PayPoint Plc
Results for the half year ended 30 September 2023

Strong revenue growth across the Group and significant progress with ongoing business transformation

FINANCIAL HIGHLIGHTS

- Group net revenue[1] of £79.8 million (H1 FY23: £59.5 million) increased by £20.3 million (34.1%)
- Net revenue from PayPoint segment of £62.3 million (H1 FY23: £59.5 million) increased by £2.8 million (4.7%)
- Underlying EBITDA[2] of £31.1 million (H1 FY23: £28.3 million) increased by £2.8 million (9.9%)
- Underlying profit before tax (profit before tax excluding adjusting items)[3] of £21.8 million (H1 FY23: £23.6 million) decreased by £1.8 million (7.5%) reflecting our continued investment in the business for growth, increased financing costs, the expected H1 loss from the Love2shop business, and depreciation and amortisation from the core PayPoint business
- Underlying cash generation excluding exceptional items[4] of £15.6 million (H1 FY23: £28.3 million), reflecting a seasonal increase in working capital of £12.6 million following the Love2shop acquisition
- Net corporate debt[5] of £83.2 million (H1 FY23: £39.4 million) increased by £43.8 million. This is due to increased financing costs related to the acquisition of Love2shop and seasonal working capital movements, and is expected to reduce below the starting position of £72.4m by the end of the current financial year
- Increased ordinary interim dividend of 19.0 pence per share declared, consistent with our progressive dividend policy, and representing an increase of 2.2% vs the final dividend declared on 28 July 2023 of 18.6 pence per share

Half year ended 30 September 2023	H1 FY24	H1 FY23	Change
Revenue	**£126.5m**	£75.4m	67.8%
Net revenue[1]	**£79.8m**	£59.5m	34.1%
Underlying EBITDA[2]	**£31.1m**	£28.3m	9.9%
Underlying profit before tax (profit before tax excluding adjusting items)[3]	**£21.8m**	£23.6m	(7.5)%
Adjusting items[6]	**£(4.6)m**	£(2.6)m	n/m
Profit before tax	**£17.2m**	£21.0m	(17.9)%
Diluted earnings per share excluding adjusting items	**22.1p**	27.8p	(20.2)%
Diluted earnings per share	**17.4p**	24.4p	(28.7)%
Ordinary paid dividend per share	**18.6p**	18.0p	3.3%
Cash generation excluding exceptional items[4]	**£15.6m**	£28.3m	(44.5)%
Net corporate debt[5]	**£(83.2)m**	£(39.4)m	111.1%

Nick Wiles, Chief Executive of PayPoint Plc, said:

"This has been a positive half year for the PayPoint Group with a period of significant activity supporting a number of key initiatives across the business: the acceleration of our sales efforts delivering growth in each of our product estates; a strong new business pipeline for our integrated payments platform; and driving new opportunities which leverage our enhanced capabilities, including the first initiatives live following the acquisition of Love2shop. It is testimony to the transformation of the business that we continue to deliver overall Group net revenue growth in a period where energy sector net revenue has decreased by almost 20% and against the background of uncertain consumer behaviour and weakening confidence due to the Cost of Living challenges.

Our partnership philosophy across the Group, combined with an intensity and focus on execution, is continuing to unlock new markets and revenue opportunities for us, including successfully launching our Park Super Agent network with The Fed to over 1,500 retailer partners; Love2shop physical gift cards now live in over 2,600 major multiple retailers; an expanded partnership with Yodel and Vinted leveraging our Collect+ Store to Store service; our success in Open Banking working with Ovo and the Department for Energy Security and Net Zero; our first significant win in the charity sector with East Anglian Air Ambulance; and the continued momentum in our PayPoint Engage proposition, helping major brands to connect with consumers in the convenience sector.

[1] Net revenue is an alternative performance measure. Refer to note 4 to the financial information for a reconciliation to revenue.
[2] Underlying EBITDA (EBITDA excluding adjusting items) is an alternative performance measure. Refer to note 1 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.

Following the acquisition of Love2shop, the seasonal balance to profit and cash generation in our business has now changed, resulting in a more H2 weighted performance and contribution to the financial year as a whole. Encouragingly, our trading momentum in the business has remained strong into the second half of the year. We continue to identify new opportunities to innovate and leverage our platform and the unique strengths of our extensive client base, accelerate the onboarding of new client business, while delivering a strong performance in our important seasonal businesses in parcels, Park Christmas Savings, Love2shop and energy. Our continued focus on execution underpins our confidence in delivering a strong second half, further progress for the year and the Group trading in line with expectations."

OPERATIONAL HIGHLIGHTS

The Group has delivered significant progress in the half year in a number of key business areas:

- **Parcels** – new multi-year partnership agreed with Yodel and Vinted, delivering significant volume through our new Store to Store service, with continued expansion of network and investment in consumer experience through technology, in-store label printers and retailer partner support
- **Card processing** – estate growth delivered in both our EVO and Lloyds Cardnet merchant books, driven by positive sales momentum, strengthened governance on pricing and retention, leveraging analytics and AI tools, an enhanced proposition and merchant engagement
- **Open Banking** – the Group is now one of the leading Open Banking transaction processors in the UK, with further wins for our Confirmation of Payee service with Lexis Nexis, Cardstream, Think Money and the Department for Energy Security and Net Zero, and the expansion of our PayPoint OpenPay service supporting a growing number of clients, including Ovo and the Department for Energy and Net Zero
- **Park Christmas Savings** – a return to growth in billings delivered in core business with key additional sales channel now launched in over 1,500 PayPoint Park Super Agents, recruiting savers for the 2024 Christmas Savings season to accelerate billings for FY25
- **Love2shop** – physical gift cards available for first time in over 2,600 locations ahead of Christmas 2023 gifting season, partnering with key multiple retailers, including One Stop, MFG, Henderson's Retail and CJ Lang. Love2shop Essentials added to key government procurement frameworks and integrated into our PayPoint OpenPay service as an important additional channel to support vulnerable customers
- **Integrated payments platform** – key client wins in target sectors of housing and charities, with POBL Housing, Network Homes and East Anglian Air Ambulance, and a strong new business pipeline building in these key growth sectors with detailed plans to accelerate the onboarding of these clients in H2
- **FMCG** – positive growth in our consumer engagement proposition, PayPoint Engage, delivering brand campaigns with Coca-Cola, Amazon, AG Barr and JTI, driving additional footfall and sales for our retailer partners
- **Business Finance** – continued growth with over £9m lent to our SME and retailer partners, partnering with YouLend, support businesses during the current economic challenges

DIVISIONAL HIGHLIGHTS

Positive performance with increased Group net revenue

Shopping

Shopping divisional net revenue increased by 4.2% to £32.1 million (H1 FY23: £30.8 million), driven by the growth of our PayPoint One estate, service fee revenue and further enhancements to our retailer and SME propositions.

- Service fee net revenue increased by 8.8% to £9.7million, reflecting growth in the number of revenue-generating PayPoint One sites to 18,786 (31 March 2023: 18,453 sites) and the impact of the annual RPI increase which was capped to support our retailer partners through the current economic challenges
- Card payment net revenue increased by 3.5% to £16.4 million, with our positive sales momentum and increased focus on customer retention delivering site growth, driven by AI and data analytics
- Card payment sites in the Handepay EVO estate grew to 19,371 (31 March 2023: 18,397) and in the PayPoint Lloyds Cardnet estate to 9,772 (31 March 2023: 9,541), driven by the strength of our proposition, positive sales momentum and optimisation of our retention programme
- UK retail network increased to 28,646 sites (31 March 2023: 28,478), with 70.0% in independent retailer partners and 30.0% in multiple retail groups

E-commerce

E-commerce divisional net revenue increased strongly by 71.8% to £5.1 million (H1 FY23: £3.0 million) and transactions grew by 83.1% to 42.1 million (H1 FY23: 23.0 million) through our e-commerce technology platform, Collect+. This is further evidence of the growing importance of our out-of-home PUDO (Pick Up and Drop Off) network, reflecting changes in consumer habits and accelerating channel shift away from delivery to home.

- Excellent transaction volumes, achieving a milestone of a 2 million parcels week in August, driven by continued growth in Vinted, the launch of Consumer Send for FedEx and an increase in Amazon sites to over 7,600 in time for Prime Day 2023
- Store to store service launched for Yodel/Vinted, with strong consumer take up of the service

- New partnership launched with OOHPod in Northern Ireland, enabling Yodel Click & Collect customers to have their parcels delivered to secure lockers when checking out online and returns launched at the end of the half
- Zebra printer expansion plans underway to rollout a further 2,000 devices ahead of Christmas Peak 2023
- Number of initiatives underway to grow our network in support of our carrier partners and growing in-store volumes

Payments & Banking

Payments & Banking divisional net revenue decreased by 2.3% to £25.1 million (H1 FY23: £25.7 million), with further growth in digital transactions offset by a reduction in cash bill payment volumes in the energy sector.

- Continued digital payments growth with net revenue increasing by 9.1% to £6.4 million (H1 FY23: £5.9 million), driven by our MultiPay integrated payments platform
- Cash through to digital net revenue decreased slightly by 1.2% to £3.3 million (H1 FY23: £3.4 million) and transactions decreased by 5.2% to 4.1 million (H1 FY23: 4.3 million), with volumes now returning to pre-Covid-19 levels and a new baseline set for the category. In addition to our existing range of digital brands, we are launching new partnerships with a number of neo-banks, including JPMorgan Chase and Revolut, enabling withdrawals and deposits across our extensive network of retailer partners
- Cash payments net revenue decreased by 9.3% to £15.4 million (H1 FY23: £16.4 million) and transactions decreasing by 17.3% to 68.6 million (H1 FY23: 83.0 million)
- Legacy energy sector net revenue decreased by 19.4%, driven by a shift in consumer topping up behaviour due to the Cost of Living challenges and unseasonably warm weather over the period

Love2shop

Love2shop divisional net revenue was £17.5 million in the period (H1 FY23: N/A), with Park Christmas Savings returning to growth for the first time in six years and a refocused and strengthened team in Love2shop Business building momentum.

