

Update on claims against PayPoint

As announced on 29 March 2023, the Group received 'letter before action' correspondence from a small number of market participants relating to issues addressed by commitments accepted by Ofgem as a resolution of its concerns raised in Ofgem's Statement of Objections received by the Group in September 2020. The Ofgem resolution to the case did not include any infringement findings.

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

The Group is confident that it will successfully defend the claim by Utilita, which does not provide any clear evidence to support the cause of action or the amount claimed, and also that it will successfully defend the claim by Global 365, which fundamentally misunderstands the energy market and the relationships between the relevant Group companies and the major energy providers, whilst also over-estimating the opportunity available, if any, for the products offered by Global 365.

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

Outlook and dividend

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

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

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

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

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

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

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

Nick Wiles
Chief Executive
27 July 2023

MARKET OVERVIEW

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

Macro-economic factors

- The Consumer Prices Index (CPI) grew to 10.2% in March 2023, driven by increased food and energy costs.[1]
- The GfK UK Consumer Confidence Index2 rose six points to -30 in April 2023 (vs -36 in March 2023), and up 19 points from a historic low of -49 in September 22 and -45 in January.[2]
- UK retail sales volumes rose by 0.6% in the three months to March 2023 when compared with the previous three months; the first three-month on three-month rise since August 2021.[3]
- GDP is projected to contract in 2023 as tighter financial conditions weigh on consumer spending – which accounts for around two-thirds of the economy.[4]

Convenience retail

- Lumina Intelligence's current full-year valuation estimate for the UK convenience market is £47.3 billion, up 4.6% from £45.2 billion in 2022.[5]
- Convenience shoppers are reducing frequency of visits (-4%). However, high inflation and an increase in basket size has driven an increase in average basket spend of £7.70, +12.7% year-on-year with the average basket size up 4% to 2.8 items.[6]
- In-store purchasing has increased year-on-year up 2.4%, with delivery occasions losing 2.2% of share. Shoppers are using delivery services less frequently due to a shift towards returning to pre-pandemic habits as well as increased price sensitivity.[7]
- PayPoint One basket data shows the average goods only convenience store average basket spend (May 22 to April 23) increased to £7.06 vs £6.92 the previous period. 66% of the purchases were made by cash and 34% by card which is a 3% decrease in cash use on the previous period.[8]
- Total UK convenience store numbers remained resilient in 2022, with marginal growth of 0.6% to 47,861.[9]
- In 2022 the sector saw the biggest growth in the number of Co-Operatives up 78 (+2.3%) to 3,394 and a decline of 71 (-1.5%) to 4,790 in Forecourt convenience stores.[10]
- In a Consumer Home Delivery review 2022/23, IMRG found consumers prefer to collect orders, purchased via click and collect from a convenience store (60%) than a retailer's own store (48.7%)[11]

Card payments

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

Cash Economy

- From October 22 to March 2023, £249 million in £400 payments were distributed across our network of 28,000 stores for the Governments Energy Bills Support Scheme.
- Our Payment Exception Service, run for the Department for Work and Pensions, won three industry awards for Social Inclusion in Financial Services and has grown year on year underlining the continuing importance of delivering cash payments to those without access to a standard bank account.
- Latest data from LINK's March 2023 report show ATM transactions were 127 million, 5.4% lower than March 22, and that each month in 2023 has seen volumes below 2022, however it was 11% higher than March 21, which was still during a period of lockdown. The value withdrawn also fell by 1.7% compared to March 22, a smaller reduction than

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[1] *https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/march2023*
[2] *https://www.gfk.com/press/UK-Consumer-confidence-up-six-points-in-April https://www.gfk.com/press/UK-consumer-confidence-tumbles-to-new-low-of-49-in-September*
[3] *https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/march2023*
[4] *https://www.natwest.com/content/dam/natwest/business-insights/documents/nw-retail-and-leisure-outlook-2023.pdf page 5*
[5] *Source: Lumina Intelligence, July 2023*
[6] *Lumina Intelligence CTP 12WE-05.03.23 & Convenience Strategy Forum Debrief – Q1 2023*
[7] *Lumina Intelligence CTP 12WE-05.03.23 & Convenience Strategy Forum Debrief – Q1 2023*
[8] PayPoint internal data
[9] *Source: PayPoint Dashboard Report page 25 (Lumina Intelligence, July 2022)*
[10] *Source: PayPoint Dashboard Report page 25 (Lumina Intelligence, July 2022)*
[11] *IMRG Consumer Home Delivery Review 2022/23 – page 27*

[12] https://www.ukfinance.org.uk/system/files/2022-8/UKF%20Payment%20Markets%20Summary%202022.pdf page 3
[13] UK Finance Card Spending Update for February 2023
[14] UK Finance Card Spending Update for February 2023
[15] *https://researchbriefings.files.parliament.uk/documents/SN06152/SN06152.pdf page 4*

volumes as the average withdrawal value continued to rise and the £6.8 billion withdrawn in March remains a very significant amount of cash.
- ATM coverage across the UK in 2023 continues to be broadly stable and consistent, with a very slow decline in non-branch free-to-use ATMs in the last year. Branch and charging ATM numbers continue to decline at a faster rate as bank branches close and host locations decide they no longer need charging ATMs or no longer take in enough cash to replenish them.[1]
- PayPoint's Counter Cash service, which offers cashback without purchase and balance enquiries over the counter continues to grow and is now available in over 5,680 PayPoint stores across the UK with over £1m of withdrawals per week with almost a third of the withdrawals for amounts not available from traditional cash machines.

Parcels

- According to IMRG's Consumer Home Delivery Report UK, online retail sales fell -10.5% year on year in 2022
- Consumers choosing a third-party click and collect location prefer a staffed location (55%) rather than a self-serve locker-type site (13%), and they generally would travel two to five miles (68.2%) to pick up the item.[2]
- Click & collect from a retailer's store is the standout consumer choice, but when asked if they could choose a click & collect location, more consumers selected a convenience store/supermarket (60%) than the retailer's own store (48.7%).[3]
- UK, non-food retail sales are forecasted to increase from £242.7bn to £248.9bn in 2023 – an increase of £6.2bn or 2.6% in value terms. However, volume growth is predicted to decline 4.9% which reflects an inflationary rise in prices rather than an actual increase in the quantity of goods purchased.[4]
- This contrasts with the strong performance seen in the Collect+ network which has seen excellent volume growth year on year in Collect+, driven by strong partnership approach with carrier partners, our positive reputation as the leading carrier agnostic Out of Home network, and backed up by continued investment into the in-store customer experience.
- The Out of Home (OOH) market comprises click and collect, returns and send propositions. The click and collect market is 11% of all volumes with 150 million parcels per year and is expected to double by 2025[5]. Returns and send volumes are estimated at c.185 million and c.380 million parcels per year respectively.[6]

Bill payments and top-ups

- 2022 was a much more stable year for the energy supplier market with only four suppliers exiting the market, leaving 23 active suppliers, down from 51 suppliers at the beginning of 2021.[7]
- In October 2022, the UK Government introduced the Energy Bills Support Scheme which gave every household a £400 discount on their household energy bills which was paid in installments over six months from October 22 to March 23.
- In August 22, Ofgem announced the Default Tariff Cap would be updated on a quarterly basis rather than every six months so that it can reflect the changes in the cost of energy sooner.
- The dual fuel energy price cap for pre-pay customers for April to June 2023 decreased to £3,325 from the high of January to March 2023 of £4,358.[8]
- Non-Big Six energy providers combined market share increased marginally to 29.6%17 at the end of January 2022 (29% as of 31 March 2021).[9]
- At the end of 2022, 31.3 million smart and advanced meters were in homes and businesses across the UK, with 55% of all meters are now smart or advanced. A total of 3,7 million meters were installed in 2022 a decrease of 4% on 2021 total.[10]
- PayPoint data shows the average number of customer energy top up-ups per year is slightly down at 38.3 vs. 38.9 top up transactions with the overall average spend increasing to £708.25 vs £578.80 the previous year due to the increase in energy prices.[11]
- The number of mobile pre-pay (pay-as-you-go) subscriptions declined to 21.5 million in April 2022, from 22.2 million in April 2021[12]

Open Banking

- Over 7 million consumers and businesses (of which 750,000 are SMEs) are using innovative Open Banking enabled products and services to manage their money and to make payments. [13]
- In 2022, Authorised Push Payment (APP) fraud losses were £485.2 million (down 17%) with protections such as Confirmation of Payee sighted as having an impact on the reduction. With our partners, obconnect, we have processed 25 million CoP requests in the last year, with an estimated 12% of those helping to prevent fraudulent transactions[14]
- Open Banking payments have more than doubled, with over 68 million open banking payments in 2022 (up from 25 million in 2021)[15]
- Since going live with our PISP payment solution at the beginning of May 23, we have processed over 57,000 payments for our first energy client with the number rising each day as customers begin to adopt this new payment method.

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[1] https://www.link.co.uk/media/2199/monthly-report-mar-23-final.pdf
[2] IMRG's Consumer Home Delivery Report UK
[3] IMRG's Consumer Home Delivery Report UK
[4] Metapack ecommerce delivery report 2023
[5] https://www.imrg.org/uploads/mediadefault/0001/08/2477f50ad2fee946cdf5ed23ebb8df21f2489d09.pdf?st.
[6] OC&C analysis
[7] *https://www.ofgem.gov.uk/retail-market-indicators*
[8] https://www.ofgem.gov.uk/energy-data-and-research/data-portal/all-available-charts?keyword=breakdown%20of%20the%20default%20tariff%20price%20cap&sort=relevance
[9] https://www.ofgem.gov.uk/energy-data-and-research/data-portal/all-available-charts?keyword=breakdown%20of%20the%20default%20tariff%20price%20cap&sort=relevance
[10] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1143890/Q4_2022_Smart_Meters_Statistics_Report.pdf
[11] PayPoint Data – Data based on regular customers only, ones transacting before the beginning of the two-year period and in the last three months of the date range
[12] https://www.ofcom.org.uk/__data/assets/pdf_file/0018/240930/Communications-Market-Report-2022.pdf
[13] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1150988/JROC_report_recommendations_and_actions_paper_April_2023.pdf
[14] https://www.ukfinance.org.uk/system/files/2023-05/Annual%20Fraud%20Report%202023_0.pdf
[15] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1150988/JROC_report_recommendations_and_actions_paper_April_2023.pdf

- OpenBanking.org have highlighted some of the most common financial challenges and how Open Banking enabled tools can offer ways for consumers to take greater control of their finances, by consenting to share their banking data, they can get a clear view of all their incomings and outgoings to help them better understand their finances, access affordable credit, particularly if they don't meet traditional lending criteria and to understand their eligibility to switch to an affordable energy tariff.[1]

Gift Cards and Vouchers

- The UK Gift Card market is estimated to be worth £7.2 billion in 2022, up from £6.8 billion in 2021. The year-on-year growth was driven by the rise of contactless payments, and the growing trend of employers offering gift cards as a perk to employees.[2]
- Gift cards continue to encourage additional spend, with around two-thirds of shoppers typically spending more than the value of gift card they received over 2022. Younger shoppers (Gen Z) are willing to spend triple the amount of a gift card they are redeeming.[32]
- The B2C market has grown 13.3% against a backdrop of retail sales that have faced difficulties due to inflation and cost of living.[32]
- The B2B sector represents 57.4% of the total market in 2022 below the highs of 67.3% seen in 2020 which bring the market more in line with the B2C market post Covid. [32]
- The average monthly proportion of UK consumers purchasing gift cards for someone else remained robust over 2022, at 18.0% vs 18.5% in 2021.[32]
- UK retail spend forecasted to be £380bn +3% on PY due to inflation +7.7%, triggering a -4.6% decline in volume of shoppers (particularly the less affluent)[32]
- In April 2023, 34.5% of UK consumers bought gifts and gift cards. A decline on PY April from 37.5%[32]
- 11% of those that did not purchase gift cards said this was because they have cut back on non-essential spending[32]
- Proportion of consumers purchasing gift cards for someone else in April was 15.8% compared to 16.7% on PY April (a notable decline)[32]
- 7.4% purchasing for self use was also lower than 7.8% on PY April[32]
- Digital continues to increase in popularity. The proportion of digital cards through employee benefit programme was 12.2%, +9.3% on the month prior[32]
- Proportion of gift card buyers purchasing digital cards in April increased to 26.8% from 25.9% during the month prior – a continuing trend[32]
- This is at the expense of online purchasing on physical gift cards: 33.1% of gift buyers in April '23 compared to 40.4% in PY[32]
- Multistore gift cards see more significant YOY decline: share of 33.9% in April'23 compared to 41.1% in April 2022. However, they should be well placed to benefit from the post pandemic return to physical shopping as a hobby. Retail gift cards have experienced a lower decline as a result of this activity[32]
- 18.2% purchased experience gift cards in April compared to 26.6% in 2022. Those purchasing for leisure activities also saw a decline from 18.2% in 2022 to 14% in 2023[32]
- 39.5% of consumers received at least one gift card over the last three years through work rewards or incentives.[3]