- Park Christmas Savings delivered £29.9 million of billings year to date, a return to growth after 6 years of decline
- Rollout of over 1,500 Park Super Agents across the PayPoint retailer partner network, helping more families budget for the newly launched Christmas 2024 season
- Love2shop Business – additional corporate APIs delivered to unlock further sales growth, a restructured business development team established to open up further opportunities and existing client account performance ahead of plan
- Brand refresh for Love2shop delivered to drive further awareness and advocacy in key consumer and corporate sectors.

RECONCILIATION OF REPORTED NUMBERS

£m	H1 FY24	H1 FY23
Reported profit before tax from continuing operations	**17.2**	21.0
Exceptional items	**0.6**	1.5
Profit before tax from continuing operations excluding exceptional items	**17.8**	**22.5**
Amortisation of intangible assets arising on acquisition – PayPoint (previous acquisitions)	**1.0**	1.1
Amortisation of intangible assets arising on acquisition – Love2shop	**3.0**	-
Underlying profit before tax (profit before tax excluding adjusting items)	**21.8**	**23.6**
Underlying EBITDA	**31.1**	**28.3**

BUSINESS DIVISION NET REVENUE AND MIX

Net revenue by business division (£m)	H1 FY24	H1 FY23	H1 FY22
Shopping	**32.1**	30.8	29.8
E-commerce	**5.1**	3.0	2.1
Payments & Banking	**25.1**	25.7	24.2
PayPoint Segment Total	**62.3**	59.5	56.1
Love2shop Segment Total	**17.5**	-	-
PayPoint Group Total	**79.8**	59.5	56.1
Business division mix	**H1 FY24**	**H1 FY23**	**H1 FY22**
Shopping	**40.2%**	51.8%	53.2%
E-commerce	**6.4%**	5.0%	3.7%
Payments & Banking	**31.5%**	43.2%	43.1%
Love2shop	**21.9%**	-	-

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A *presentation for analysts is being held at 9.30am today (23 November 2023) via webcast. This announcement, along with details for the webcast, is available on the PayPoint plc website: corporate.paypoint.com*

CHIEF EXECUTIVE'S REVIEW

Positive half year leveraging enhanced platform for growth

This has been another positive half year for the PayPoint Group with continued net revenue growth across the business, excellent progress in parcels and digital payments, and good momentum in our key growth areas of card processing, Open Banking and integrated payments. Our integration of the Love2shop and Park Christmas Savings businesses is largely complete and we have now launched the first new business opportunities arising from the acquisition of these businesses. Following the acquisition of Love2shop, the seasonal balance to profit and cash generation in our business has also now changed, resulting in a more H2 weighted performance and contribution to the financial year as a whole, which is reflected in the results we are reporting today.

First Appreciate Group initiatives live and continued Open Banking progress

The materially enhanced platform we have built over the past three years is opening up a wealth of opportunities, leveraging our extensive capabilities with new and existing clients in multiple sectors, and enabling the enhancement of our services proposition for our SME and retailer partners.

Our new partnership, announced earlier in the year, with The Federation of Independent Retailers (The Fed) to create a network of Park Christmas Savings Super Agents has gained positive early momentum and is one of the first major initiatives delivered since the acquisition of Love2shop in FY23. Working in partnership, we have established a network of over 1,500 Super Agents ready 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. Park Christmas Savings plays an important role in helping families budget for Christmas and boosting their spending power through regular offers and discounts, especially as families manage their money through the current cost of living challenges. This additional savings channel is expected to accelerate growth in billings for the Park Christmas Savings business in FY25.

In addition, we were delighted to have delivered an important first for Love2shop through rolling out physical gift cards to over 2,600 multiple retailer stores ahead of Christmas 2023, including One Stop, Motor Fuels Group, Spar Scotland and Northern Ireland, and several regional Co-Ops. This is a key part of our expansion plans for Love2shop, and will be followed next year by a further rollout into our independent retailer partners. We have now added Love2shop Essentials to key government procurement frameworks (Crown Commercial Service and Fund Administration and Disbursement Services) and it has also been integrated with the PayPoint OpenPay service, providing an important additional channel to support vulnerable customers.

Our Open Banking partnership with OBConnect has enhanced our integrated payments platform and already yielded positive results, with PayPoint now one of the top 10 Open Banking transaction processors in the UK. Our Confirmation of Payee service continues to grow, with several client wins including Lexis Nexis, Cardstream, Think Money and the Department for Energy Security and Net Zero. Additionally, the PayPoint OpenPay service continues to gain traction and new clients, notably Ovo to support Alternative Fuel Payments, Sheffield City Council to distribute Household Support Fund monies and the Department of Energy Security and Net Zero for dispersing Cost of Living support to continuous cruisers, with 97% of recipients opting to deposit into a bank account through the PayPoint OpenPay service. 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, reduce costs and improve customer support to those in need.

Accelerated momentum across all business divisions

Shopping

In Shopping, our retailer partner and SME service propositions have been enhanced further, with a strong take up and positive feedback from our partners. The overall PayPoint network and PayPoint One estate have grown again this half year and our broader commitment to our retailer partners to deliver further value and opportunities to earn has delivered an increase to a positive NPS score for the first time in six years. New commission-generating services and transaction volumes have driven this positive impact to retailer partner revenues, including good growth in our FMCG consumer engagement proposition, PayPoint Engage, delivering brand campaigns with Coca-Cola, Amazon, AG Barr and JTI; our partnership with Eurochange, offering foreign currency click and collect, which is now in pilot; and the early rollout of our new technology solution, PayPoint Connect, which integrates with leading, third party EPoS suppliers including PointFour and the Retail Data Partnership.

In our card processing business, we have continued the momentum established at the end of the last financial year, with a strong sales performance across Handepay and PayPoint delivering further growth in the EVO merchant book, ending the half year at 19,371 sites, and in the Lloyds Cardnet book, growing to 9,772 sites. This positive progress has been driven by the increased optimisation of our sales efforts, including a new team established in London for Handepay to capture the regional market opportunity; a strengthening of key areas of business governance to optimise pricing and retention; a new senior hire recruited to lead our sales and retention efforts, supported by better data, AI tools and analytics; and the leverage of our enhanced proposition, including launching additional functionality like EPoS and loyalty for SMEs. In addition, we are enhancing our pricing and governance framework for our card processing across both Handepay and PayPoint to ensure we optimise the value delivered from our growing estate. Our Business Finance product continues to grow, delivered in partnership with YouLend across both PayPoint and Handepay, with over £9m of funding approved to support our retailer and SME partners during the current economic challenges.

We have continued our extensive efforts to strengthen our retailer partner relationships, including a refreshed approach to the 'early life' support provided to our retailer partners to drive adoption of new services, allied with our core commitments to regular face to face store visits, 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). As more critical services continue to withdraw from communities and high streets across the UK, we are more focused than ever on working closely with our retailer and industry partners to evolve our service provision and ensure we can leverage our extensive network to provide vital infrastructure and accessibility to individuals close to where they live.

E-commerce

In E-commerce, our half year-on-year performance has been excellent, driven by the continued growth in the second-hand clothing market via Vinted; our new Store to Store service which is being quickly adopted by customers; and an expansion of our Amazon network to over 7,600 stores. A further rollout of Zebra printer technology is underway to an additional 2,000 sites, underlining our continuing commitment to invest in improving the consumer experience in store. Operationally, we are in our strongest position ever heading into the peak trading period, with the business division on track to deliver a record year of transaction growth.

Looking ahead, we are continuing to focus on our plans to strengthen our carrier and retailer partnerships, as well as expanding the Collect+ network into new locations and demographics, including transport locations, 'Home Hubs' via the Park Christmas Savings agent network, and our growing student presence working with the top universities and student unions to bring a range of tailored Group services to the student population.

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. We continue to make good progress in the housing sector, with POBL Housing and Network Homes adopting our MultiPay integrated payments platform to serve their customers, and we have recently secured our first significant win in the charity sector with East Anglian Air Ambulance. We are building a strong new business pipeline in these key growth sectors and have detailed plans to accelerate the onboarding of these clients in H2.

Our Open Banking solutions, delivered in partnership with OBConnect, continue to go from strength to strength: Ovo is our first client live for PISP, 2 clients have signed for AIS services (Ovo and Citizens Advice) and 13 clients signed for Confirmation of Payee. In addition, we successfully tendered for the new government framework (DPS) through the Crown Commercial Service. The PayPoint OpenPay service has also been enhanced, now giving customers the option to deposit funds directly into a bank account, exchange for a Love2shop Essentials card or redeem in cash via our extensive retailer partner network. Several clients have already successfully deployed this service, including Sheffield City Council, replacing cheques for the distribution of the Household Support Fund, and the Department for Energy Security and Net Zero, helping to disperse Cost of Living support for continuous cruisers with 97% of recipients opting to deposit into a bank account via Open Banking. These innovative solutions give us a highly differentiated proposition that is opening up new sectors and growth.

Love2shop

In Love2shop, we have quickly integrated the business following the completion of the acquisition at the end of FY23 and are making positive progress in enhancing the core business performance. It's particularly pleasing that Park Christmas Savings has returned to growth for the first time in six years, delivering £29.9m of billings in H1 FY24 (H1 FY23: £24.9m), and we have taken important steps to strengthen our corporate offering in Love2shop Business, with investment in additional APIs delivered to unlock further sales growth and a restructured business development team established to better manage our existing relationships and drive new business.

The enhanced capabilities that Love2shop has added to our platform is already yielding positive results, including: the rollout of 1,500 Park Super Agents across the PayPoint retailer partner network, helping more families budget for the newly launched Christmas 2024 season; the launch of physical Love2shop gift cards in over 2,600 multiple retailers ahead of Christmas 2023 peak trading; and the addition of Love2shop Essentials cards to our PayPoint OpenPay service as well as key government frameworks. Furthermore, there are several new sector opportunities that are in development, combining capabilities across the Group, including a new partnership with Card Factory to combine Love2shop gift cards with their greetings card offer through PayPoint's extensive network.

Further progress on our ESG commitments

Our Environment, Social and Governance (ESG) strategy and action plan has progressed well in the half year, as we consider our social responsibility and impact as a business and reflect on the important role that the Group plays in delivering vital services in communities across the UK. New hybrid cars were introduced to our fleet in April 2023, replacing diesel company cars and petrol hire cars and an electric car leasing scheme has now launched. We continue to be mindful of the impact of the Cost of Living on our people, with salaries reviewed again in July, ensuring that all of our colleagues are paid in excess of the Real Living Wage. In addition, we launched 'My Pay, My Way' with Wagestream to offer further financial wellbeing support to our people. As part of our 'Welcoming Everyone' programme, we held a series of events to mark Pride Month in June, and Love2shop was recognised as one of the Best Workplaces for Women by Great Place to Work UK in June. The Group recently participated in the Great Place to Work survey for the first time, and we were delighted to achieve Great Place to Work certification which recognises the work we have done to create a dynamic environment for our people where we deliver for our customers by collaborating and being good colleagues to each other, creating a positive and inclusive environment where everyone can learn, grow and shine.

Update on claims against PayPoint

Further to the update provided on 28 July 2023, PayPoint can confirm that a first Case Management Conference (CMC) was held on 31 October 2023 at the Competition Appeal Tribunal relating to the claims served by Utilita Energy Limited and Utilita Services Limited ("Utilita") and Global 365 plc and Global Prepaid Solution Limited ("Global 365"). The focus of the CMC was to agree disclosure and a timetable for proceedings.

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

Given this position, the Group's preference is for a swift and expedient process, targeting a trial listing on the first available date to be agreed with all parties.

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

Outlook and dividend

We have delivered strong results in a growing number of key areas in the first half. 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 a strong second half, further progress for the year and the Group trading in line with expectations.

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

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 SME and retailer partner proposition and positive new business growth in key target sectors. Following the acquisition of Love2shop, the seasonal balance to profit and cash generation in our business has also now changed, resulting in a more H2 weighted performance and contribution to the financial year as a whole.

The trading momentum in the business has remained strong into the second half of the year, as we continue to identify new opportunities to innovate and leverage our platform and the unique strengths of our extensive client base, accelerate the onboarding of new client business, all while delivering a strong performance in our important seasonal businesses in parcels, Park Christmas Savings, Love2shop and energy. The latter business is already delivering a more resilient performance early in H2, in spite of the shifts in consumer topping up behaviour due to the Cost of Living challenges and unseasonably warm weather seen over H1.

Cash usage remains resilient in the UK, particularly for the millions of consumers who rely on it on a daily basis, and we remain committed to providing vital services that maintain access to cash, as well as developing new services to support communities across the UK. We also remain alert to the potential impact on consumers from the broader economic challenges, including the changes we have seen to behaviours in the energy sector and the weakening consumer confidence reported across the UK, all of which we monitor closely across the business. It is testimony to the transformation of the business that we have delivered overall Group net revenue growth in a period where energy sector net revenue has decreased by almost 20%.

The Board has proposed an interim dividend of 19.0 pence per share, an increase of 2.2% vs the final dividend declared on 28 July 2023 of 18.6 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
22 November 2023

PROGRESS AGAINST OUR STRATEGIC PRIORITIES

SHOPPING BUSINESS DIVISION – H1 FY24 net revenue £32.1m (H1 FY23: £30.8m)

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

H1 FY24 Progress

- Further enhancements delivered to our SME and retailer proposition, including good growth in our FMCG consumer engagement proposition, PayPoint Engage, delivering brand campaigns with Coca-Cola, Amazon, AG Barr and JTI; our partnership with Eurochange, offering foreign currency click and collect, is now in pilot; and the early rollout of our new technology solution, PayPoint Connect, which integrates with leading, third party EPoS suppliers including PointFour and the Retail Data Partnership.
- Strong sales performance in card processing business for Handepay and PayPoint, delivering further growth in the EVO merchant book, ending the half year at 19,371 sites, and in the Lloyds Cardnet book, growing to 9,772 sites. This was driven by the increased optimisation of our sales efforts, including a new team established in London to capture the regional market opportunity; a strengthening of key areas of business governance to optimise pricing and retention; a new senior hire recruited to lead our sales and retention efforts, supported by better data, AI tool and analytics; and the leverage of our enhanced proposition, including launching additional functionality like EPoS and loyalty for SMEs
- Further expansion of Counter Cash, now enabled in 6,127 sites and with 2,098 sites transacting regularly, and over £32.1 million withdrawn in the half year, offering vital access to cash over the counter and complementing the existing ATM estate
- Continued under performance of ATMs, due to broader shifts in consumer cash usage, with net revenue decreased by 9.1% and transaction volumes by 10.5%. Management in this area has been recently strengthened, with a new hire secured to drive tighter operational management of the estate and reduce churn
- Good progress on retailer engagement and service, with our Net Promoter Score moving from negative to positive, a new in-life management programme launched to drive retailer service adoption, and several service improvements launched, including a new Chatbot launched to support retailer partners achieving a 75% first time resolution rate in its first weeks
- Positive year on year growth of Business Finance via YouLend with over £9 million lent in the half year, supporting our retailer and SME partners during the current economic challenges

E-COMMERCE BUSINESS DIVISION – H1 FY24 net revenue £5.1m (H1 FY23: £3.0m)

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

H1 FY24 Progress

- Excellent transaction volumes, achieving milestone of a 2 million parcels week in August, driven by continued growth in Vinted, the launch of Consumer Send for FedEx and an increase in Amazon sites to 7,698 in time for Prime Day 2023
- Further network expansion to 11,263 sites, including Fed retailer partners as part of Park Christmas Savings Super Agent rollout and additional multiple retailers onboarded, including One Stop
- DPD partnership expanded to over 2,000 sites, with API integration into our parcels app and additional Print In Store capability launched
- Store to store service launched for Yodel/Vinted, with strong consumer take up of the service
- New partnership launched with OOHPod in Northern Ireland, enabling Yodel Click & Collect customers to have their parcels delivered to secure lockers in 12 sites when checking out online and returns launched at the end of the half
- Zebra printer expansion plans underway to rollout a further 2,000 devices ahead of Christmas Peak 2023

PAYMENTS & BANKING BUSINESS DIVISION – H1 FY24 net revenue £25.1m (H1 FY23: £25.7m)

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

H1 FY24 Progress

- Continued progress in digital net revenue, with growth of +9.1% versus H1 FY23
- Further expansion of our client relationships with our enhanced integrated payments platform, including launching with POBL Housing and Network Homes, rolling out our PayPoint OpenPay service to more clients (Sheffield City Council, Ovo, Department for Energy Security and Net Zero), expanding our Confirmation of Payee services with Lexis Nexis, Cardstream, Think Money and the Department for Energy Security and Net Zero and being established as sole provider of cash disbursement services on Crown Commercial Service, displacing Post Office
- Won award for Best Open Banking Partnership – Consumer at the 2023 Open Banking Awards, in conjunction with obconnect, for our work delivering the Energy Bills Support Scheme
- Strong pipeline of client wins secured, for mobilisation over H2 FY24, including Guinness Housing and East Anglia Air Ambulance for our full suite of integrated payments solutions

- Cash through to digital – strong growth in the banking segment, providing cash deposits and withdrawals to a number of neobanks, with over £210 million deposited in the half year. Further progress in expanding client base and services provided in gifting (Netflix and Google Play) and additional neo banks (Revolut and JP Morgan Chase) being onboarded in H2 FY24, to complement existing gaming portfolio
- Legacy energy sector net revenue decreased by 19.4%, driven by a shift in consumer topping up behaviour due to the Cost of Living challenges and unseasonably warm weather over the period

LOVE2SHOP BUSINESS DIVISION - H1 FY24 net revenue £17.5m (H1 FY23: N/A)

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

- Park Christmas Savings - a return to growth in billings for the first time since 2018, with the best retention rate for direct customers delivered to date of 77.9% and a growth in the agency size to an average of 4.49 savers per agent. In addition, a new closed-loop Mastercard (Purple Card) was launched with 140+ brands, exclusively for Park customers
- Love2shop Business – positive half year with 13 new client wins delivered, including Five Guys, existing managed client accounts ahead of plan, and a restructured business development team now in place, including a new Head of Business Development joining us from Edenred
- First new initiatives launched into the PayPoint retailer partner network following acquisition – over 1,500 Park Super Agents now live to help recruit savers for the Christmas 2024 season and physical Love2shop gift cards now rolled out to over 2,600 multiple retailer sites, including One Stop, Motor Fuels Group and several regional Co-ops
- New redemption partners added ahead of the Christmas peak, including significant brands, such as B&Q, WH Smith, Rymans, Matalan & Blackwell's. Additionally, a successful refresh of the Love2shop brand was delivered, with brand awareness now at a high of 44.8%

PRIORITY 5: BUILDING A DELIVERY FOCUSED ORGANISATION AND CULTURE

PAYPOINT GROUP

H1 FY24 Progress

- Good progress against our ESG programme, with new hybrid cars introduced to our fleet in April 2023, replacing diesel company cars and petrol hire cars, and an electric car leasing scheme now launched
- A number of actions taken to mitigate the impact of the Cost of Living on our people, with salaries reviewed again in July, ensuring that all our colleagues are paid a minimum of the Real Living Wage. In addition, we launched 'My Pay, My Way' with Wagestream to offer further financial wellbeing support to our people
- As part of our 'Welcoming Everyone' programme, we held a series of events to mark Pride Month in June, and Love2shop was recognised as one of the Best Workplaces for Women by Great Place to Work UK in June
- The Group recently participated in the Great Place to Work survey for the first time, and we were delighted to achieve Great Place to Work certification which recognises the work we have done to create a dynamic environment for our people where we deliver for our customers by collaborating and being good colleagues to each other, creating a positive and inclusive environment where everyone can learn, grow and shine
- Integration of Love2shop largely complete, with first business initiatives launched, a new Northern Hub established in Liverpool, investment agreed and delivered in further APIs to open up additional revenue opportunities in the Corporate business, and first phase of organisational changes completed
- Continued focus 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, a continued focus on cybersecurity, and Love2shop IT employees now fully integrated

FINANCIAL REVIEW

£m	**Six months to 30 September 2023**	Six months to 30 September 2022	Change %
PayPoint segment	**81.2**	75.4	7.8%
Love2shop segment	**45.3**	-	-
Total revenue	**126.5**	75.4	67.8%
PayPoint segment	**62.3**	59.5	4.7%
Love2shop segment	**17.5**	-	-
Total net revenue	**79.8**	59.5	34.1%
PayPoint segment	**(38.7)**	(35.9)	7.8%
Love2shop segment	**(19.3)**	-	-
Total costs continuing operations	**(58.0)**	(35.9)	61.4%
PayPoint segment	**23.6**	23.6	-
Love2shop segment	**(1.8)**	-	-
Underlying profit before tax	**21.8**	23.6	(7.5)%
Adjusting items: Amortisation of intangible assets arising on acquisition	**(4.0)**	(1.1)	277.4%
Exceptional items	**(0.6)**	(1.5)	64.1%
Profit before tax	**17.2**	21.0	(17.9)%
Underlying EBITDA[1]	**31.1**	28.3	9.9%
Cash generation from continuing operations excluding exceptional items	**15.6**	28.3	(44.5)%
Net corporate debt[2]	**(83.2)**	(39.4)	111.1%

Total revenue increased by £51.1 million (67.8%) to £126.5 million (September 2022: £75.4 million). Net revenue increased by £20.3 million (34.1%) to £79.8 million (September 2022: £59.5 million) with this being the first period including the L2S segment contributing £17.5 million.