[1] https://www.openbanking.org.uk/insights/how-open-banking-can-help-consumers-manage-cost-of-living-challenges/
[2] GVCA Consumer Report May 2023
[3] GCVA-State-of-the-Nation-March-2022

PROGRESS AGAINST OUR STRATEGIC PRIORITIES

SHOPPING BUSINESS DIVISION – FY23 net revenue £62.0m (FY22: £58.7m)

PRIORITY 1: EMBED PAYPOINT GROUP AT THE HEART OF SME AND CONVENIENCE RETAIL BUSINESSES

FY23 Progress

- 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 FY23; improved pricing and next day settlement launched for new PayPoint card payment merchants from 1 July 2022 and to existing customers in October 2022, boosting cash flow to our retailer partners
- Strongest ever sales performance delivered in H2 FY23 and a largely full-strength sales team recruited across Handepay and PayPoint, following recruitment challenges experienced in H1 FY23. This positive momentum has been supported by our most competitive and attractive proposition ever and a more detailed focus on customer service and retention, leveraging our AI and data analytics capabilities
- Further expansion of Counter Cash, now enabled in 5,680 sites and with 1,930 sites transacting regularly in the year, with over £42.9 million withdrawn in the financial year, offering vital access to cash over the counter and complementing the existing ATM estate
- Positive performance of Business Finance via YouLend with over £12.5 million lent, supporting our retailer and SME partners during the current economic challenges
- FMCG – good progress with a number of FMCG brand campaigns delivered in the second half and strong pipeline of future activity, partnering with Coca-Cola, Amazon, AG Barr and JTI. Our consumer engagement solution for brands, PayPoint Engage, leverages our PayPoint One platform, advertising screens and i-movo vouchering capability to help our retailer partners drive sales and help brands engage thousands of consumers across our network, with redemption rates of up to 40%
- Retailer engagement - positive progress made on retailer partner Net Promoter Score and satisfaction, supported by regular engagement with key trade associations, launch of new retailer forums with the Scottish Grocer's Federation and National Federation of Retail Newsagents and a comprehensive communications programme to drive new services and opportunities to drive revenue for our retailer partners

E-COMMERCE BUSINESS DIVISION –FY23 net revenue £7.3m (FY22: £4.9m)

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

FY23 Progress

- New partnerships launched in Q4 FY23 with Yodel for store-to-store parcels and InPost for locker to store parcels
- Partnership launched with Wish.com in H1 FY23, 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 rolled out for Print In Store, which saw significant growth in H2 FY23
- Rapid rollout of 1,455 Collect+ sites in September and October to support Royal Mail business customers, helping keep mail moving during industrial action

PAYMENTS & BANKING BUSINESS DIVISION – FY23 net revenue £56.2m (FY22: £51.5m)

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

FY23 Progress

- Continued strong progress in digital transactions, with growth of +53.0% year on year, and further expansion of our client relationships with our enhanced integrated payments platform, including launching direct debit with POBL Housing, our new PayPoint OpenPay service with Ovo to support Alternative Fuel Payments, and rolling out our Confirmation of Payee service with the Department of Energy Security and Net Zero, leveraging our Open Banking capability
- Our Payment Exception Service, delivered for the Department for Work and Pensions, recorded significant growth year on year with net revenue +179% to £4.4m (FY22: £1.6m) and transactions +317% to 12.5m (FY22: 3.0m). The service received three industry accolades for Social Inclusion in Financial Services at the recent Payment Awards, FSTech Awards and Card and Payments Awards, underlining the vital role our solutions play in serving some of the most vulnerable people in the UK
- Over £246 million of Energy Bills Support Scheme vouchers redeemed across our extensive network of over 28,000 retailer partners from October 2022 to March 2023. PayPoint partnered with 9 energy providers to deliver the Energy

Bills Support Scheme, providing a £400 payment over the winter months to households across the UK. This vital support for consumers to help with the Cost of Living leveraged our Cash Out digital capability
- Cash through to digital – good progress in expanding client base and services provided in gifting (Netflix and Google Play) and neo banks (Monzo and JP Morgan Chase), to complement existing gaming portfolio
- Cash through to digital - consumer awareness campaign for gifting expanded with over 10,000 display units rolled out to stores across the UK ahead of key Christmas trading period, including major multiple groups like Midcounties Co-operative, promoting our portfolio including Amazon, Xbox, PlayStation, Paysafe and Love2shop

PRIORITY 4: BUILDING A DELIVERY FOCUSED ORGANISATION AND CULTURE

PAYPOINT GROUP

FY23 Progress

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

LOVE2SHOP DIVISION (FORMERLY KNOWN AS APPRECIATE GROUP)

NB. Progress in this division is shown for the full financial year pre-acquisition. There is a one-month contribution to FY23 preliminary results following completion of the acquisition on 28 February 2023

FY23 Progress

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

FY24 STRATEGIC PRIORITIES

Our strategic priorities have been refreshed for the FY24 financial year to reflect the expansion of our business and materially enhanced platform across the Group delivering sustainable, profitable growth and enhanced rewards for our shareholders.

SHOPPING BUSINESS DIVISION

PRORITY 1 - EMBED PAYPOINT GROUP AT THE HEART OF SME AND CONVENIENCE RETAIL BUSINESSES

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

E-COMMERCE BUSINESS DIVISION

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

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

PAYMENTS & BANKING BUSINESS DIVISION

PRIORITY 3: GROW INTEGRATED PAYMENTS PLATFORM ACROSS CARDS, DIRECT DEBIT AND OPEN BANKING

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

LOVE2SHOP BUSINESS DIVISION

PRIORITY 4: REINFORCE LEADERSHIP POSITION IN GIFTING, REWARDS AND PREPAID SOLUTIONS

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

PAYPOINT GROUP

PRIORITY 5: BUILDING A DELIVERY FOCUSED AND INCLUSIVE ORGANISATION

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

KEY PERFORMANCE INDICATORS

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

	KPI	Description, purpose and reference	2022/23	2021/22	2020/21
Overall performance	Net revenue from continuing operations (£ million)	Revenue from continuing operations less commissions paid to retailers and Park Christmas agents and costs where the Group is principal for SIM cards and single retailer vouchers. This reflects the benefit attributable to the Group's performance eliminating pass-through costs and is an important measure of the overall success of our strategy. (See Financial review – 'Overview' on page 16)	**128.9**	**115.1**	**97.1**
	Underlying EBITDA (£ million)	This measures our earnings from continuing operations before interest, tax, depreciation and amortisation and exceptional items. This is an important measure as it is widely used by investors, analysts and other interested parties to evaluate profitability of companies (See Financial review – 'Overview' on page 17)	**61.3**	**58.2**	**46.6**
	Underlying profit before tax (profit before tax excluding adjusting items) (£ million)	Underlying profit before tax (profit before tax excluding adjusting items), provides a measure of the operational performance of the Group. This reflects the rebalancing of the business towards growth opportunities, the shift away from our legacy cash payments business and is an important measure of the overall success of our strategy. (See Financial review – 'Overview' on page 16)	**50.8**	**48.0**	**36.9**
	Net corporate debt (£ million)	Net corporate debt represents cash and cash equivalents excluding cash recognised as clients' funds, retailer partners' deposits, and cash and voucher deposits, less amounts borrowed under financing facilities (excluding IFRS 16 liabilities). This shows how the Group is utilising its finance facilities to invest in growth, and will be an important measure of how the Group intends to deleverage over the next few years. (See Financial review – 'Group statement of financial position' on page 22)	**72.4**	**43.9**	**68.2**
	Cash generation from continuing operations excluding exceptional items (£ million)	Profit before tax from continuing operations excluding exceptional items, tax, depreciation and amortisation, and adjusted for corporate working capital movements (excludes movement in clients' funds, retailers' deposits, and card and voucher deposits). This represents the cash generated by operations which is available for investments, capex, taxation and dividend payments. (See Financial review – 'Group Cash flow and liquidity' on page 22)	**62.3**	**53.9**	**46.9**
Shareholder returns	Diluted earnings per share from continuing operations excluding adjusted items (Pence)	Diluted earnings per share excluding adjusting items (earnings from continuing operations excluding adjusting items) divided by the weighted average number of ordinary shares in issue during the year (including potentially dilutive ordinary shares). Earnings per share is a measure of the profit attributable to each share. (See note 7 to the financial information on page 45)	**60.3**	**55.4**	**43.4**
	Dividends paid per share (Pence) (Group)	Dividends (ordinary) paid during the financial year divided by number of ordinary shares in issue at reporting date. Dividends paid per share provides a measure of the return to shareholders. (See Financial review – 'Dividends' on page 23)	**34.6**	**33.6**	**31.2**
Non-financial	Network stability one-mile urban population cover (%)	Total urban population covered within a one-mile radius of a PayPoint site. This is monitored to ensure PayPoint are above our minimum SLA of 95%.	**99.3**	**99.2**	**99.4**
	Network stability five-mile rural population cover (%)	Total rural population covered within a five-mile radius of a PayPoint site. This is monitored to ensure PayPoint are above our minimum SLA of 95%.	**98.5**	**98.2**	**98.3**
	Retailer partner site churn (%)	The percentage of the retailer partner network, that on an annual basis, exits PayPoint. This is calculated by taking the number of retailers who exited PayPoint in the period (excluding suspended sites), divided by the average number of total UK retailer partner sites for the period. This helps track the movement in total UK retailer partner sites.	**7.2**	**5.3**	**3.6**
	Employee engagement (%)	Measures the overall employee engagement, calculated by our survey provider. The survey provides insight into the health of our organisation, enabling the identification of what is important to our people so that appropriate action can be taken.	**71.0**	**72.0**	**77.0**

FINANCIAL REVIEW

The completion of the acquisition of Appreciate Group plc (Appreciate) in February 2023 was the latest step in the three years of our transformation away from our traditional cash markets towards digital. Our Corporate activity started in April 2020 with the buyout of our JV partner in Collect+, our parcels business, then acquisitions of i-movo for digital vouchering, Handepay/Merchant Rentals for cards business and RSM2000 for Direct Debits. In addition, investments have been made in OBConnect, our Open Banking partner and Optus Homes in the Housing sector. PayPoint sold its Romanian business at the start of the prior year and that is the discontinued operations in the table below, the focus of the review therefore is on continuing operations.

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

£m	**Year ended 31 March 2023**	Re-presented[1] Year ended 31 March 2022	Change %
PayPoint segment	**160.1**	145.1	10.3%
Love2shop segment	**7.6**	-	n/m
Total revenue continuing operations	**167.7**	145.1	15.6%
PayPoint segment	**125.5**	115.1	9.1%
Love2shop segment	**3.4**	-	n/m
Total net revenue continuing operations	**128.9**	115.1	11.9%
PayPoint segment	**(75.2)**	(67.1)	12.1%
Love2shop segment	**(2.9)**	-	n/m
Total costs continuing operations	**(78.1)**	(67.1)	16.4%
PayPoint segment	**50.3**	48.0	4.8%
Love2shop segment	**0.5**	-	n/m
Underlying profit before tax	**50.8**	48.0	5.8%
Adjusting items: Amortisation of intangible assets arising on acquisition	**(2.6)**	(2.4)	8.3%
Exceptional items	**(5.6)**	2.9	n/m
Profit before tax from continuing operations	**42.6**	48.5	(12.4)%
Profit before tax from discontinued operations	**-**	30.0	n/m
Profit before tax	**42.6**	78.5	n/m
Underlying EBITDA[2]	**61.3**	58.2	5.2%
Cash generation	**62.3**	53.9	15.6%
Net corporate debt[3]	**(72.4)**	(43.9)	65.0%

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

The underlying profit before tax increased by £2.8 million (5.8%) to £50.8 million (2022: £48.0 million). This result includes £0.5 million profit on the Love2shop segment for one month. This is due to the seasonal nature of the business where profit is primarily generated in Q3 of the financial year. The historic PayPoint segment underlying profit before tax increased by £2.3 million (4.8%) to £50.3 million (2022: £48.0 million).