Total costs increased by £22.1 million to £58.0 million (September 2022: £35.9 million). The increase in costs was driven by the £19.3 million additional cost base from L2S segment together with increases in borrowing costs following the acquisition of Appreciate Group and investments in our field sales teams. Exceptional costs of £0.6 million, which are one-off, non-recurring and do not reflect current operational performance relate to legal fees incurred as as result of the Group's defence of claims served against it. The prior year exceptional costs of £1.5 million include a write down in relation to the disposal of Snappy Ltd in October 2022 and fee associated with the acquisition of Appreciate Group.

The underlying profit before tax decreased by £1.8 million (7.5%) to £21.8 million (September 2022: £23.6 million). This result includes £1.8 million loss on the Love2shop segment which includes an interest cost allocation. This is due to the seasonal nature of the business where profit is primarily generated in the second half of the financial year. In comparison, the previous year before PayPoint acquired Love2Shop, Appreciate Group PLC made a loss before tax of £1.2 million in the six month period to September 2022. The historic PayPoint segment underlying profit before tax was in line with the prior year.

Profit before tax of £17.2 million (September 2022: £21.0 million) decreased by £3.8 million (17.9%). The decrease reflects current year adjusting items totalling of £4.6 million which includes six months amortisation of intangible assets arising on the Appreciate acquisition following the acquisition in February 2023.

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

EBITDA / Underlying EBITDA (£m)	**Six months to 30 September 2023**	Six months to 30 September 2022
Profit before tax	**17.2**	21.0
Add back:		
Net interest expense	**3.6**	1.0
Depreciation & Amortisation - including amortisation of intangible assets arising on acquisition	**9.7**	4.8
EBITDA (£m)	**30.5**	26.8
Exceptional items	**0.6**	1.5
Underlying EBITDA (£m)	**31.1**	28.3

Underlying EBITDA increased by £2.8 million to £31.1 million (September 2022: £28.3 million), which is made up of £2.2 million for the Love2Shop segment and £28.9 million for the PayPoint segment.

Cash generation reduced to £15.6 million (September 2022: £28.3 million), delivered from underlying profit before tax of £21.8 million (September 2022: £23.6 million). There was a net working capital outflow of £12.6 million, of this £2.0 million related to payment of costs accrued for the Appreciate acquisition at the year end, £2.7 million relating to extending payment terms with a key customer and the remaining amount related to seasonal timing which is expected to unwind in the second half of the year.

Net corporate debt increased by £43.8 million from September 2022 to £83.2 million (March 2023: £72.4 million) following working capital requirements in the first six months of the year. At 30 September 2023 loans and borrowings were £101.8 million (September 2022: £43.2 million).

PAYPOINT SEGMENT

£m	**Six months to 30 September 2023**	Six months to 30 September 2022	Change %
Total Revenue	**81.2**	75.4	7.8%
Shopping	**32.1**	30.8	4.2%
E-commerce	**5.1**	3.0	71.8%
Payments & Banking	**25.1**	25.7	(2.3)%
Net revenue	**62.3**	59.5	4.7%
Other costs of revenue	**8.1**	7.1	14.1%
Depreciation and amortisation (costs of revenue)	**4.3**	3.4	26.5%
Depreciation and amortisation (administrative expenses) excluding amortisation of intangible assets arising on acquisition	**0.2**	0.2	-
Other administrative costs – excluding exceptional items	**24.7**	24.2	2.1%
Net finance costs – excluding exceptional costs	**1.4**	1.0	40.0%
Total costs	**38.7**	35.9	7.8%
Underlying profit before tax (excluding adjusting items)	**23.6**	23.6	-

Shopping net revenue increased by £1.3 million (4.2%) to £32.1 million (September 2022: £30.8 million). Service fees net revenue increased by £0.8 million (8.8%) driven by additional PayPoint One sites and implementing the annual RPI increase. Cards net revenue increased by £0.5 million (3.5%) from Handepay/Merchant Rentals performance, partially offset by PayPoint cards. ATM and Counter Cash net revenue decreased by £0.3 million (6.5%) due to a reduction in transactions driven by the continuing trend of reduced demand for cash across the economy. FMCG revenue increased by £0.3 million (416.0%) to £0.4 million (September 2022: £0.1 million) following further campaigns run in the year.

E-commerce net revenue increased by £2.1 million (71.8%) to £5.1 million (September 2022: £3.0 million), driven by strong growth in total transactions which increased by 83.1%. This was due to our strength in clothing/fashion categories, the investment in the in-store experience with Zebra label printers over the past 18 months and the continued expansion from new services and carrier partners.

Payments & Banking net revenue decreased by £0.6 million (2.3%) to £25.1 million (September 2022: £25.7 million). Cash bill payments net revenue decreased by £2.0 million (16.4%) as a result of a decrease in bill payment transactions from the increase in energy prices and the continued switch to digital payments. Cash top-ups net revenue decreased by £0.1 million (1.6%) with volumes down 5.0% driven by the continuing structural declines in the prepaid mobile sector. Digital net revenue increased by £0.5 million (9.1%) driven by our Cash Out services. Cash through to digital, eMoney, net revenue decreased by £0.1 million (1.2%) as a result of a 5.2% decrease in volumes.

Total costs (excluding adjusting items) increased by £2.8 million (7.8%) to £38.7 million, primarily as a result of further investment in our people and field sales team to support growth in sales.

SECTOR ANALYSIS

SHOPPING

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

Net revenue (£m)	**Six months to 30 September 2023**	Six months to 30 September 2022	Change %
Service fees	**9.7**	8.9	8.8%
Card payments	**16.4**	15.9	3.5%
ATMs and Counter Cash	**4.5**	4.8	(6.5)%
Other shopping	**1.5**	1.2	20.8%
Total net revenue (£m)	**32.1**	30.8	4.2%

Net revenue increased by £1.3 million (4.2%) to £32.1 million (September 2022: £30.8 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	**Six months to 30 September 2023**	Six months to 30 September 2022	Change %
Net Revenue (£m)	**9.7**	8.9	8.8%
PayPoint terminal sites (No.)			
PayPoint One Base	**6,533**	7,090	(7.9)%
PayPoint One EPoS Core	**11,509**	10,223	12.6%
PayPoint One EPoS Pro	**744**	992	(25.0)%
Total PayPoint One – revenue generating	**18,786**	18,305	2.6%
PayPoint One Base non-revenue generating	**667**	691	(3.5)%
Total PayPoint One	**19,453**	18,996	2.4%
Legacy (T2)	**19**	140	(86.4)%
.PPoS	**9,174**	9,259	(0.9)%
Total terminal sites in PayPoint network	**28,646**	28,395	0.9%
PayPoint One average weekly service fee per site (£)	**19.1**	17.7	7.3%

As at 30 September 2023, PayPoint had a live terminal in 28,646 UK sites, an increase of 0.9% primarily as a result of new PayPoint One sites which increased by 2.4% to 19,453 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 £0.8 million (8.8%) to £9.7 million driven by the additional 481 PayPoint One revenue generating sites compared to the prior period. The higher price point EPoS Core sites increased by 1,286 due to new sales and upselling whilst EPOS Pro sites decreased by due to normal churn and no longer being actively marketed.

The PayPoint One average weekly service fee per site increased by 7.3% to £19.1, benefiting from the increase in EPoS Core sites which are charged at a higher rate and the annual RPI increase.

Card payments and leases	**Six months to 30 September 2023**	Six months to 30 September 2022	Change %
Net Revenue (£m)			
Card payments and leases – Handepay and Merchant Rentals	**10.6**	9.8	8.8%
Card payments – PayPoint and RSM 2000	**5.8**	6.1	(5.1)%
Services in Live sites (No.)			
Card payments – Handepay	**22,615**	22,065	2.5%
Card terminal lessees – Merchant Rentals	**35,386**	34,648	2.1%
Card payments – PayPoint	**9,772**	9,514	2.7%
Card payments – RSM 2000	**129**	145	(11.3)%
Transactions (Millions)			
Card payments – Handepay	**84.7**	78.0	8.5%
Card payments – PayPoint	**126.4**	118.5	6.6%
Card payments – RSM 2000	**3.6**	3.6	-

Handepay and Merchant Rentals generated £10.6 million net revenue in the period. Handepay card payments transactions increased by 8.5% to 84.7 million, maintaining strong transaction volumes seen in the previous year but at a lower average transaction value of £28.01 (September 2022: £29.20). There were 22,625 Handepay card payments sites, an increase of 550 sites (2.5%) since September 2022. Handepay EVO sales increased in the year supported by the one-month operating lease proposition, but sites overall have been impacted by higher churn, particularly in our Worldpay back book in this very competitive market. The sales momentum increased due to the sales team being fully staffed and the launch of the new Android device.

PayPoint card payments transactions increased by 6.6% to 126.4 million while net revenue decreased by 5.6% to £5.2 million, maintaining strong transaction volumes seen in the previous year but at a lower average transaction value £10.40 (September 2022: £10.60). Across our network there were 9,772 PayPoint card payments sites, an increase of 258 sites (2.7%) since 30 September 2022.

ATMs and Counter Cash	**Six months to 30 September 2023**	Six months to 30 September 2022	Change %
Net Revenue (£m)	**4.5**	4.8	(6.6)%
Services in Live sites (No.)	**9,639**	8,060	19.6%
Transactions (Millions)	**14.7**	15.5	(5.6)%

Net revenue reduced by £0.3m (6.6%) to £4.5 million (September 2022: £4.8 million) as transactions reduced by 5.6% to 14.7 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 19.6% to 9,639 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 10.4% of transactions (September 2022: 5.5%).

Other: Other shopping services increased by £0.3 million (20.3%) to £1.5 million (September 2022: £1.2 million) this includes the partnership with Snappy Shopper and FMCG campaigns.

E-COMMERCE

Parcels	**Six months to 30 September 2023**	Six months to 30 September 2022	Change %
Net Revenue (£m)	**5.1**	3.0	71.8%
Services in Live sites (No.)	**11,263**	9,891	13.9%
Transactions (Millions)	**42.1**	23.0	83.1%

E-commerce net revenue increased by £2.1 million (71.8%) to £5.1 million due to the increase in total parcels transactions by 83.1% to 42.1 million. This was driven by our strength in clothing/fashion categories and the investment in the in-store experience with Zebra label printers over the past 18 months. There has been continued expansion from new services, Yodel store to store and Amazon returns, and new carrier partnerships with Wish.com and InPost. Parcel sites increased by 13.9% to 11,263 sites.

PAYMENTS & BANKING

	Six months to 30 September 2023	Six months to 30 September 2022	Change %
Net revenue (£m)			
Cash – bill payments	**10.3**	12.3	(16.4)%
Cash – top-ups	**3.6**	3.7	(1.6)%
Digital	**6.4**	5.9	9.1%
Cash through to digital	**3.3**	3.4	(1.2)%
Other payments and banking	**1.5**	0.4	229.9%
Total net revenue (£m)	**25.1**	25.7	(2.3)%

Payments & Banking divisional net revenue decreased by 2.3% to £25.1 million as a result of fewer cash bill payments and top up transactions and margin erosion from prior year client contract renewals partially offset by continued growth in digital transactions, particularly within the cash-out sector.

Cash – bill payments	**Six months to 30 September 2023**	Six months to 30 September 2022	Change %
Net revenue (£m)	**10.3**	12.3	(16.4)%
Transactions (millions)	**59.4**	73.3	(18.9)%
Transaction value (£m)	**1,828.2**	1,963.8	(6.9)%
Average transaction value (£)	**30.8**	26.8	14.8%
Net revenue per transaction (pence)	**17.3**	16.8	3.2%

Cash – bill payments net revenue decreased by £2.0 million (16.4%) to £10.3 million. Cash – bill payments transactions decreased by 13.9 million (18.9%) to 59.4 million as a result of changing consumer behaviour leading to lower top ups following the support in FY23 from the Governments Energy Bills Support Scheme (EBSS).

Cash – top-ups	**Six months to 30 September 2023**	Six months to 30 September 2022	Change %
Net revenue (£m)	**3.6**	3.7	(1.6)%
Transactions (millions)	**9.2**	9.7	(5.0)%
Transaction value (£m)	**115.2**	120.0	(4.1)%
Average transaction value (£)	**12.5**	12.4	1.0%
Net revenue per transaction (pence)	**39.1**	38.1	2.6%

Cash – top-ups net revenue decreased by £0.1 million (1.6%) to £3.6 million. Cash top-ups transactions decreased by 0.5 million (5.0%) to 9.2 million due to further market declines in the prepaid mobile sector whereby UK direct debit pay-monthly options displace UK prepay mobile.

Digital	**Six months to 30 September 2023**	Six months to 30 September 2022	Change %
Net revenue (£m)	**6.4**	5.9	9.1%
Transactions (millions)	**23.5**	23.5	-
Transaction value (£m)	**534.1**	482.9	10.6%
Average transaction value (£)	**22.7**	20.5	10.9%
Net revenue per transaction (pence)	**27.2**	25.1	8.5%

Digital (MultiPay, Cash Out and Direct Debits) net revenue increased by £0.5 million (9.1%) to £6.4 million and digital transactions remained in line with the prior period. MultiPay net revenue increased by £0.4 million to £2.2 million (September 2022: £1.8 million) with transactions growing by 0.1 million to 16.3 million. The DWP Payment Exception Service contributed £2.0 million net revenue in the period (September 2022: £2.4 million) following the expected decline of customers. Cashout revenue increased by £0.5 million (45.6%) to £1.5 million (September 2022: £1.0 million) driven by a higher number of councils using the service to provide cash out vouchers.

Cash through to digital	Six months to 30 September 2023	Six months to 30 September 2022	Change %
Net revenue (£m)	**3.3**	3.4	(1.2)%
Transactions (millions)	**4.1**	4.3	(5.2)%
Transaction value (£m)	**265.0**	244.1	8.6%
Average transaction value (£)	**64.6**	56.4	14.5%
Net revenue per transaction (pence)	**80.5**	79.1	1.8%

Cash through to digital (eMoney) net revenue decreased by £0.1 million (1.2%) to £3.3 million (September 2022: £3.4 million) and transactions decreased by 0.2 million (5.2%) to 4.1 million (September 2022: 4.3 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 £1.4 million (September 2022: £0.4 million) net revenue.

LOVE2SHOP SEGMENT

£m	Six months to 30 September 2023
Billings	**105.1**
Revenue	**45.3**
Net revenue	**17.5**
Other costs of revenue	**(5.7)**
Depreciation and amortisation (administrative expenses) excluding amortisation on intangible assets arising on acquisition	**(1.2)**
Other administrative costs	**(10.2)**
Net finance costs	**(2.2)**
Total costs	**(19.3)**
Underlying profit before tax (excluding adjusting items)	**(1.8)**

Love2shop (L2s) has generated £105.1 million of total billings in the period – a measure of total value of balance sold on cards and vouchers. The primary focus of the business is the sale of multi-retailer redemption products. Revenue from these products is largely service fee received from retail partners when the products are spent, non-redemption income when the product expires, and interest income earned on prepaid funds. L2s also sells cards and vouchers that can only be redeemed at a single retailer, effectively acting as a reseller. For these products, L2s acts as the principal, and revenue is recognised at the full value of billings at the time of dispatch. Net revenue however is stated after deducting the costs for the single retailer product, reflecting the actual income generated from the sale. Net revenue for the HY was £17.5 million.

The business is seasonal in nature, and profit is primarily generated In H2 of the financial year, which represents the peak trading period for L2s corporate business and of the dispatch of Park Christmas savings prepaid products around Christmas.

PROFIT BEFORE TAX AND TAXATION

The income tax charge of £4.4 million (September 2022: £3.9 million) on profit before tax of £17.2 million (September 2022: £21.0 million) represents an effective tax rate of 25.5% (September 2022: 18.7%). This is higher than the UK statutory rate of 25% due to adjustments in respect of share based payments.

GROUP STATEMENT OF FINANCIAL POSITION

Net assets of £110.8 million (September 2022: £88.4 million) increased by £22.4 million reflecting the shares issued as part of the acquisition of Appreciate and the growth in retained earnings. Current assets increased by £226.4 million to £335.7 million

(September 2022: £109.3 million) due to the monies held in trust and voucher deposits acquired with the Appreciate acquisition. Non-current assets of £224.2 million (September 2022: £123.1 million) increased by £101.1 million due to the Appreciate acquisition goodwill and intangible assets and the investment in terminals. Current liabilities increased by £260.8 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 £53.9 million (September 2022: £9.5 million) increased by £44.4 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	**At 30 September 2023**	**At 31 March 2023**	**At 30 September 2022**
Cash and cash equivalents - net corporate cash	**18.6**	22.0	3.8
Less:			
Loans and borrowings	**(101.8)**	(94.4)	(43.2)
Net debt	**(83.2)**	(72.4)	(39.4)

At 30 September 2023, net corporate debt was £83.2 million (September 2022: £39.4 million) and has increased by £10.8 million from the year end position. This is as a result of positive cash generation offset by working capital requirements in the first six months along with tax, capex and dividend requirements. Total loans and borrowings of £101.8 million, which have increased by £7.4 million from 31 March 2023, consisted of a £41.4 million amortising term loans, £59.5 million drawdown of the £75.0 million revolving credit facility and £0.9 million of asset financing balances and accrued interest (September 2022: £26.0 million drawdown from the revolving credit facility, £16.3 million amortising term loan and £0.9 million of asset financing balances).

GROUP CASH FLOW AND LIQUIDITY

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

	Six months to 30 September 2023	Six months to 30 September 2022	Change %
Profit before tax	**17.2**	21.0	(18.2)%
Exceptional items	**0.6**	1.5	(60.0)%
Depreciation and amortisation	**9.7**	4.7	106.4%
Share-based payments and other items	**0.7**	0.3	133.3%
Working capital changes (corporate)	**(12.6)**	0.8	n/m
Cash generation	**15.6**	28.3	(44.9)%
Taxation payments	**(5.1)**	(1.3)	292.3%
Capital expenditure	**(7.1)**	(6.0)	18.3%
Contingent consideration cash paid	**-**	(1.0)	-
Purchase of convertible loan note and other investment	**-**	(3.0)	-
Lease payments	**(0.7)**	(0.1)	600.0%
Dividends paid	**(13.5)**	(12.4)	8.9%
Net (increase)/decrease in net debt	**(10.8)**	4.5	-
Net corporate debt at the beginning of the period	**(72.4)**	(43.9)	
Net (increase)/decrease in net debt	**(10.8)**	4.5	
Net corporate debt at the end of the period	**(83.2)**	(39.4)	111.2%

Cash generation reduced to £15.6 million (September 2022: £28.3 million) delivered from profit before tax of £17.2 million (September 2022: £21.0 million). There was a net working capital outflow of £12.6 million, of this £2.0 million related to payment of costs accrued for the Appreciate acquisition at the year end, £2.7m relating to extending payment terms with a key customer and the remaining amount related to seasonal timing which is expected to unwind in the second half of the year.

Taxation payments on account of £5.1 million (September 2022: £1.3 million) are higher compared to the prior period which included a tax refund of £3.3 million following the closure of March 2021 tax filings which do not impact the prior year tax charge. The Corporation tax rate in the year has increased from 19% to 25%. Dividend payments were higher compared to the prior period due to the increase in the final ordinary dividend paid per share for the prior year ended 31 March 2023.

Capital expenditure of £7.1 million (September 2022: £6.0 million) was £1.1 million higher than the prior year. Capital expenditure primarily consists of PayPoint One and card terminals, terminal development, the enhancement to the Direct Debit platform and IT hardware. The increase in capital expenditure is primarily the result of the inclusion of Love2shop, which accounts for £0.8 million of the £1.1 million.