1 Amortisation of intangible assets arising on acquisition were not identified as adjusting items in the prior year financial statements (see note 1).
2 Adjusted EBITDA is an alternative performance measure. Refer the finance review for a reconciliation.
3 Net corporate debt (excluding IFRS 16 liabilities) is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to cash and cash equivalents.

Total revenue from continuing operations increased by £22.6 million (15.6%) to £167.7 million (2022: £145.1 million). Net revenue from continuing operations increased by £13.8 million (11.9%) to £128.9 million (2022: £115.1 million), the one month of L2S segment contributing £3.4 million. There were increases across all our PayPoint segment business divisions with E-commerce doing particularly well with 46.3% increase in net revenue over the year.

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

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

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

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

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

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

PAYPOINT SEGMENT

Continuing operations **£m**	**Year ended 31 March 2023**	Year ended 31 March 2022	Change %
Revenue	**160.1**	145.1	10.3%
Shopping	**62.0**	58.7	5.6%
E-commerce	**7.3**	4.9	46.3%
Payments & Banking	**56.2**	51.5	9.1%
Net revenue	**125.5**	115.1	9.1%
Other costs of revenue	**(17.6)**	(11.0)	60.1%
Depreciation and amortisation (costs of revenue)	**(7.2)**	(7.6)	(5.2)%
Depreciation and amortisation (administrative expenses) excluding amortisation of intangible assets arising on acquisition	**(0.4)**	(0.5)	(5.0)%

Other administrative costs – excluding exceptional items	**(47.7)**	(46.0)	3.6%
Net finance costs – excluding exceptional costs	**(2.3)**	(2.0)	14.7%
Total costs	**(75.2)**	(67.1)	12.1%
Underlying profit before tax (excluding adjusting items)	**50.3**	48.0	4.8%

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

E-commerce net revenue increased by £2.4 million (46.3%) to £7.3 million (2022: £4.9 million), driven by strong growth in total transactions which increased by 69.6% This was due to our strength in clothing/fashion categories, the investment in the in-store experience with Zebra label printers over the past 18 months and the continued expansion from new services and carrier partners.

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

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

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

SECTOR ANALYSIS

SHOPPING

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

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

Net revenue increased by £3.3 million (5.6%) to £62.0 million (2022: £58.7 million) primarily due to the growth in service fees and Handepay/Merchant Rentals card payments. The net revenue of each of our key products is separately addressed below.

Service fees from terminals	**Year ended 31 March 2023**	Year ended 31 March 2022	Change %
Net Revenue (£m)	**17.9**	16.6	8.3%
PayPoint terminal sites (No.)			
PayPoint One Base	**6,787**	7,392	(8.2)%

PayPoint One EPoS Core	**10,775**	9,639	11.8%
PayPoint One EPoS Pro	**891**	1,089	(18.2)%
Total PayPoint One – revenue generating	**18,453**	18,120	1.8%
PayPoint One Base non-revenue generating	**709**	671	5.7%
Total PayPoint One	**19,162**	18,791	2.0%
Legacy (T2)	**142**	214	(33.6)%
PPoS	**9,174**	9,249	(0.8)%
Total terminal sites in PayPoint network	**28,478**	28,254	0.8%
PayPoint One average weekly service fee per site (£)	**17.8**	17.0	4.7%

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

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

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

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

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

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

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

Net revenue reduced by £0.4m (4.2%) to £9.4 million (2022: £9.8 million) as transactions reduced by 1.7% to 30.1 million. This is attributable to the continued reduced demand for cash across the economy although our new product, Counter Cash, continues to grow. ATM and Counter Cash sites increased 45.0% to 9,150 mainly as a result of the continued roll out of Counter Cash sites and PayPoint continued to optimise its ATM network by relocating existing machines to better performing locations. Counter Cash contributed 7% of transactions (2022: 1%) with over £42.9 million withdrawn in the financial year.

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

E-COMMERCE

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

E-commerce net revenue increased by £2.4 million (46.5%) to £7.3 million due to the increase in total parcels transactions by 69.6% to 56.4 million. This was driven by our strength in clothing/fashion categories and the investment in the in-store experience with Zebra label printers over the past 18 months. There has been continued expansion from new services, Yodel store to store and Amazon returns, and new carrier partnerships with Wish.com and Inpost. Parcel sites increased by 4.6% to 10,514 sites.

PAYMENTS & BANKING

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

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

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

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

Cash – top-ups	Year ended 31 March 2023	Year ended 31 March 2022	Change %
Net revenue (£m)	**7.3**	7.8	(6.2)%

Transactions (millions)	**19.0**	21.2	(10.3)%
Transaction value (£m)	**236.8**	257.6	(8.1)%
Average transaction value (£)	**12.4**	12.1	2.5%
Net revenue per transaction (pence)	**38.4**	36.8	4.4%

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

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

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

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

Cash through to digital (eMoney) net revenue decreased by £1.3 million (16.5%) to £6.9 million (2022: £8.2 million) and transactions decreased by 2.1 million (19.6%) to 8.5 million (2022: 10.6 million) with volumes returning to pre-Covid-19 levels and a new baseline set for the category. eMoney transactions derive a substantially higher fee per transaction than traditional top-up transactions as they are more complex to process.

Other payments & banking net revenue includes SIM sales, interest generated by investing cash received on client funds and other ad-hoc items which contributed £1.3 million (2022: £1.0 million) net revenue.

LOVE2SHOP SEGMENT

Continuing operations **£m**	**Year ended 31 March 2023**
Revenue	**7.6**
Net revenue	**3.4**
Other costs of revenue	**(0.6)**
Depreciation and amortisation (administrative expenses) excluding amortisation on intangible assets arising on acquisition	**(0.2)**
Other administrative costs	**(1.8)**
Net finance costs	**(0.3)**
Total costs	**(2.9)**

Underlying profit before tax (excluding adjusting items)	**0.5**

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

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

PROFIT BEFORE TAX AND TAXATION

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

GROUP STATEMENT OF FINANCIAL POSITION

Net assets of £111.7 million (2022: £83.3 million) increased by £28.4 million reflecting the shares issued as part of the acquisition of Appreciate and the £10.5 million growth in retained earnings. Current assets increased by £147.1 million to £251.9 million (2022: £104.8 million) due to the monies held in trust and cash held on behalf of clients of £119.7 million acquired with Appreciate. Non-current assets of £227.9 million (2022: £127.3 million) increased by £100.6 million due to the Appreciate acquisition goodwill and intangible assets and the investment in terminals. Current liabilities increased by £181.9 million due to the liabilities matching the cash held on behalf of clients and monies held in trust and an increase in borrowings from the RCF drawdown, required for the acquisition. Non-current liabilities of £52.9 million (2022: £15.7 million) increased by £37.2 million due to the new £36.0 million amortising term loan taken out to fund the acquisition and deferred tax liabilities arising from the acquisition.

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

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

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

GROUP CASH FLOW AND LIQUIDITY

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

	Year ended 31 March 2023	Year ended 31 March 2022	Change %
Profit before tax from continuing and discontinued operations	**42.6**	78.5	(45.7)%
Ofgem provision – cash payment	**-**	(12.5)	-
Non-cash exceptional items	**1.3**	(2.9)	144.8%
Gain on disposal of investments Romania	**-**	(30.0)	-
Depreciation and amortisation	**10.5**	10.6	(0.9)%

Share-based payments and other items	**2.4**	0.9	166.7%
Working capital changes (corporate)	**3.6**	(3.2)	215.6%
Cash generation	**60.4**	41.4	46.1%
Taxation payments	**(6.2)**	(9.2)	(32.6)%
Capital expenditure	**(12.7)**	(10.8)	17.6%
Acquisitions of subsidiaries net of cash acquired	**(45.6)**	(4.5)	n/m
Contingent consideration cash paid	**(1.0)**	(2.0)	(50.0)%
Sale/(purchase) of investment in associate	**5.5**	(6.7)	n/m
Purchase of convertible loan note and other investment	**(3.3)**	(0.8)	n/m
Disposals of business net of cash disposed	**-**	20.2	-
Movement in loans and borrowings	**42.4**	(35.0)	(221.1)%
Lease payments	**(0.2)**	(0.2)	-
Dividends paid	**(25.1)**	(23.1)	8.7%
Net increase/(decrease) in corporate cash and cash equivalents	**14.2**	(30.7)	146.3%
Net change in clients' funds and retailers' deposits	**39.3**	(9.7)	505.2%
Net increase/(decrease) in cash and cash equivalents	**53.5**	(40.4)	232.4%
Cash and cash equivalents at the beginning of year	**24.4**	64.8	(62.3)%
Cash and cash equivalents at the end of year	**77.9**	24.4	-
Comprising:			
Corporate cash net of overdraft	**22.0**	7.7	185.7%
Clients' funds and retailers' deposits	**55.9**	16.7	236.7%

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

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

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

Taxation payments on account of £6.2 million (2022: £9.2 million) are lower compared to the prior period due to a tax refund of £3.3 million following the closure of March 2021 tax filings which do not impact the prior year tax charge. Dividend payments were higher compared to the prior period due to the increase in the current year interim and the final ordinary dividend paid per share for the prior year ended 31 March 2022.

Capital expenditure of £12.7 million (2022: £10.8 million) was £1.9 million higher than the prior year. Capital expenditure primarily consists of PayPoint One and card terminals, terminal development, the enhancement to the Direct Debit platform and IT hardware. The increase in capital expenditure is primarily driven by the roll out of terminals in Merchant Rentals where the principal product is now an operating lease rather than finance lease.

DIVIDENDS

	Year ended 31 March 2023	Year ended 31 March 2022	Change %
Ordinary reported dividends per share (pence)			
Interim (paid)	**18.4**	17.0	8.2%
Final (proposed)	**18.6**	18.0	3.3%
Total reported dividend per share (pence)	**37.0**	35.0	5.7%

Total dividends paid per share (pence)	**34.6**	33.6
Total dividends paid in year (£m)	**25.1**	23.1

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

The final dividend will result in £13.5 million (2022: £12.4 million) being paid to shareholders from the standalone statement of financial position of the Company which, as at 31 March 2023, had approximately £45.0 million (2022: £67.9 million) of distributable reserves.

CAPITAL ALLOCATION

The Board's immediate priority is to continue to preserve PayPoint's balance sheet strength. The Group maintains a capital structure appropriate for current and prospective trading over the medium term that allows a healthy mix of dividends and cash for investment through capital expenditure and acquisitions. The Board's approach to the setting of the ordinary dividend has been updated since the prior year in relation to cover ratio to strengthen the capital position and follows the following capital allocation priorities:

- Investment in the business through capital expenditure in innovation to drive future revenue streams and improve the resilience and efficiency of our operations;
- Investment in opportunities such as the acquisition of Appreciate in February 2023 and investment in OBConnect convertible loan;
- Progressive ordinary dividends targeting a cover ratio of 1.5 to 2.0.[1] times earning from continuing operations excluding exceptional items.

GOING CONCERN

The financial statements have been prepared on a going concern basis having regard to the identified principal risks and uncertainties and viability statement on page 30. Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group including dividends.

Alan Dale
Finance Director
27 July 2023

[1] Dividend cover represents profit after tax divided by reported dividends.

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.

Changes to principal risks

New risks and disclosures

This year, principal risks from the Appreciate Group have been considered and incorporated, and our risks are assessed below on a Group-wide basis. Our risk appetite remains the same as last year.

It is defined as:

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

Changing risks

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

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

Receding risks

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

Emerging Risks

ESG and Climate Risk remains an emerging risk. We recognise the impact climate change is having globally; however, we are intrinsically a low-carbon producing company and they do not pose an immediate risk to our operations. However, we have embedded a strategy of reducing our carbon emissions, with a goal of becoming fully net-zero by 2040 (2030 for our own operations). Details of how we plan to achieve this will be set out in our Annual Report.

Last year, we implemented The Task Force on Climate-related Financial Disclosures (TCFD) which provides companies with a framework to improve reporting on climate-related risks and opportunities. Risks presented by climate change have been embedded into our enterprise risk management framework including financial planning processes, business cases and our overall risk identification and management processes detailed in our Annual Report.

The table on pages 25 to 29 sets out our principal and emerging risks including details of the potential impact, mitigation strategies and status. The table also details risk movement during the year and risk appetite. They do not comprise all risks faced by the Group and are not set out in order of priority.

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.

	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; failure to anticipate and respond to these will reduce market share, revenue and profits. The decline in cash usage is expected to continue, which will reduce revenue from those affected business areas. Inflationary and cost of living pressures may impact fee margins and discretionary spend, which will in turn affect	The Executive Board regularly reviews markets, competitor activity, trading opportunities and potential acquisitions and so oversees and challenges strategic direction. It also closely monitors consumer and technological trends and engages with clients, retailers and other stakeholders to improve our proposition. PayPoint continually develops products, services and systems to adapt to	Risk is increasing as competition has intensified, and cost of living pressures are causing a downward push on margins. Also, the use of cash continues to decrease, which reduces our income from certain parts of the business. However, we continue to strengthen our card and digital payment businesses. Levels of global investment in our Fintech competitors slowed in the last year,

		growth opportunities in parts of the business. Keen pricing by competitors may further serve to narrow profit margins, as would excessive reliance on key clients or market segments	changes in consumer trends and technology and make strategic acquisitions where appropriate.	which presents opportunities for PayPoint in the digital space. Finally, the recent acquisition has further diversified the Group into the gifting and rewards business.
2	**Emerging Technology** Trend = Stable Appetite = Medium	There is risk to our business if our offering fails to keep pace and we do not exploit new technologies and markets to evolve our proposition. New and emerging technologies are changing the way consumers pay for goods and services; failure to keep up with alternative payment solutions will reduce our market share and profitability	PayPoint continually develops products with the latest technology and evolves them to take advantage of new and expanding markets. The Executive Board closely monitors emerging technologies and the impact they may have on PayPoint. We also develop and implement our own innovative technology where possible. Emerging technology from recent acquisitions has been developed further and used to deepen and widen our customer relationships.	Risk is stable as recent acquisitions have accelerated our ability to mitigate the impact of emerging technologies, and the re-platforming of our digital proposition will better enable us to expand our presence in digital payment markets. We are engaged in various government schemes involving new technology, for example, the Department for Work and Pensions Payment Exception Service. We are rolling out a new, updated version of our retailer terminal – the PayPoint mini, and have developed solutions in our open banking and open pay propositions. We are also tracking the fast evolution of generative AI, as this has potential to be highly transformative.
Strategic Risks				
3	**Trans-formation** Trend = Increasing Appetite = Medium	Our business relies on implementation of continued innovation to keep pace with emerging technology and changing markets. Furthermore, we need to remain agile to continually improve our processes and controls, as failure to do so would reduce efficiency, increase costs, and increase the likelihood of poor customer service. Failure to invest and improve would also reduce our capacity to capitalise on opportunities for growth.	The Executive Board drives, challenges and assesses our response to change as part of the strategic planning process. PayPoint is committed to diversifying its product offering and client base by delivering innovative, efficient and robust processes in a range of sectors, and by continuous improvement in existing systems and processes.	Risk is increasing; the acquisition of Appreciate is now complete and work has started to integrate their operations where appropriate, and to add their system improvements into the Group roadmap. Other major projects include Payment Facilitation and the roll out of the PayPoint mini terminal, a project that started in 2021.These require considerable investment in technology and systems as well as infrastructure channels and in developing people.
Business Risks				
4	**Operating Model** Trend = Stable Appetite = Medium	It is important we have a diversified and varied operating model, so we are not overly exposed to any particular markets, clients, suppliers or SMEs. Our core business relies on an appropriate mix of clients operating in diverse industry sectors, retailers and redemption partners, supported by a robust supply chain and operating processes. Failure to maintain attractive propositions for clients retailers and redemption partners may result in losses of key clients, or a reduction in fees and margins.	PayPoint builds and carefully manages strategic relationships with key clients, retailers, redemption partners and suppliers. We continually seek to improve and diversify services through new initiatives, products and technology. We have further diversified our business this year through the acquisition of Appreciate Group which gives us access to new markets, SMEs, retailers, clients and technology. We maintain strong relationships with suppliers to reduce concentration risk in this area.	Risk is stable; recent acquisitions have diversified our operations into the gifting ad rewards business. We continue to renew contracts and onboard new retailers, clients merchants and redemption partners in line with expectations. We have built on the counter cash, FMCG and newspaper propositions with campaigns and onboarding new SMEs, with more in the pipeline. We have however noted that retailers and SMEs are under increasing financial pressure, which may lead to an increase in defaults. We are monitoring this situation carefully.
5	**Legal and Regulatory** Trend = Increasing Appetite = Low	PayPoint is required to comply with numerous contractual, legal, and continuously evolving regulatory requirements. Failure to anticipate and meet obligations may result in fines, penalties, prosecution and reputational damage. Recent acquisitions have increased the number of regulated entities, which further increases the regulatory	Our Legal and Compliance teams work closely with management on all legal and regulatory matters and adopt strategies to ensure PayPoint is appropriately protected and complies with regulatory requirements. The teams advise on all key contracts and legal matters and oversee regulatory	Risk is increasing due to two key factors. Firstly, following completion of the Appreciate acquisition, additional support has been required to ensure a coherent group approach to compliance is implemented. Secondly, as referenced in Note 34, two claims have now been

		risk. Commitments made to Ofgem in 2021 regarding its Competition law concerns have been implemented	compliance, monitoring and reporting. Emerging regulations are incorporated into strategic planning, and we engage with regulators to ensure our frameworks are appropriate to support new products and initiatives. The compliance team has been expanded and developed to meet the ever-changing requirements of both existing and new legislation, and external counsel is engaged where required. We respond promptly and comprehensively to all legal and regulatory enquiries.	served on a number of companies in the Group in relation to the matters addressed by commitments made to Ofgem in 2021 in resolution of Ofgem's competition concerns. Key new regulations this year have been the PSR and Consumer Duty, which we are addressing in line with regulatory deadlines.
6	**People** Trend = Increasing Appetite = Low	Failure to attract and retain key talent impacts many areas of our business including service delivery and achieving strategic objectives. Maintaining a strong culture of ethical behaviours and employee wellbeing is also vital in ensuring our business, people, customers and other stakeholders are safeguarded, and our operations remain efficient and profitable. Maintaining competitive remuneration levels ensures we retain our talent pool.	The Executive Board defines and advocates PayPoint's purpose, vision and values, and an employee forum comprising employees from across the business engages directly with the Executive Board on employee matters. We continue to invest in, and support our people. We have well established processes for recruiting and retaining key talent and developing our people, and there is continued focus on culture, ethics and diversity.	Risk is increasing. Following completion of the Appreciate Group acquisition, we announced a rationalisation of our Northern offices, which has caused some staff turnover. Inflationary pressures mean salaries remain high and, hybrid working serves to exacerbate this trend. Therefore, there remain a number of vacancies, especially in specialist fields. However, we have recruited some extra staff in accordance with our planned headcount increase for the year. Recruitment and retention have eased somewhat from earlier in the year due to redundancies and recruitment freezes elsewhere. Employee engagement surveys remain positive and key actions around cost-of-living support, better employee interaction and flexible working have been implemented..
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. Recent acquisitions have increased the number of IT environments, products and systems we need to protect. PayPoint has multiple cyber security systems, capabilities and controls however cyber-attacks are constantly evolving and remain a persistent threat.	The Executive Board assesses PayPoint's cyber security and data protection framework, and the Cyber Security and IT Sub-Committee of the Audit Committee maintain oversight. Our IT security framework is comprehensive, with multiple security systems and controls deployed across the Group. We are ISO27001 and PCI DSS Level 1 certified, and systems are constantly monitored for attacks with response plans implemented and tested. Employees receive regular cyber security training, and awareness is promoted through phishing simulations and other initiatives. We have implemented simple reporting tools to assist in quick identification of potential threats. We operate a robust incident response framework to address potential and actual breaches in our estate or within our supply chain. We engage with	Risk is increasing because of the growing volume and sophistication of cyber-attacks, coupled with our expanding digital footprint. Due to the current geopolitical instability, the NCSC has issued a warning regarding targeted threats to organisations supporting critical services in the UK. Group security standards and systems are being applied to our acquired IT environments and we continue to enhance our architecture, systems, processes and cyber monitoring and response capabilities. We regularly engage third parties to assess and assist on our cyber defences and strengthen our controls..

			stakeholders, including suppliers on cyber-crime and proactively manage adherence with data protection requirements.	
8	**Business Interruption** Trend = Increasing Appetite = Low	Our clients and stakeholders rely on our systems, products and services being resilient to maintain continuous service delivery. Failure to maintain stable infrastructure or processes, or to promptly recover services following an incident may result in financial loss, reputational harm and potential regulatory scrutiny. Interruptions may be caused by system failure, cyberattack, failure by a third party, or failure of an internal process. Recovery may be hampered by a lack of resilience planning and testing.	The Executive Board reviews PayPoint's business continuity framework and the Cyber Security and IT SubCommittee of the Audit Committee maintains oversight. Business continuity, disaster recovery and major incident response plans are maintained and tested with failover capabilities across third party data centres and the cloud. Systems are routinely upgraded with numerous change management processes deployed and resilience embedded where possible. Risk from supplier failure is managed through contractual arrangements, alternative supplier arrangements and business continuity plans.	Risk is increasing. The acquisition of Appreciate and our expansion into different products contribute to an increasing complexity of our operations. We have not suffered any significant outages during the year, however system disruption is an inherent business risk. Therefore, we have upgraded the processing environments for our core switch and some core services that are hosted in the data centres. This has resulted in a reduction in critical incidents, and availability of the core processing switch has improved. Better staff training and retention has enhanced our ability to detect and recover from service issues.
9	**Credit and Liquidity/ Treasury Management** Trend = Stable Appetite = Low	PayPoint has material credit exposures with large retailers, redemption partners, and other counterparties; in the event of a default, significant financial loss may result, as demonstrated with the McColl's collapse. We process large volumes of payments daily, therefore effective operational controls are essential to ensure funds are settled accurately, securely and promptly. We have a number of debt / banking covenants and interest expenses which must be managed carefully. Absent or ineffective controls in these processes could result in fraud, liquidity risk, reputational damage or other financial loss.	PayPoint has effective credit and operational processes and controls. Retailers and counterparties are subject to ongoing credit reviews, and effective debt management processes are implemented. Residual risk associated with potential default of gift card providers is mitigated through insurance. Settlement systems and controls are continually assessed and enhanced with new systems and technology. We have effective governance with oversight committees, delegated authorities and policies for key processes. Segregation of duties and approvals are implemented for all areas where fraud or material error may occur.	Risk is stable. Credit losses remain low. Cost of living pressures may impact our retailers, which may increase the default rate. However, we have robust monitoring and an increase in support payment processing in place to reduce default rates and impacts. The risk profile of our business operations remains stable. We continue to review and enhance our operational processes and controls, and relationships with our funding partners. We successfully refinanced to support the acquisition of Appreciate and our cash generation remains robust.
10	**Operational Delivery** Trend = Stable Appetite = Low	Successful delivery of key initiatives and strategic objectives is central to achieving our day-to-day and transformation aims. Successful operational delivery depends on effective forecasting, planning and well controlled execution both within the Group and in its supplier chain. Failure to manage this risk would hamper our business performance, impact our stakeholders, and lead to regulatory or legal sanctions.	The Executive Board has overall responsibility for delivering key initiatives implementing a robust control framework over BAU activities. Our project management methodology ensures projects are prioritised and governed effectively. Our existing processes are continuously reviewed to make sure they are efficient and well controlled.	Risk is stable. The Appreciate acquisition will require considerable management time and effort to integrate. The combined group is now large enough to qualify for the SAO regime, which means the risk and control documentation must be reviewed and brought in line with HMRC requirements. There have been a number of new products in the year, e.g. EBSS and Open Banking, which have been challenging and demanded prioritisation of resources.
Emerging Risks				
11	ESG and Climate Trend = Stable	Focus on environmental, social and governance matters continues to increase, and our business needs to be environmentally responsible to create shared value for all stakeholders. Climate risk is a key priority for governments and organisations globally, and PayPoint needs to play its part in reducing carbon	The CEO and the Executive Board have overall accountability for PayPoint's climate and social responsibility agendas, and they recommend strategy to the Board. PayPoint aligns its business with reducing carbon emissions, and continually assesses its approach to environmental risk and social responsibility, which are embedded	Our ESG working group has implemented various measures as we embed low carbon strategies into our working practices and business strategy. We will be rolling out our new PayPoint terminal, which generates lower emissions than previous models. We are moving toward electric cars

	Appetite = Medium	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.	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.	for our company fleet and helping our field team to travel in more environmentally friendly ways. We run an employee forum and have implemented various measures as a result, such as cost of living support. Love2shop was named one of the UK’s best places to work in April 2023.