DIVIDENDS

In the six months to 30 September 2023, total dividend payments of £13.5 million or 18.6 pence per share (September 2022: £12.4 million or 18.0 pence per share) were made, representing the final ordinary dividend for the year ended 31 March 2023. This is a 3.3% increase in the final dividend since last year.

We have declared an increased interim dividend of 19.0 pence per share (September 2022: 18.4 pence) payable in equal instalments of 9.5 pence per share on 29 December 2023 and 5 March 2024 (to shareholders on the register on 1 December 2023 and 2 February 2024 respectively). This is an increase of 2.2% compared to the final dividend declared of 18.6 pence per share, and an increase of 3.3% compared to the same period last year (September 2022: 18.4 pence).

The interim dividends will result in £13.8 million (September 2022: £12.7 million) being paid to shareholders from the standalone statement of financial position of the Company which, as at 30 September 2023, had approximately £36.0 million (September 2022: £62.7 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 earnings from continuing operations excluding exceptional items.

GOING CONCERN

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

Rob Harding
Chief Financial Officer
22 November 2023

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

PayPoint Plc

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**6 months ended 30 September 2023 £000**	Re-presented[1] 6 months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Revenue	3	**113,988**	75,385	165,220
Other revenue	3	**12,513**	-	2,503
Total revenue		**126,501**	75,385	167,723
Cost of revenue		**(64,554)**	(26,602)	(64,257)
Gross profit		**61,947**	48,783	103,466
Administrative expenses – excluding adjusting items		**(36,566)**	(24,168)	(50,083)
Operating profit before adjusting items		**25,381**	24,615	53,383
Adjusting items:				
Exceptional items - administrative expenses	5	**(558)**	(1,553)	(5,317)
Amortisation of intangible assets arising on acquisition – administrative expenses		**(4,038)**	(1,069)	(2,574)
Operating profit		**20,785**	21,993	45,492
Finance income		**463**	71	87
Finance costs		**(4,066)**	(1,088)	(2,718)
Exceptional item – finance costs	5	**-**	-	(287)
Profit before tax		**17,182**	20,976	42,574
Tax	6	**(4,376)**	(3,931)	(7,864)
Profit for the period		**12,806**	17,045	34,710

Earnings per share (pence)			
Basic	**17.6**	24.7	50.1
Diluted	**17.4**	24.4	49.6

Underlying earnings per share – before adjusting items (pence)			
Basic	**22.4**	28.1	61.0
Diluted	**22.1**	27.8	60.3

[1]Amortisation of intangible assets arising on acquisition was not identified as an adjusting item in the September 2022 financial statements (see note 1).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 September 2023 £000	6 months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Items that will not be reclassified to the consolidated statement of profit or loss:			
Remeasurement of defined benefit pension scheme	**(845)**	**-**	353
Deferred tax on defined benefit pension scheme	**211**	**-**	(86)
Foreign exchange	**7**		
Other comprehensive (loss) / income for the period	**(627)**	**-**	267
Profit for the period	**12,806**	**17,045**	34,710
Total comprehensive income for the period attributable to equity holders of the parent	**12,179**	**17,045**	34,977

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 September 2023 £000**	30 September 2022 £000	31 March 2023 £000
Non-current assets				
Goodwill		**117,427**	57,668	117,427
Other intangible assets		**71,157**	35,886	75,293
Convertible loan notes		**3,750**	3,750	3,750
Other investment		**251**	-	251
Property, plant and equipment		**30,729**	22,551	29,257
Net investment in finance lease receivables		**915**	3,233	1,711
Retirement benefit asset		**-**	-	411
Total non-current assets		**224,229**	123,088	228,100
Current assets				
Inventories		**8,417**	66	3,152
Trade and other receivables		**97,887**	81,830	82,055
Current tax asset		**7,691**	1,562	6,231
Cash and cash equivalents – clients' funds, retailer partners' deposits and card and voucher deposits		**118,410**	16,636	55,905
Cash and cash equivalents – corporate cash		**20,325**	3,752	22,546
Monies held in trust		**83,000**	-	82,000
		335,730	103,846	251,889
Asset held for sale		**-**	5,502	-
Total current assets		**335,730**	109,348	251,889
Total assets		**559,959**	232,436	479,989
Current liabilities				
Trade and other payables		**327,222**	96,990	255,526
Lease liabilities		**728**	157	862
Loans and borrowings		**65,585**	37,336	58,245
Bank overdraft		**1,757**	-	525
Total current liabilities		**395,292**	134,483	315,158
Non-current liabilities				
Trade and other payables		**106**	-	115
Lease liabilities		**4,522**	-	4,617
Loans and borrowings		**36,165**	5,818	36,170
Retirement benefit liability		**355**	-	-
Deferred tax liability		**12,763**	3,687	12,215
Total non-current liabilities		**53,911**	9,505	53,117
Total liabilities		**449,203**	143,988	368,275
Net assets		**110,756**	88,448	111,714
Equity				
Share capital	8	**242**	230	242
Share premium	8	**1,000**	1,000	1,000
Merger reserve	8	**18,243**	999	18,243
Share-based payment reserve		**2,042**	1,560	2,286
Retained earnings		**89,229**	84,659	89,943
Total equity attributable to equity holders of the parent		**110,756**	88,448	111,714

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Share premium £000	Merger reserve £000	Share-based payment reserve £000	Retained earnings £000	Total equity £000
Opening equity 1 April 2022		**230**	**1,000**	**999**	**1,570**	**79,459**	**83,258**
Profit for the period		-	-	-	-	17,045	17,045
Comprehensive income for the period		-	-	-	-	17,045	17,045
Equity-settled share-based payment expense		-	-	-	556	-	556
Vesting of share scheme		-	-	-	(566)	566	-
Dividends		-	-	-	-	(12,411)	(12,411)
Closing equity 30 September 2022		**230**	**1,000**	**999**	**1,560**	**84,659**	**88,448**
Profit for the period		-	-	-	-	17,665	17,665
Total other comprehensive income		-	-	-	-	267	267
Comprehensive income for the period		-	-	-	-	17,932	17,932
Issue of shares		12	-	17,244	-	-	17,256
Equity-settled share-based payment expense		-	-	-	774	-	774
Vesting of share scheme		-	-	-	(48)	48	-
Dividends		-	-	-	-	(12,696)	(12,696)
Closing equity 31 March 2023		**242**	**1,000**	**18,243**	**2,286**	**89,943**	**111,714**
Profit for the period		-	-	-	-	12,806	12,806
Total other comprehensive income		-	-	-	-	(627)	(627)
Comprehensive income for the period		-	-	-	-	12,179	12,179
Equity-settled share-based payment expense		-	-	-	690	-	690
Vesting of share scheme		-	-	-	(934)	623	(311)
Dividends		-	-	-	-	(13,516)	(13,516)
Closing equity September 2023		**242**	**1,000**	**18,243**	**2,042**	**89,229**	**110,756**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**6 months ended 30 September 2023 £000**	Re-presented[1] 6 months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Net cash generated by operations	9	**81,545**	29,391	102,182
Corporation tax paid		**(5,095)**	(1,321)	(6,204)
Interest received		**46**	71	609
Interest paid		**(3,527)**	(1,126)	(2,973)
Net cash inflow from operating activities		**72,969**	27,015	93,614
Investing activities				
Purchases of property, plant and equipment		**(4,827)**	(3,075)	(7,802)
Purchases of intangible assets		**(2,233)**	(2,950)	(4,900)
Acquisitions of subsidiaries net of cash acquired		**-**	-	(45,580)
Contingent consideration cash paid		**-**	(1,000)	(1,000)
Disposal of investment in associate		**-**	-	5,487
Purchase of convertible loan note		**-**	(3,000)	(3,000)
Purchase of other investment		**-**	-	(251)
Net cash used in investing activities		**(7,060)**	(10,025)	(57,046)
Financing activities				
Dividends paid		**(13,516)**	(12,411)	(25,107)
Proceeds from issue of share capital		**-**	-	1
Payment of lease liabilities		**(677)**	(110)	(261)
Repayment of loans and borrowings		**(7,664)**	(8,380)	(22,074)
Proceeds from loans and borrowings		**15,000**	-	64,500
Net cash (used in) / generated from financing activities		**(6,857)**	(20,901)	17,059
Net increase / (decrease) in cash and cash equivalents		**59,052**	(3,911)	53,627
Cash and cash equivalents at beginning of year		**77,926**	24,299	24,299
Cash and cash equivalents at period end		**136,978**	20,388	77,926

[1]Interest received was presented within the heading “Investing activities” in the prior period.

Reconciliation of cash and cash equivalents				
Corporate cash		**20,325**	3,752	22,546
Clients’ funds, retailer partners’ deposits and card and voucher deposits		**118,410**	16,636	55,905
Bank overdraft		**(1,757)**	-	(525)
Cash and cash equivalents on the condensed consolidated statement of financial position		**136,978**	20,388	77,926

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Accounting policies

Reporting entity

PayPoint plc ('PayPoint' or the 'Company') is a public limited company, incorporated and registered in the UK under the Companies Act 2006. Its registered office is at Unit 1, The Boulevard, Welwyn Garden City, Hertfordshire, AL7 1EL. Its shares are listed on the London Stock Exchange.

These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 September 2023 are made up of the Company and its subsidiaries (together referred to as the 'Group'). They were approved for issue on 22 November 2023.

These interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2023 were approved by the board of directors on 27 July 2023 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statements under section 498 of the Companies Act 2006.

The financial statements have been reviewed, not audited.

Basis of preparation

The interim financial statements for the half-year reporting period ended 30 September 2023 have been prepared in accordance with the UK-adopted International Accounting Standard 34 *Interim Financial Reporting* and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority.

Adoption of standards and policies

The accounting policies applied by the Group in the interim financial statements for the period ended 30 September 2023 are consistent with those set out in the Group's Annual Report for the year ended 31 March 2023.

Going concern

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

The Group's policy is to borrow centrally to meet anticipated funding requirements. Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group. At 30 September 2023, the Group had cash and cash equivalents of £136.9 million, consisting of £20.3 million corporate cash, £118.4 million clients' fund, retailer partners' deposits and card and voucher deposits and £1.8 million bank overdraft. The Group's borrowing facilities consist of:

- £5.4 million amortising term loan which is due to be repaid in quarterly instalments, 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.
- £0.3 million block loan balances, to be repaid within 6 months of the period-end.