VIABILITY STATEMENT

In accordance with the 2018 UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three-year period, taking account of the Group's current financial and trading position, the principal risks and uncertainties (as set out on pages 25 to 29) and the strategic plans that are reviewed at least annually by the Board.

Assessment period

The Directors have determined that the Group's strategic planning period of three years remains an appropriate time frame over which to assess viability. This broadly aligns to average client renewal terms, new client prospecting and onboarding cycles and the development-through-to-maturity evolution of new products and service lines. The current financing facilities are in place until February 2026 broadly in line with this period.

Assessment of prospects

The Directors assess the Group's prospects through the annual strategy day and review of the Group's three-year Plan. The strategy day in February 2023 and Plan review day in March 2023 both considered the impact on future plans of the Appreciate Group acquisition on 28 February 2023. The planning process forecasts the Group's financial performance including cash flows which allows the Directors to assess both the Group's liquidity and adequacy of funding. In its assessment of the Group's prospects, the Directors have considered the following: —

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

We continue to evolve and execute our strategy and invest for growth. We recently acquired the Appreciate Group and are integrating this business at pace so that the commercial synergies can commence realisation in the 2023/24 financial year including the launch of super-agents via our retailer partner network. Through a broad range of products and services combined with our effective sales team we continue to successfully embed PayPoint Group at the heart of SME and convenience retail businesses. In the e-Commerce division we are continuing to roll out Zebra printers which will enable store to store deliveries, further improving the e-commerce delivery platform for first and last mile customer journeys. In the Payments and Banking division, we continued facilitating government support in the current economic climate and grew our integrated payments solution across cards and Direct Debit together with the addition of Open Banking to our portfolio of payment methods.

The Group's inherent resilience to risk.

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

Expectations of the future economic environment.

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

The Group's financial position.

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

Assessment of viability

To assess our viability, we modelled different scenarios identified by considering the potential impact of the principal risks (as shown in the table on pages 25 to 29). Our development of scenarios included reviewing the risks of both the PayPoint and Appreciate businesses. Risks are broadly unchanged and the additional investments required to realise our integration and targets are included in the Plan financial projections. We have reassessed the enlarged group's scenarios to reflect the progress made in delivering our strategy. In total, nine principal risks were used in our modelling. They were chosen because they combine to represent plausible scenarios covering a range of different operational and financial impacts on the business.

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

In total, four severe but plausible individual scenarios have been modelled, with a fifth reverse stress test scenario. These scenarios and the assumptions within are detailed in the table below. We also considered the combined impact of scenarios A and B as these are the most likely to materialise together. Theoretically all these scenarios, with differing causes could occur together, with varying levels of impact. However, we have not included a combined scenario of scenarios A to D, due to the one-off nature of scenarios C and D, with scenario A already including a significant one-off item creating similar financial pressure.

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

Conclusion

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

Scenario modelled	Linked to principal risks	Assumptions
Scenario A A sharp economic decline in the economy and our markets causes material divergence on planned product growth rates or accelerated declines	*Risk (1) Competition and markets* *Risk (2) Emerging technology* *Risk (4) Operating model* *Risk (9) Credit and operational*	Transactions/merchants/estate In areas of the business where declines have been experienced, these have been doubled. In areas of the business in growth, this growth has been reduced to zero. Margins, revenue rates per transaction/merchants or estate In areas where there is a decline this has been doubled and growth reduced to zero. Economic backdrop will also cause a credit risk of c£11m if several our largest retailers fail. Costs No cost savings assumed. All of the above are assumed to impact for FY23/24 with a slow recovery in FY24/25 back to planned levels in FY25/26. Dividends are reduced in line with dividend policy.
Scenario B Failure with our transformation and integration projects impacts the profit delivery from the planned growth	*Risk (3) Transformation* *Risk (10) Operational delivery*	Revenue Growth Planned transformational revenue growth rates are assumed to halve over the life of the plan. Costs/ synergies Costs are assumed to increase by 20% and the benefit of synergies halved across the three-year plan.
Scenario C Legislation or regulatory reforms cause a situation of non-compliance	*Risk (5) Regulatory and legal* *(grouping all the one-off hits together)*	Revenue No impact is assumed as PayPoint would adjust to change or correct any breach so that level of business could continue Costs It is assumed that an average amount of the possible fines and associated costs of £30m is incurred in FY23/24 Dividends Reduced in line with dividend policy
Scenario D Cybersecurity and business continuity	*Risk (7) Cyber security,* *Risk (8) Business interruption*	Revenue No revenue generation for three weeks Costs Compensation payment equal to the lost revenue. Dividends Reduced in line with dividend policy
Scenario E Reverse stress test	N/A	Adopting the principles of Scenarios A and B, a continuous monthly impact has been modelled to understand when our funding limits would be reached. Similarly, for scenarios C and D, which are one offs, a single month impact has been calculated to reach funding limits. In this stress test, it is assumed no dividends are paid. The outcome of these tests were a sustained EBITDA reduction of £3m per month, indefinitely, or a one off reduction in EBITDA of £40m would take the Group to its funding limits. At this point the Group would require further mitigations to those listed above and engaging financiers for further support or relaxation of covenants.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 March 2023 £'000	Re-presented[1] Year ended 31 March 2022 £'000
Continuing operations			
Revenue	2,3	**165,220**	145,144
Other revenue	2,3	**2,503**	-
Total revenue		**167,723**	145,144
Cost of revenue		**(64,257)**	(48,725)
Gross profit		**103,466**	96,419
Administrative expenses - excluding adjusting items		**(50,083)**	(46,357)
Operating profit before adjusting items		**53,383**	50,062
Adjusting items:			
Exceptional items - administrative expenses	4	**(5,317)**	2,880
Amortisation of intangible assets arising on acquisition – administrative expenses		**(2,574)**	(2,394)
Operating profit		**45,492**	50,548
Finance income	5	**87**	13
Finance costs	5	**(2,718)**	(2,046)
Exceptional item – finance costs	4	**(287)**	-
Profit before tax from continuing operations		**42,574**	48,515
Tax on continuing operations	6	**(7,864)**	(8,986)
Profit from continuing operations		**34,710**	39,529
Discontinued operation			
Profit from discontinued operation, net of tax		**-**	148
Exceptional item – gain on disposal of discontinued operation, net of tax		**-**	29,863
Profit for the year attributable to equity holders of the parent		**34,710**	69,540

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

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

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

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

Earnings per share – discontinued operations (pence)	**Year ended 31 March 2023**	Year ended 31 March 2022
Basic	**-**	43.7
Diluted	**-**	43.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31 March 2023 £'000**	31 March 2022 £'000
Non-current assets			
Goodwill	8	**117,427**	57,668
Other intangible assets		**75,293**	35,990
Investment in associate		**-**	6,739
Convertible loan notes		**3,750**	750
Other investment		**251**	–
Property, plant and equipment		**29,257**	21,782
Net investment in finance lease receivables		**1,711**	4,407
Retirement benefit asset		**411**	–
Total non-current assets		**228,100**	127,336
Current assets			
Inventories		**3,152**	332
Trade and other receivables	10	**82,055**	75,975
Current tax asset		**6,231**	4,191
Cash and cash equivalents – clients' funds, retailer partners' deposits and card and voucher deposits		**55,905**	16,646
Cash and cash equivalents – corporate cash		**22,546**	7,653
Monies held in trust		**82,000**	–
Total current assets		**251,889**	104,797
Total assets		**479,989**	232,133
Current liabilities			
Trade and other payables	11	**255,526**	92,375
Deferred consideration liability		**-**	1,000
Lease liabilities		**862**	200
Loans and borrowings	12	**58,245**	39,643
Bank overdraft		**525**	–
Total current liabilities		**315,158**	133,218
Non-current liabilities			
Trade and other payables		**115**	-
Lease liabilities		**4,617**	60
Loans and borrowings	12	**36,170**	11,891
Deferred tax liability		**12,215**	3,706
Total non-current liabilities		**53,117**	15,657
Total liabilities		**368,275**	148,875
Net assets		**111,714**	83,258
Equity			
Share capital	13	**242**	230
Share premium	13	**1,000**	1,000
Merger reserve	13	**18,243**	999
Share-based payment reserve		**2,286**	1,570
Retained earnings		**89,943**	79,459
Total equity attributable to equity holders of the parent		**111,714**	83,258

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

Nick Wiles
Chief Executive
27 July 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Opening equity at 1 April 2021		229	4,975	999	2,005	(1,645)	26,737	33,300
Profit for the year		–	–	–	–	–	69,540	69,540
Exchange differences on translation of foreign operation		–	–	–	–	1,645	–	1,645
Comprehensive income for the year		–	–	–	–	1,645	69,540	71,185
Issue of shares	13	1	1,000	–	–	–	–	1,001
Equity-settled share-based payment expense		–	–	–	868	–	–	868
Vesting of share scheme		–	–	–	(1,303)	–	1,303	–
Reclassification of share premium into retained earnings		–	(4,975)	–	–	–	4,975	–
Dividends	14	–	–	–	–	–	(23,096)	(23,096)
Closing equity at 31 March 2022		**230**	**1,000**	**999**	**1,570**	–	**79,459**	**83,258**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**34,710**	**34,710**
Total other comprehensive income		**–**	**–**	**–**	**–**	**–**	**267**	**267**
Comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**34,977**	**34,977**
Issue of shares	13	**12**	**–**	**17,244**	**–**	**–**	**–**	**17,256**
Equity-settled share-based payment expense		**–**	**–**	**–**	**1,330**	**–**	**–**	**1,330**
Vesting of share scheme		**–**	**–**	**–**	**(614)**	**–**	**614**	**-**
Dividends	14	**–**	**–**	**–**	**–**	**–**	**(25,107)**	**(25,107)**
Closing equity at 31 March 2023		**242**	**1,000**	**18,243**	**2,286**	**–**	**89,943**	**111,714**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 March 2023 £'000	Re-presented[1] Year ended 31 March 2022 £'000
Cash flows from operating activities			
Cash generated from operations	15	**102,182**	**33,626**
Corporation tax paid		**(6,204)**	**(9,161)**
Interest received		**609**	**13**
Interest paid		**(2,973)**	**(1,913)**
Net cash inflow from operating activities		**93,614**	**22,565**
Investing activities			
Purchases of property, plant and equipment		**(7,802)**	(5,185)
Purchases of intangible assets		**(4,900)**	(5,627)
Acquisitions of subsidiaries net of cash acquired	9	**(45,580)**	(4,543)
Contingent consideration cash paid		**(1,000)**	(2,000)
Disposal / (acquisition) of investment in associate		**5,487**	(6,739)
Purchase of convertible loan note		**(3,000)**	(750)
Purchase of other investment		**(251)**	-
Proceeds from disposal of discontinued operation net of cash disposed		**-**	20,159
Net cash used in investing activities		**(57,046)**	(4,685)
Financing activities			
Dividends paid	14	**(25,107)**	(23,096)
Proceeds from issue of share capital	13	**1**	1
Payment of lease liabilities		**(261)**	(243)
Repayments of loans and borrowings		**(22,074)**	(61,469)
Proceeds from loans and borrowings	12	**64,500**	26,420
Net cash generated / (used) in financing activities		**17,059**	(58,387)
Net increase / (decrease) in cash and cash equivalents		**53,627**	(40,507)
Cash and cash equivalents at beginning of year		**24,299**	64,806
Cash and cash equivalents at end of year		**77,926**	24,299

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

Reconciliation of cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting policies

Basis of preparation

This preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 March 2023 or 31 March 2022, but is derived from the statutory accounts. This announcement does not contain sufficient information to fully comply with UK-adopted International Accounting Standards ("UK-adopted IFRS"). The Company expects to publish full financial statements that comply with IFRS in due course.

Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts and the report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their opinion and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

Adoption of standards and policies

This preliminary announcement complies with the recognition and measurement criteria of UK-adopted IFRS, and with the accounting policies of the Group which are set out in the Group's Annual Report for the year ended 31 March 2022. The accounting policies applied are consistent with the prior year with the exception of the policies set out below and are applicable for the first time in the year ended 31 March 2023 following the acquisition of Appreciate Group PLC: i) Pension costs – defined benefit schemes; ii) Revenue recognised by Love2shop in respect of vouchers and cards.

Pension costs – defined benefit schemes

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

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

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

Revenue recognised by Love2shop in respect of vouchers and cards

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

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

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

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

Prior year re-presentation of interest received

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

Going concern

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

The Group's policy is to borrow centrally to meet anticipated funding requirements. Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group. At 31 March 2023, the Group had cash and cash equivalents of £78.4 million, consisting of £22.5 million corporate cash and £55.9 million of clients' funds, retailer partners' deposits and card and voucher deposits. In addition, the Group carried out a refinancing in the year to support the acquisition of Appreciate Group PLC. The Group's borrowing facilities consist of:

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

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

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

The Directors have prepared cash flow forecast scenarios for a period of at least 12 months from the date of approval of these financial statements, taking into account the Group's current financial and trading position, the impact of current economic conditions, the principal risks and uncertainties and the strategic plans that are reviewed at least annually by the Board. In this 'base case' scenario, the cash flow forecasts show considerable liquidity headroom and debt covenants will be met throughout the period. The Directors have also considered the matters described in note 16 and concluded that it is not appropriate to extend the going concern assessment beyond 12 months on the basis that the timing of conclusion of the legal proceedings is so uncertain.

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

The key assumptions were:

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

Additionally, the Directors have carried out an assessment of the principal risks and uncertainties and applied several severe but plausible scenarios to test the Group viability further, as detailed on pages 30 to 31 in the Group's Viability confirmation section. These included a reduction in the volume of transactions, loss of key contracts and under-performance of acquisitions and new products or service lines. As mitigating actions, we have assumed achievable reductions in expenditure and a reduction in the level of future dividends following the payment of the final dividend of 18.6 pence per share declared in respect of financial year ended 31 March 2023. The cash flow forecasts included stress tests for the above scenarios to ensure working capital movements within a reporting period do not trigger a covenant breach.

In both the 'base case' and severe but plausible scenarios, the forecasts indicated that there was sufficient headroom and liquidity for the Group to continue with the existing facilities outlined above. None of the significant judgements and estimates detailed on pages 37 to 39 made by the Directors casts any doubt on the assessment to continue as a going concern.

Based on these assessments, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of not less than 12 months from the date of approval of these financial statements and therefore have prepared the financial statements on a going concern basis.

Use of judgements and estimates

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

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

Critical judgement: recognition of cash and cash equivalents and monies held in trust

The nature of payments and banking services means that PayPoint collects and holds funds on behalf of clients as those funds pass through the settlement process and retains retailer partners' deposits as security for those collections. Following the Appreciate acquisition, it also holds card and voucher deposits on behalf of agents, cardholders and redeemers, some of which is held in trust.

A critical judgement in this area is whether clients' funds, retailer partners' deposits and monies held in trust are recognised in the statement of financial position, and whether they are included in cash and cash equivalents for the purpose of the statement of consolidated cash flows. This includes evaluating:

(a) the existence of a binding agreement, such as a legal trust, clearly identifying the beneficiary of the funds
(b) the identification of funds, ability to allocate and separability of funds
(c) the identification of the holder of those funds at any point in time
(d) whether the Group bears the credit risk

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

Where there is a binding agreement specifying that PayPoint holds funds on behalf of the client (i.e. acting in the capacity of a trustee) and those funds have been separately identified as belonging to that beneficiary, the cash and the related liability are not included in the statement of financial position.

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

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

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

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

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

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

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

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

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

1. Revenue growth is primarily determined by the increased salesforce and sales efficiency, ultimately driving the number of new merchants acquired. Over the five-year forecast period, headcount is planned to grow by 31% with sales efficiency being based on historic rates. Merchant churn is forecast to reduce by 14 percentage points from recent historical rates. This is driven by enhancing the businesses retention teams, utilising algorithms, and the continuous improvement in the product offering. The forecasts included existing revenue per merchant rates uplifted for approved repricing activities. The Group prepares five-year cash flow forecasts derived from the most recent three-year financial budgets approved by the Board which are extrapolated for a further two years and subsequently extended to perpetuity.

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

the carrying value if the discount rate increased to 18.7%.

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

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

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

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

Critical estimate**: **Valuation of acquired intangible assets on acquisition of Appreciate Group PLC
The fair value of acquired intangible assets (brands, customer relationships and developed technology) recognised on the acquisition of Appreciate amounted to £40.4 million, with a related deferred tax liability of £10.1 million. Together with other assets acquired and liabilities assumed, this resulted in goodwill of £59.8 million. The aggregate of the acquired intangible assets and the goodwill exceeds the consideration paid due to net other liabilities having been acquired on acquisition (see note 9). The estimate of fair value measurements of certain acquired intangible assets is considered by management a critical estimate due to a significant risk of material adjustment in the measurement period. The fair values are derived from assumptions, changes to which would have a material impact on the fair values. Management estimate that the following acquired intangible assets fall into this category:

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

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

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

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

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

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

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

Alternative performance measures

Non-IFRS measures or alternative performance measures are used by the Directors and management for performance analysis, planning, reporting and incentive-setting purposes. They have remained consistent with the prior year with the exception of the addition of the Billings measure, following the acquisition of Appreciate we have also added EBITDA and pulled out amortisation of intangible assets arising on acquisition as well as exceptional items. These measures are included in these financial statements to provide additional useful information on performance and trends to shareholders.

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

Underlying performance measures (non-IFRS measures)
Underlying performance measures allow shareholders to understand the operational performance in the year, to facilitate comparison with prior years and to assess trends in financial performance. They usually exclude the impact of one-off, non-recurring and exceptional items and the amortisation of intangible assets arising on acquisition, such as brands and customer relationships.

Love2shop billings (non-IFRS measure relating solely to the Love2shop segment)
Billings represents the value of goods and services shipped and invoiced to customers during the year and is recorded net of VAT, rebates and discounts. Billings is an alternative performance measure, which the directors believe provides an additional measure of the level of activity other than total revenue. This is due to revenue from multi-retailer redemption products being reported on a 'net' basis, whilst revenue from single-retailer redemption products and other goods are reported on a 'gross' basis.

Net revenue (non-IFRS measure)
Net revenue is total revenue less commissions paid (to retailer partners and Park Christmas agents) and the cost of revenue for items where the Group acts in the capacity as principal (including single-retailer vouchers and SIM cards). This reflects the benefit attributable to the Group's performance, eliminating pass-through costs which creates comparability of performance under both the agent and principal revenue models. It is a key consistent measure of the overall success of the Group's strategy. A reconciliation from total revenue to net revenue is included in note 3.

Adjusting items (non-IFRS measure)
Adjusting items consist of exceptional items and amortisation of intangible assets arising on acquisition. These items are presented as adjusting items in the consolidated statement of profit or loss, as they do not reflect the operational performance of the Group.

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

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

Effective tax rate (non-IFRS measure)
Effective tax rate (note 6) is the tax cost as a percentage of the net profit before tax.

Reported dividends (non-IFRS measure)
Reported dividends are based on a financial year's results from which the dividend is declared and consist of the interim dividend paid and final dividend declared (note 14). This is different to statutory dividends where the final dividend on ordinary shares is recognised in the following year when it is approved by the Company's shareholders.

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

Total costs (non-IFRS measure)
Total costs comprise other costs of revenue, administrative expenses, finance income and finance costs. Total costs exclude adjusting items, being exceptional costs and amortisation of intangible assets arising on acquisition.

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

The Group now presents EBITDA as it is widely used by investors, analysts and other interested parties to evaluate profitability of companies. This measures earnings from continuing operations before interest, tax, depreciation and amortisation. See page 17 for a reconciliation from profit before tax to EBITDA.

Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA) (non-IFRS measure)
The Group also now presents underlying EBITDA, which comprises EBITDA, as defined above, excluding exceptional items. See page 17 for a reconciliation from profit before tax to adjusted EBITDA.

Underlying earnings per share from continuing operations (non-IFRS measure)
Underlying earnings per share is calculated by dividing the net profit from continuing operations before exceptional items and amortisation of intangible assets arising on acquisition attributable to equity holders of the parent by the basic or diluted weighted average number of ordinary shares in issue.

Underlying profit before tax (non-IFRS measure)
The calculation of underlying profit before tax is as follows:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Profit before tax from continuing operations	**42,574**	48,515
Total adjusting items	**8,178**	(486)
Underlying profit before tax from continuing operations	**50,752**	48,029

Underlying profit after tax (non-IFRS measure)
The calculation of underlying profit after tax is as follows:

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

Net corporate debt (non-IFRS measure)

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

	31 March 2023 £'000	31 March 2022 £'000
Cash and cash equivalents – corporate cash from continuing operations	**22,546**	7,653
Less:		
Bank overdraft	**(525)**	-
Loans and borrowings (note 12)	**(94,415)**	(51,534)
Net corporate debt	**(72,394)**	(43,881)

2. Segmental reporting
Segmental information

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

The Group considers the Appreciate business, now known as Love2shop, to be a separate segment from its pre-acquisition PayPoint business, since discrete financial information is prepared and it offers different products and services. Furthermore, the CODM reviews separate monthly internal management reports (including financial information) for both PayPoint and Love2shop to allocate resources and assess performance.

The material products and services offered by each segment are as follows:

PayPoint

- Card payment services to retailers, including leased payment devices
- ATM cash machines
- Bill payment services and cash top-ups to individual consumers, through a network of retailers
- Parcel delivery and collection
- Retailer service fees
- Digital payments

Love2shop

- Shopping vouchers, cards and e-codes which customers may redeem with participating retailers. These are either ‘single-retailer’ or ‘multi-retailer’. The former may only be used at the specified retailer, whilst the latter may be redeemed at one or more of over 200 retailers.
- Christmas savings club, to which customers make regular payments throughout the year to help spread the cost of Christmas, before converting to a voucher.

Information related to each reportable segment is set out below. Segment profit / (loss) before tax and exceptional items is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

Year-ended 31 March 2023	PayPoint £’000	L2S £’000	Total £’000
Revenue	159,531	5,689	165,220
Other revenue	575	1,928	2,503
Segment revenue	**160,106**	**7,617**	**167,723**
Segment profit before tax and adjusting items	50,296	456	50,752
Exceptional items	(5,604)	-	(5,604)
Amortisation of intangible assets arising on acquisition	(2,139)	(435)	(2,574)
Segment profit before tax	**42,553**	**21**	**42,574**
Interest income	29	58	87
Interest expense	2,303	415	2,718
Depreciation and amortisation	9,819	658	10,477
Capital expenditure	12,349	354	12,703
Segment assets	**219,649**	**260,340**	**479,989**
Segment liabilities	**125,113**	**243,162**	**368,275**
Segment equity	**94,536**	**17,178**	**111,714**

The L2S result is only one month, as the acquisition completed on 28 February 2023.

A business division analysis of revenue has been provided in note 3.