At 30 September 2023, £59.5 million (31 March 2023: £46.5 million) was drawn down from the revolving credit facility and the Group also had £0.3 million block loan balances.

The Group has a strengthened statement of financial position, with net assets of £110.8 million as at 30 September 2023 (30 September 2022: £88.4 million), having made a profit for the period of £12.8 million (30 September 2022: £17.0 million) and delivered net cash flows from operating activities of £72.7 million for the period then ended (30 September 2022: £27.0 million). Net debt increased from £72.4m to £83.2m in the period, the £10.8m increase comprising a net, pre-dividend inflow of £2.7m and dividend payments of £13.5m. In the prior period, net debt decreased by £4.5m, comprising a net, pre-dividend inflow of £16.9m and dividend payments of £12.4m. The Group has net current liabilities of £59.6 million at 30 September 2023 (30 September 2022: £25.1 million), which includes the drawn down revolving credit facility balance of £59.5 million (31 March 2023: £46.5 million). This balance is classified as a current liability at 31 March 2023 and at each of the comparative dates, reflecting the fact that each individual borrowing tranche drawn down from the revolving credit facility is for a period of less than 12 months. The net current liability position does not affect the Group's ability to continue as a going concern as the facility is not required to be repaid until February 2026

The Directors have prepared cash flow forecast scenarios for a period of at least 12 months from the date of this announcement, taking into account the Group's current financial and trading position, the 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 10 and concluded that it is not appropriate to extend the going concern assessment beyond the 12 months on the basis that the timing of conclusion of legal proceedings is so uncertain.

In addition to the 'base case' scenarios, the Directors have also prepared a 'downside' scenario which includes the following assumptions:

Shopping

- No growth in the PayPoint One estate
- Double the decline in cards merchant count which was experienced in the year-ended 31 March 2023
- Double the decline in the ATM estate which was experienced in the year-ended 31 March 2023
- No growth or management challenge achieved in other areas

E-commerce

- No growth or management challenge achieved

Payments and banking

- Double the transaction decline which was experienced in the year-ended 31 March 2023
- Management challenge not achieved

Love2Shop

- 10% decline in billings across all channels

Even with the above assumptions, the forecasts indicated that there was sufficient headroom and liquidity for the Group to continue with the existing facilities outlined above.

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 interim financial statements and therefore have prepared the interim financial statements on a going concern basis.

Alternative performance measures

Non-IFRS measures or alternative performance measures are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes which have remained consistent with the alternative performance measures disclosed in the Annual Report for the year ended 31 March 2023. These measures are included in these interim financial statements to provide additional useful information on performance and trends to shareholders.

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

Underlying performance measures (non-IFRS measures)

Underlying performance measures 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 measures 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 revenue. This is due to billings being recognised at a different time to revenue from multi-retailer products and 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 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 revenue to net revenue is included in note 4.

Adjusting items (non-IFRS measure)

Adjusting items consist of exceptional items and amortisation of intangible assets arising on acquisition. These items are presented as adjusting items in the consolidated statement of profit or loss, as they do not reflect the operational performance of the Group. Further details of the exceptional items are provided in note 5.

	30 September 2023 £000	Re-presented[1] 30 September 2022 £000	31 March 2023 £000
Exceptional item – professional fees	**558**	-	-
Exceptional item – acquisition costs expensed	**-**	300	4,065
Exceptional item – impairment loss on reclassification of investment in associate to asset held for sale	**-**	1,253	1,252
Exceptional item – finance costs	**-**	-	287
Amortisation of intangible assets arising on acquisition	**4,038**	1,069	2,574
Total adjusting items	**4,596**	2,622	8,178

[1]Amortisation of intangible assets arising on acquisition were not identified as adjusting items in the September 2022 financial statements (see note 1).

See note 5 for explanations of the above exceptional items.

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

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

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

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

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.

Underlying earnings per share (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:

	30 September 2023 £000	30 September 2022 £000	31 March 2023 £000
Profit before tax	**17,182**	20,976	42,574
Total adjusting items	**4,596**	2,622	8,178
Underlying profit before tax	**21,778**	23,598	50,752

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

	30 September 2023 £000	30 September 2022 £000	31 March 2023 £000
Profit after tax	**12,806**	17,045	34,710
Total adjusting items	**4,596**	2,622	8,178
Tax on adjusting items	**(1,149)**	(267)	(644)
Underlying profit after tax	**16,253**	19,400	42,244

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:

	30 September 2023 £000	30 September 2022 £000	31 March 2023 £000
Cash and cash equivalents - corporate cash	**20,325**	3,752	22,546
Less:			
Bank overdraft	**(1,757)**	-	(525)
Loans and borrowings	**(101,750)**	(43,154)	(94,415)
Net corporate debt	**(83,182)**	(39,402)	(72,394)

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

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

Critical judgement: recognition of cash and cash equivalents

The nature of 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

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.

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 30 September 2023 are as follows:

- Cash and cash equivalents - clients' funds £15.8 million (31 March 2023: £12.0 million)
- Cash and cash equivalents - retailers' deposits £0.5 million (31 March 2023: £6.2 million
- Cash and cash equivalents – card and voucher deposits £102.1 million (31 March 2023: £37.7 million)
- Cash and cash equivalents - corporate cash £20.3 million (31 March 2023: £22.5 million
- Monies held in trust £83.0 million (31 March 2023: £82.0 million)

The increase in the card and voucher deposits balance since 31 March 2023 reflects the seasonality of Love2Shop's business. Its clients purchase redemption products most heavily in the peak September to December period, resulting in a higher balance at September than in March each year.

Clients' funds held in trust off the statement of financial position as at 30 September 2023 are £49.2 million (31 March 2023: £124.3 million). The 31 March 2023 amount included total one-off balances of £50m arising from the Group's participation in the Government's Energy Bills Support Scheme.

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 Handepay CGU generated a value in use (VIU) in excess of its carrying value, therefore, the CGU and its assets continue to be measured at their carrying value. Sensitivity analysis was applied to determine the impacts of reasonably possible changes in the assumptions used for the VIU calculation. A reasonable change in these assumptions could give rise to an impairment as was the case at the 31 March 2023 year-end.

The key assumptions underpinning the recoverable amounts that are most sensitive to a reasonable change, as was the case in March 2023, continue to be:

1. The average revenue growth assumption
2. Pre-tax discount rate

2. Segmental reporting

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:

<u>PayPoint</u>

- 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

<u>Love2Shop</u>

- 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, for the period ended 30 September 2023 and as at that date, is set out below. Segment profit / (loss) before tax, exceptional items and amortisation of intangible assets arising on acquisition 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.

The Group operates exclusively in the UK.

6 months ended 30 September 2023 and as at 30 September 2023	PayPoint £000	Love2Shop £000	Total £000

Revenue	**80,232**	33,756	113,988
Other revenue	**1,010**	11,503	12,513
Segment revenue	**81,242**	**45,259**	**126,501**
Segment profit / (loss) before tax and adjusting items	**23,564**	(1,786)	21,778
Exceptional items	**(558)**	-	(558)
Amortisation of intangible assets arising on acquisition	**(1,069)**	(2,969)	(4,038)
Segment profit / (loss) before tax	**21,937**	**(4,755)**	**17,182**
Interest income	**46**	417	463
Interest expense	**1,439**	2,617	4,066
Depreciation and amortisation	**5,519**	4,204	9,723
Capital expenditure	**6,240**	820	7,060
Segment assets	**241,231**	**318,728**	**559,959**
Segment liabilities	**138,570**	**310,633**	**449,203**
Segment equity	**102,661**	**8,095**	**110,756**

Year ended 31 March 2023 and as at 31 March 2023

	PayPoint £000	Love2Shop £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

3. Revenue

Disaggregation of revenue

	6 months ended 30 September 2023 £000	6 months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Shopping			
Card payments	**12,360**	12,390	24,293
Terminal lease income	**4,026**	3,467	7,542
Service fees	**9,695**	8,910	17,947
ATMs	**6,093**	6,727	12,920
Other shopping	**1,895**	1,424	3,355
Shopping total	**34,069**	32,918	66,057
e-commerce total	**14,141**	8,143	20,183
Payments and banking			
Cash – bill payments	**13,381**	16,928	34,135
Cash – top-ups	**5,811**	6,046	11,959
Digital	**8,442**	6,842	18,081
Cash through to digital	**3,776**	3,844	7,769
Other payments and banking	**612**	664	1,347
Payments and banking total	**32,022**	34,324	73,291
Love2Shop – card and voucher service fee	**33,756**	-	5,689
Total	**113,988**	75,385	165,220

Management fees, set-up fees and up-front lump sum payments of £0.5 million (September 2022: £0.3 million) are recognised on a straight-line basis over the period of the contract. Service fee revenue is recognised on a straight-line basis over the period of the contract. Card terminal leasing revenue is recognised over the expected lease term using the sum of digits method for finance leases and on a straight-line basis for operating leases. Multi-retailer voucher, card and e-code service fee revenue is recognised on redemption by the customer. The remainder of revenue is recognised at the point in time when each transaction is processed. The usual timing of payment by PayPoint customers is on fourteen-day terms. The usual timing of Love2Shop's corporate customers is fifteen-day terms; its consumer customers pay on ordering.

Revenue subject to variable consideration of £6.7 million (September 2022: £7.0 million) exists where the consideration which PayPoint is entitled to varies according to transaction volumes processed and rate per transaction. Management estimates the total transaction price using the expected value method at contract inception, which is reassessed at the end of each reporting period, by applying a blended rate per transaction to estimated transaction volumes. Any required adjustment is made against the transaction prices in the period to which it relates. The revenue is recognised at the constrained amount to the extent that it is highly probable that the inclusion will not result in a significant revenue reversal in the future, with the estimates based on projected transaction volumes and historical experience. The potential range in outcomes for revenue subject to variable consideration resulting from changes in these estimates is not material.

Seasonality of operations

Following the Group's acquisition of Love2Shop on 28 February 2023, its performance is now considered "highly seasonal" under IAS 34 Interim Financial Reporting. The Love2Shop business is heavily weighted towards the second half of the current financial year, in particular the peak September to December pre-Christmas period when revenues from card, voucher and e-code redemptions are at their highest.