Geographic information

Total Revenue	Year ended 31 March 2023 £’000	Year ended 31 March 2022 £’000
Continuing operations - UK	**167,723**	145,144
Discontinued operation[1] – Romania	**-**	1,258
Total	**167,723**	146,402

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

The total £227.9 million (2022: £127.3 million) non-current assets at 31 March 2023 are geographically located within the UK.

3. Alternative performance measures

Net Revenue

The reconciliation between total revenue and net revenue is as follows:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Continuing operations		
Service revenue - Shopping	**66,057**	62,886
Service revenue – e-commerce	**16,085**	10,949
Service revenue – Payments and banking	**71,994**	67,475
Service revenue – multi-retailer redemption products	**1,217**	-
Service revenue - other	**128**	-
Sale of goods – single-retailer redemption products	**4,325**	-
Sale of goods - other	**1,316**	1,183
Royalties - e-commerce	**4,098**	2,651
Other revenue – multi-retailer non-redemption income	**1,603**	-
Other revenue – interest on clients' funds, retailer partners' deposits and card and voucher deposits	**900**	-
Total revenue from continuing operations	**167,723**	145,144
less:		
Retailer partners' commissions	**(34,369)**	(29,827)
Cost of single-retailer cards and vouchers	**(4,208)**	-
Cost of SIM card and e-money sales as principal	**(199)**	(205)
Net revenue from continuing operations	**128,947**	115,112
Discontinued operation[1]		
Service revenue	**-**	366
Sale of goods	**-**	892
Total revenue from discontinued operation	**-**	1,258
less:		
Retailer partners' commissions	**-**	(101)
Cost of mobile top-ups and SIM card sales as principal	**-**	(897)
Net revenue from discontinued operation	**-**	260
Total net revenue	**128,947**	115,372

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

Total Costs

Total costs from continuing operations, excluding adjusting items, comprises:

	Year ended 31 March 2023 £'000	Re-presented[1] Year ended 31 March 2022 £'000
Other costs of revenue	**25,481**	18,693
Administrative expenses – excluding adjusting items	**50,083**	46,357
Finance income (note 5)	**(87)**	(13)
Finance costs (note 5)	**2,718**	2,046
Total costs	**78,195**	67,083

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

Love2shop billings

Billings relates solely to Love2shop and represents the value of goods and services dispatched and invoiced to customers during the year. The reconciliation between Love2shop's billings and revenue is as follows:

	Year ended 31 March 2023 £'000
Love2shop billings	14,807
Multi-retailer redemption products – gross to net revenue recognition	(7,515)
Other revenue – interest on clients' funds and retailer partners' deposits	325
Total Love2shop revenue from continuing operations	**7,617**

4. Exceptional items

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Acquisition costs expensed - administrative expenses	**4,065**	**-**
Impairment loss on reclassification of investment in associate to asset held for sale	**1,252**	**-**
Revaluation of deferred, contingent consideration liability	**-**	(2,880)
Total exceptional items included in operating profit	**5,317**	(2,880)
Gain on disposal of discontinued operation, net of tax	**-**	(29,863)
Refinancing costs expensed – finance costs	**287**	**-**
Total exceptional items included in profit or loss	**5,604**	(32,743)

The tax impact of the exceptional items is £nil (2022: £nil).

Exceptional items are those which are considered significant by virtue of their nature, size or incidence. These items are presented as exceptional within their relevant income statement categories to assist in the understanding of the performance and financial results of the Group, as they do not form part of the underlying business.

5. Finance income and costs

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Finance income		
Interest income on clients' funds, retailer partners' deposits and card and voucher deposits – reported as Other revenue	**900**	-
Interest income on defined benefit pension scheme assets	**58**	-
Other interest	**29**	13
Total interest income reported as Finance income	**87**	13
Total	**987**	13
Finance costs		
Bank interest payable	**2,631**	2,024
Interest expense on defined benefit pension scheme obligations	**55**	-
Lease and other interest	**32**	22
Total finance costs	**2,718**	2,046

6. Tax

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Continuing operations		
Current tax		
Charge for current year	**7,829**	8,254
Adjustment in respect of prior years	**(806)**	86
Current tax charge	**7,023**	8,340
Deferred tax		
Charge for current year	**1,144**	577

Adjustment in respect of prior years	**(303)**	69
Deferred tax charge	**841**	646
Total income tax charge on continuing operations	**7,864**	8,986

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Tax charged directly to other comprehensive income		
Deferred tax on actuarial gains on defined benefit pension plans	**86**	–

The income tax charge is based on the UK statutory rate of corporation tax for the year of 19% (2022: 19%). Deferred tax has been calculated using the enacted tax rates that are expected to apply when the liability is settled, or the asset realised. During the prior financial year, an increase in the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023 was enacted. Deferred tax has been calculated based on the rate applicable at the date timing differences are expected to reverse.

The income tax charge of £7.9 million (2022: £9.0 million) on profit before tax of £42.6 million (2022: £48.5 million from continuing operations) represents an effective tax rate[1] of 18.5% (2022: 18.5% for continuing operations). This is lower than the UK statutory rate of 19% due to adjustments in respect of prior year and capital allowance super deduction, partially offset by disallowable expenses.

The tax charge on continuing operations for the year is reconciled to profit before tax from continuing operations, as set out in the consolidated statement of profit or loss, as follows:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Profit before tax	**42,574**	48,515
Tax at the UK corporation tax rate of 19% (2022: 19%)	**8,089**	9,218
Tax effects of:		
Disallowable expense/(non-taxable income) – exceptional items	**1,119**	(547)
Disallowable expense/(non-taxable income) – other	**1**	(726)
Adjustments in respect of prior years	**(1,109)**	155
Capital allowance super deduction	**(390)**	–
Tax impact of share-based payments	**(121)**	(3)
Revaluation of deferred tax liability	**275**	889
Actual amount of tax charge on continuing operations	**7,864**	8,986

[1]Effective tax rate is the tax cost as a percentage of profit before tax on continuing operations.

7. Earnings per share

Basic and diluted earnings per share are calculated on the following profit and number of shares.

	Year ended 31 March 2023 £'000	Re-presented[1] Year ended 31 March 2022 £'000
Total profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**34,710**	69,540
Continuing operations		
Profit for basic and diluted earnings per share is the net profit from continuing operations attributable to equity holders of the parent	**34,710**	39,529
Continuing operations – underlying		
Profit for basic and diluted earnings per share is the net profit from continuing operations before adjusting items attributable to equity holders of the parent	**42,244**	38,444
Discontinued operation		
Profit for basic and diluted earnings per share is the net profit from discontinued operation attributable to equity holders of the parent	**-**	30,011

[1]The prior year profit after tax for "Continuing operations – underlying" has been re-presented to exclude amortisation on acquired intangible assets.

	31 March 2023 Number of shares Thousands	31 March 2022 Number of shares Thousands
Weighted average number of ordinary shares in issue (for basic earnings per share)	**69,281**	68,631
Potential dilutive ordinary shares:		
Long-term incentive plan	**-**	164
Restricted share awards	**588**	408
Deferred annual bonus scheme	**104**	108
SIP and other	**60**	58
Weighted average number of ordinary shares in issue (for diluted earnings per share)	**70,033**	69,369

The SIP and other dilutive shares only have a passage of time restriction on them, hence are included above but not in the total number of outstanding share awards at the end of the year.

8. Goodwill

The Group tests goodwill for impairment annually and more frequently if there are indicators of impairment as set out in note 1. The Group's cash-generating units ('CGUs') have been assessed based on independently managed cash flows. When testing for impairment, recoverable amounts for the Group's CGUs are measured at their value-in-use by discounting the future expected cash flows from the assets in the CGUs. The Group prepares five-year cash flow forecasts derived from the most recent three-year financial budgets approved by the Board which are extrapolated for a further two years and subsequently extended to perpetuity. A key source of estimation in the impairment tests is the short-term revenue growth rates applied within the cash flow forecasts, which are determined using an estimate of future results based on the latest business forecasts and appropriately reflect expected performance of the CGU. The estimates of future cash flows are based on past experience, adjusted for estimates of future performance, including the continued shift from cash to digital payments.

Terminal values are based on long-term growth rates that do not exceed 2%, which appropriately reflects the expected long-term rate of GDP growth in the UK. The pre-tax risk-adjusted discount rates have been used to discount the forecast cash flows calculated by reference to the weighted average cost of capital ('WACC') of each CGU. The cost of equity is based on the risk-free rate for long-term UK government bonds, which is adjusted for the beta (reflecting the systemic risk of PayPoint relative to the market as a whole) and the equity market risk premium (reflecting the required return over and above a risk-free rate by an investor who is investing in the market as a whole).

All CGUs assessed generate value-in-use in excess of their carrying values. Sensitivity analysis applied to discount rate and short-term growth rate demonstrated that a combination of adverse changes in assumptions for the Handepay CGU could cause its carrying value to exceed its recoverable amount, as explained below. The headroom between the Handepay CGU valuation and its recoverable amount is £12.0 million, calculated using the assumptions below. For the other CGUs, no reasonably possible change in any of the assumptions would cause their carrying values to exceed their recoverable amounts. Management does not consider that climate change factors would adversely impact its goodwill impairment assessments.

Group – goodwill values	Love2shop CGU £'000	i-movo CGU £'000	Handepay CGU £'000	Merchant Rentals CGU £'000	Digital payments CGU £'000	Total CGUs £'000
At 31 March 2021	–	6,867	35,632	9,586	–	52,085
Acquisition of business	–	–	–	–	5,583	5,583
At 31 March 2022	–	6,867	35,632	9,586	5,583	57,668
Acquisition of business	59,759	-	-	-	-	59,759
At 31 March 2023	**59,759**	**6,867**	**35,632**	**9,586**	**5,583**	**117,427**

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Assumptions used for annual impairment tests

	Love2shop CGU	i-movo CGU	Handepay CGU	Merchant Rentals CGU	Digital payments CGU
At 31 March 2023					
Recoverable amount of cash generating unit	**£68.0m**	**£8.6m**	**£45.6m**	**£23.7m**	**£11.7m**
Pre-tax risk adjusted discount rate	**16.0%**	**16.6%**	**15.7%**	**14.6%**	**15.1%**
Terminal growth rate	**2.0%**	**(8.0)%-2.0%**	**2.0%**	**2.0%**	**2.0%**
At 31 March 2022					
Recoverable amount of cash generating unit	–	£8.8m	£46.8m	£22.6m	£10.5m
Pre-tax risk adjusted discount rate	–	15.0%	11.8%	11.8%	15.6%

Terminal growth rate	–	0.0%	2.0%	(5.0)%-2.0%	2.0%

Given the proximity of the timing of the Appreciate acquisition to the year end, fair value less costs of disposal was also considered as an alternative measure of recoverable amount and indicated that no impairment was required at the year end.

9. Acquisition of subsidiaries

A) Appreciate Group PLC

On 28 February 2023, PayPoint acquired 100% of the share capital of Appreciate Group PLC for consideration of £79.2 million, comprising cash of £61.9 million plus equity of £17.3 million in the form of 3.6 million issued shares, and based on the closing share price of £4.84 per share at 28 February 2023. The acquisition resulted in a net £45.6 million cash outflow (net of cash and borrowings acquired) in the current year.

The primary reasons for the acquisition were to open up a range of growth opportunities, leveraging Appreciate's well-established and well-regarded offerings in the gift card, voucher and prepay savings markets.

The following intangible assets have been recognised and are being amortised over useful lives as shown:

	Fair value £ million	Useful life
Brands	11.8	12-15 years
Customer relationships	21.6	2-13 years
Developed technology	7.0	5 years

In the period since acquisition, Appreciate contributed total revenue of £7.6 million and nil profit before tax to the Group's results. Had the acquisition taken place on the first day of the financial year, Appreciate would have contributed revenue of £135.3 million and profit before tax of £0.7 million (on an unconsolidated basis).

Acquisition costs incurred in the year in relation to Appreciate totalled £3.6 million, which are reported within exceptional items in profit or loss.

The following table summarises the provisional fair values of the identifiable assets purchased and liabilities assumed at the acquisition date:

	28 February 2023 £'000
Acquired brands	11,790
Acquired customer relationships	21,648
Acquired developed technology	7,006
Retirement benefit asset	1,573
Property, plant and equipment	5,631
Trade and other receivables	10,650
Inventories	3,557
Current tax asset	2,099
Monies held in trust	47,000
Cash and cash equivalents – corporate cash	17,469
Cash and cash equivalents – card and voucher deposits	64,960
Payables in respect of cards and vouchers	(108,489)
Other trade and other payables	(49,923)
Lease liabilities	(5,448)
Retirement benefit liability	(1,395)
Borrowings	(1,124)
Deferred tax liabilities	(7,582)
Total identifiable net assets acquired at fair value	19,422
Cash consideration	61,925
Equity consideration	17,256
Total consideration	79,181
Goodwill recognised on acquisition	59,759
Cash outflows in respect of acquisition	
Cash consideration	(61,925)
Cash acquired	17,469
Bank overdraft acquired	(1,124)

Acquisition of subsidiary net of cash acquired (Group)	(45,580)

Acquisition of subsidiary (Company) [1]	(61,925)

[1]Excludes £3.6million acquisition costs, capitalised in investments in the Company statement of financial position but expensed in the Group statement of profit and loss.

The acquired identifiable assets and liabilities have been recognised at their fair values at acquisition date and in accordance with the Group's accounting policies (note 1):

• The acquired customer relationships including contractual customer relationships have been valued using the multi-period excess earnings method ("MEEM approach") by estimating the total expected income streams from the customer relationship and deducting portions of the cash flow that can be attributed to supporting, or contributory, assets (including workforce). The contractual customer relationships asset relates to cards existing at the acquisition date, some of which will be redeemed post acquisition and on which a service fee will be earned and some of which (including those only partially redeemed) will expire with unredeemed balances on which unredeemed income will be earned. It is estimated based on the expected revenue to be received, less the costs to deliver the service. The residual income streams are discounted. No tax amortisation benefit is applied. The key inputs to this method are the customer churn rate and discount rate applied to future forecasts of the businesses. Contractual customer relationships have a fair value of £7.7 million and a useful economic life (UEL) of two years. Non-contractual customer relationships have a fair value of £14.0 million (£8.8 million relating to Appreciate Business Services and £5.2 million relating to Park) and a UEL of eleven to thirteen years.
• Acquired brands have been valued using the relief-from-royalty method.
• Acquired software intangible assets and property, plant and equipment have been valued using the depreciated replacement cost method, considering factors including economic and technological obsolescence.
• Inventories, trade receivables and trade payables have been assessed at fair value on the basis of the contractual terms and economic conditions existing at the acquisition date, reflecting the best estimate at the acquisition date of contractual cash flows not expected to be collected. The fair value assessment of trade receivables reflects estimated uncollectable amounts of £251,000.
• The retirement benefit asset has been measured in accordance with IAS19 at the date of acquisition.
• The deferred tax liability comprises £10.1 million liability recognised on the £40.4 million of acquired intangible assets, less £2.5 million of deferred tax asset relating principally to acquired losses, measured in accordance with IAS12.
• Lease liabilities are valued at the present value of the remaining lease payments as if the acquired leases were new leases at the acquisition date. The related right of use assets are measured at the same amount, adjusted to reflect terms which are either favourable or unfavourable compared to market terms. The fair value of the right of use asset relating to the Chapel St. premises differs from that of the associated lease liability due to favourable terms for rent-free and discounted periods.

The following acquired assets and liabilities were valued using management's best estimates based on information available at the acquisition date, which are therefore subject to adjustment within the measurement period if new information about facts and circumstances that existed at the acquisition date is obtained and, if known, would have resulted in the recognition of those assets and liabilities at that date.

- Trade and other receivable
- Trade and other payables
- Intangible assets (and the deferred tax liability thereon)

Of the £59.8 million of goodwill acquired during the period, no goodwill is expected to be deductible for tax purposes. The goodwill arising on acquisitions is attributable to workforce, synergies, growth from new customers and other assets not separately recognised.

10. TRADE AND OTHER RECEIVABLES

	31 March 2023 £'000	31 March 2022 £'000
Trade receivables	**17,703**	10,316
Items in the course of collection[1]	**47,771**	55,449
Revenue allowance for expected credit losses	**(1,058)**	(1,058)
	64,416	64,707
Other receivables	**1,822**	134
Net investment in finance lease receivables	**2,144**	1,814
Contract assets – capitalisation of fulfilment costs	**2,910**	2,057
Accrued income	**5,241**	4,315
Prepayments	**5,522**	2,948
Total	**82,055**	75,975

[1]Items in the course of collection represent amounts collected for clients by retailer partners. An equivalent balance is included within trade and other payables (settlement payables).

11. TRADE AND OTHER PAYABLES

	31 March 2023 £'000	31 March 2022 £'000
Amounts owed in respect of clients' funds and retailer partners' deposits[1]	**18,197**	16,646

Settlement payables[2]	**47,771**	55,449
Client payables	**65,968**	72,095
Payables in respect of cards and vouchers[3]	**101,454**	-
Trade payables[4]	**63,133**	4,789
Other taxes and social security	**4,874**	3,314
Other payables	**4,117**	901
Accruals	**15,171**	10,087
Deferred income	**214**	401
Contract liabilities – deferral of set-up and development fees	**710**	788
Total	**255,641**	92,375
Disclosed as:		
Current	**255,526**	92,375
Non-current (payables in respect of vouchers and cards)	**115**	–
Total	**255,641**	92,375

[1]Relates to monies collected on behalf of clients where the Group has title to the funds (clients' funds and retailer partners' deposits). An equivalent balance is included within cash and cash equivalents.

[2]Payable in respect of amounts collected for clients by retailer partners. An equivalent balance is included within trade and other receivables (items in the course of collection).

[3] Payables in respect of cards and vouchers include balances due to both customers (£19.7 million (2022: £18.7 million)) and retailers in respect of flexecash © cards and amounts due to retailers for Love2shop vouchers and cards.

[4] Trade payables includes L2S savers' prepayment balances for products that will be supplied prior to Christmas 2023, upon confirmation of order. Until orders are confirmed, savers' prepayments are repayable on demand.

12. LOANS AND BORROWINGS

	£'000
At 31 March 2022	**51,534**
Repayments of revolving credit facility	**(9,000)**
Drawdowns on revolving credit facility	**28,500**
Repayment of amortising term loan	**(10,833)**
Drawdown of new amortising term loan	**36,000**
Interest charge	**2,612**
Interest paid	**(2,157)**
Repayment of block loans	**(2,241)**
At 31 March 2023	**94,415**

Disclosed as:	
Current	
Revolving credit facility	**46,500**
Amortising term loan	**10,833**
Accrued interest	**455**
Block loans	**457**
Total - current	**58,245**
Non-current	
Amortising term loan	**36,000**
Block loans	**170**
Total – non-current	**36,170**
Balance at end of year	**94,415**
Other liability-related changes	
Interest paid	**(2,157)**

	£'000
At 31 March 2021	86,583
Repayments of revolving credit facility	(47,000)
Drawdowns on revolving credit facility	24,500
Repayment of amortising term loan	(10,833)
Interest charge	1,913
Interest paid	(1,913)
Repayment of block loans	(3,636)
Funding from block loans	1,920

At 31 March 2022	51,534
Disclosed as:	
Current	
Revolving credit facility	27,000
Amortising term loan	10,833
Block loans	1,810
Total - current	39,643
Non-current	
Amortising term loan	10,833
Block loans	1,058
Total – non-current	11,891
Balance at end of year	51,534
Other liability-related changes	
Interest paid	(1,913)

13. SHARE CAPITAL, SHARE PREMIUM AND MERGER RESERVE

	31 March 2023 £'000	31 March 2022 £'000
Called up, allotted and fully paid share capital		
72,563,234 (2022: 68,915,949) ordinary shares of 1/3p each	**242**	230

The increase in share capital in the current year resulted from 3,565,382 shares issued (of 1/3p each) as part of the consideration for Appreciate Group PLC, 47,899 shares issued (of 1/3p each) for share awards which vested in the year and 34,004 matching shares issued (of 1/3p each) under the Employee Share Incentive Plan.

The share premium of £1.0 million (2022: £1.0 million) represents the payment of deferred, contingent share consideration in excess of the nominal value of shares issued in relation to the i-movo acquisition.

The merger reserve of £18.2 million (2022: £1.0 million) comprises £1.0 million initial share consideration in excess of the nominal value of shares issued on the initial acquisition of i-movo and £17.2 million share consideration in excess of the nominal value of shares issued in relation to the Appreciate acquisition.

14. DIVIDENDS

	Year ended 31 March 2023		Year ended 31 March 2022	
	£'000	**pence per share**	£'000	pence per share
Reported dividends on ordinary shares:				
Interim ordinary dividend	**12,693**	**18.4**	11,687	17.0
Proposed final ordinary dividend	**13,497**	**18.6**	12,405	18.0
Total ordinary reported dividends (non-IFRS measure)	**26,190**	**37.0**	24,092	35.0
Dividends paid on ordinary shares:				
Final ordinary dividend for the prior year	**12,414**	**18.0**	11,409	16.6
Interim dividend for the current year	**12,693**	**18.4**	11,687	17.0
Total ordinary dividends paid (financing cash flows)	**25,107**	**36.4**	23,096	33.6
Number of shares in issue used for proposed final ordinary dividend per share calculation	72,563,234		68,915,949	

The proposed final ordinary dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

15. Notes to the cash flow statement

Group	Note	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022 £'000
Profit before tax from continuing operations		**42,574**	48,515
Profit before tax from discontinued operation		**–**	30,011
Adjustments for:			

Depreciation of property, plant and equipment		**4,922**	4,768
Amortisation of intangible assets		**5,555**	5,801
Profit from discontinued operation		**–**	(30,011)
R&D and VAT credits		**–**	(15)
Exceptional item – revaluation of deferred, contingent consideration liability		**–**	(2,880)
Exceptional item – non-cash impairment loss on reclassification of investment in associate to asset held for sale		**1,252**	–
Loss on disposal of fixed assets		**1,090**	59
Finance income	5	**(987)**	(13)
Finance costs	5	**2,718**	2,046
Share-based payment charge		**1,330**	868
Operating cash flows before movements in working capital		**58,454**	59,149
Movement in inventories		**737**	70
Movement in trade and other receivables		**(1,301)**	(526)
Movement in finance lease receivables		**2,366**	4,354
Movement in contract assets		**(853)**	(24)
Movement in contract liabilities		**(78)**	(684)
Movement in provisions		**–**	(12,500)
Movement in payables		**3,688**	(6,488)
Movement in lease liabilities		**(90)**	(7)
Cash generated from operations		**62,923**	43,344
Movement in clients' funds, retailer partners' deposits and card and voucher deposits		**39,259**	(9,718)
Net cash inflow from operations[1]		**102,182**	33,626

1 Items in the course of collection, settlement payables and card and voucher balances are included in this reconciliation on a net basis through the client cash line. The Directors have included these items on a net basis to best reflect the operating cash flows of the business.

16. CONTINGENT LIABILITY

As announced in our RNS on 29 March 2023, the Group received 'letter before action' correspondence in March 2023 from a small number of market participants relating to issues addressed by commitments accepted by Ofgem as a resolution of its concerns raised in Ofgem's Statement of Objections received by the Group in September 2020. The Ofgem resolution to the case did not include any infringement findings.

The Group responded robustly to both sets of allegations. A claim has now been served on a number of companies in the Group in relation to each matter: Utilita Energy Limited and Utilita Services Limited ("Utilita") served a formal claim on 16 June 2023 and Global-365 plc and Global Prepaid Solutions Limited ("Global-365") served a formal claim on 18 July 2023. Consideration has been given, in these financial statements, to the possibility of any liabilities arising from each claim. The Group is continuing to take legal advice with regard to these two claims. It is confident that it will successfully defend the claim by Utilita, which does not provide any clear evidence to support the cause of action or the amount claimed, and also that it will successfully defend the claim by Global-365, which fundamentally misunderstands the energy market and the relationships between the relevant Group companies and the major energy providers and also over-estimates the opportunity, if any, available for the products offered by Global-365. As a result, no provision has been recognised in respect of either claim.

The Group intends to continue to robustly defend its position in both claims. However, if the Group was unable to successfully defend either claim, any liabilities could have a material adverse impact on the Group.