The PayPoint business is far less seasonal, although its e-commerce division also generates its highest revenues in the pre-Christmas months. Bill payments transactions, which were historically higher during the winter months (H2), continue to be impacted by the shift in consumer behaviour towards making fewer, larger payments and structural changes in this market. Card payments typically generates higher value processed and revenue in the summer months (H1). Card terminal leasing revenue is relatively unaffected by seasonality.

Other revenue

	6 months ended 30 September 2023 £000	6 months ended 30 September 2022 £000	Year ended 31 March 2023 £000
PayPoint			
Interest revenue	**1,010**	-	575
Love2Shop			
Interest revenue	**3,374**	-	325
Non-redemption revenue	**8,129**	-	1,603
Love2Shop total	**11,503**	-	1,928
Total	**12,513**	-	2,503

Other revenue comprises:

Payments and banking

- Interest earned on clients' funds and retailer partners' deposits.

Love2Shop

- Multi-retailer non-redemption revenue (where the end-user has the right of refund), recognised when the product has expired and the right of refund lapsed.
- Multi-retailer non-redemption revenue (where the end-user has no right of refund), recognised on expiry.
- Interest generated by investing cash received from customers. This applies both to cash received for the Park Christmas Saver business where customers save with the Group throughout the year, and to all other pre-paid products. Funds associated with customers are included in both monies held in trust and cash and cash equivalents.

4. Alternative performance measures

Net revenue

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

	6 months ended 30 September 2023 £000	6 months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Service revenue – Shopping	**34,069**	31,286	66,057
Service revenue – e-commerce	**13,609**	8,143	16,085
Service revenue – Payments and banking	**31,425**	33,687	71,994
Service revenue – multi-retailer redemption products	**2,938**	-	1,217
Service revenue – other	**2,040**	-	128
Sale of goods – single-retailer redemption products	**28,776**	-	4,325
Sale of goods – other	**599**	637	1,316
Royalties – e-commerce	**532**	1,632	4,098
Other revenue – multi-retailer non-redemption income	**8,129**	-	1,603
Other revenue – interest on clients' funds, retailer partners' deposits and card and voucher deposits	**4,384**	-	900
Total revenue	**126,501**	75,385	167,723
less:			

Retailer partners' commissions	**(18,960)**	**(15,818)**	(34,369)
Cost of single-retailer cards and vouchers	**(27,657)**	**-**	(4,208)
Cost of SIM cards and e-money sales as principal	**(83)**	**(95)**	(199)
Net revenue from continuing operations	**79,801**	**59,472**	128,947

Total costs

Total costs, excluding adjusting items, comprises:

	6 months ended 30 September 2023 £000	Re-presented[1] 6 months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Other costs of revenue	**17,854**	10,689	25,481
Administrative expenses – excluding adjusting items	**36,566**	24,168	50,083
Finance income	**(463)**	(71)	(87)
Finance costs	**4,066**	1,088	2,718
Total costs	**58,023**	35,874	78,195

[1]Amortisation of intangible assets arising on acquisition were not identified as adjusting items in the September 2022 financial statements (see note 1).

Love2Shop billings

Billings relates solely to Love2Shop and represents the value of goods and services dispatched and invoiced to customers during the year. The reconciliation between Love2Shop's billings and total revenue is as follows, with the 31 March 2023 comparative figures representing only one month's trading after Love2Shop's acquisition by PayPoint on 28 February 2023:

	6 months ended 30 September 2023 £000	6 months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Love2Shop billings	**105,064**	-	14,807
Multi-retailer redemption products – gross to net revenue recognition	**(63,179)**	**-**	(7,515)
Other revenue – interest on card and voucher deposits	**3,374**	**-**	325
Love2Shop total revenue	**45,259**	-	7,617

5. Exceptional items

	6 months ended 30 September 2023 £000	Re-presented[1] 6 months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Legal fees - administrative expenses	**558**	-	-
Acquisition costs expensed - administrative expenses	**-**	300	4,065
Impairment loss on reclassification of investment in associate to asset held for sale	**-**	1,253	1,252
Total exceptional items included in operating profit	**558**	1,553	5,317
Refinancing costs expensed – finance costs	**-**	-	287
Total exceptional items included in profit or loss	**558**	1,553	5,604

The tax impact of the exceptional items is £0.14 million (September 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.

The current period legal fees relate to the Group's defence of 2 claims served on a number of its companies in connection with issues addressed by commitments accepted by Ofgem as a resolution of its concerns raised in Ofgem's Statement of Objections received by the Group in September 2020. The Group remains confident that it will successfully defend both claims.

The prior period acquisition costs related to the acquisition of Appreciate Group PLC on 28 February 2023.

The prior period impairment loss arose on the reclassification of the Group's interest in Snappy Shopper Ltd from an investment in associate to an asset held for sale. The Group subsequently disposed of its interest in Snappy Shopper on 14 October 2022.

The prior period refinancing costs related to the acquisition of Appreciate Group PLC.

6. Tax

	6 months ended 30 September 2023 £000	6 months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Current tax	**3,617**	3,949	7,023
Deferred tax	**759**	(18)	841
Total	**4,376**	3,931	7,864
Effective tax rate	**25.5%**	18.7%	18.5%
Tax charged directly to other comprehensive income			
Deferred tax (credit) / charge on actuarial (losses) / gains on defined benefit pension plans	**(211)**	-	86

The tax charge was £4.4 million (September 2022: £3.9 million) resulting in an effective tax rate of 25.5% (September 2022: 18.7%). This is higher than the UK statutory rate of 25% due to adjustments relating to share-based payments.

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

7. Earnings per share

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

	6 months ended 30 September 2023 £000	6 months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Net profit attributable to equity holders of the parent			
Profit after tax	**12,806**	17,045	34,710
Underlying profit after tax	**16,253**	19,400	42,244

	30 September 2023 Number of Shares Thousands	30 September 2022 Number of Shares Thousands	31 March 2023 Number of Shares Thousands
Weighted average number of ordinary shares in issue (for basic earnings per share)	**72,603**	69,051	69,281
Potential dilutive ordinary shares:			
Long-term incentive plan	**-**	59	-

Restricted share awards	**772**	605	588
Deferred annual bonus scheme	**185**	120	104
SIP and other	**60**	36	60
Weighted average number of ordinary shares in issue (for diluted earnings per share)	**73,620**	69,871	70,033

8. Share capital, share premium and merger reserve

	30 September 2023 £000	30 September 2022 £000	31 March 2023 £000
Called up, allotted and fully paid share capital			
72,672,845 (September 2022: 68,978,647) ordinary shares of 1/3p each	**242**	230	242
Total	**242**	230	242

In the current period 90,222 shares were issued (of 1/3p each) for share awards which vested in the period and 19,389 matching shares were issued (of 1/3p each) under the Employee Share Incentive Plan.

The share premium of £1.0 million (September 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 (September 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.

9. Notes to the condensed consolidated statement of cash flows

	6 months ended 30 September 2023 £000	6 months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Profit before tax from continuing operations	**17,182**	20,976	42,574
Adjustments for:			
Depreciation of property, plant and equipment	**3,354**	2,375	4,922
Amortisation of intangible assets	**6,369**	2,341	5,555
Exceptional item – non-cash impairment loss on reclassification of investment in associate to asset held for sale	**-**	1,538	1,252
Loss on disposal of fixed assets	**-**	40	1,090
Finance income	**(463)**	(71)	(987)
Finance costs	**4,066**	1,088	2,718
Share-based payment charge	**713**	556	1,330
Operating cash flows before movements in corporate working capital	**31,221**	28,843	58,454
Movement in inventories	**(5,264)**	267	737

Movement in trade and other receivables	**(6,140)**	125	(1,301)
Movement in finance lease receivables	**511**	1,495	2,366
Movement in contract assets	**(409)**	(474)	(853)
Movement in contract liabilities	**(116)**	67	(78)
Movement in payables	**(1,024)**	(787)	3,688
Movement in lease liabilities	**261**	1	(90)
Cash generated by operations	**19,040**	29,537	62,923
Movement in clients' funds, retailer partners' deposits and card and voucher deposits	**62,505**	(146)	39,259
Net cash generated by operations	**81,545**	29,391	102,182

10. Contingent liability

Further to the update provided on 28 July 2023, PayPoint can confirm that a first Case Management Conference (CMC) was held on 31 October 2023 at the Competition Appeal Tribunal relating to the claims served by Utilita Energy Limited and Utilita Services Limited ("Utilita") and Global 365 plc and Global Prepaid Solution Limited ("Global 365"). The focus of the CMC was to agree disclosure and a timetable for proceedings.

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

Given this position, the Group's preference is for a swift and expedient process, targeting a trial listing on the first available date to be agreed with all parties.

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

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. The Group's principal risks and uncertainties remain the same as those disclosed in the Strategic Report section of its Annual Report for the year ended 31 March 2023, which are as follows:

	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 growth opportunities in parts of the business. Keen pricing by competitors may further serve to narrow profit margins, as would excessive reliance on key clients or market segments	The Executive Board regularly reviews markets, competitor activity, trading opportunities and potential acquisitions and so oversees and challenges strategic direction. It also closely monitors consumer and technological trends and engages with clients, retailers and other stakeholders to improve our proposition. PayPoint continually develops products, services and systems to adapt to changes in consumer trends and technology and make strategic acquisitions where appropriate.	Risk is increasing as competition has intensified, and cost of living pressures are causing a downward push on margins. Also, the use of cash continues to decrease, which reduces our income from certain parts of the business. However, we continue to strengthen our card and digital payment businesses. Levels of global investment in our Fintech competitors slowed in the last year, which presents opportunities for PayPoint in the digital space. Finally, the recent acquisition has further diversified the Group into the gifting and rewards business.
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**	It is important we have a diversified and varied operating model, so we are not overly exposed to any	PayPoint builds and carefully manages strategic relationships with key clients, retailers,	Risk is stable; recent acquisitions have diversified our operations into the gifting ad rewards business.

	Trend = Stable Appetite = Medium	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.	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.	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 risk. Commitments made to Ofgem in 2021 regarding its Competition law concerns have been implemented	Our Legal and Compliance teams work closely with management on all legal and regulatory matters and adopt strategies to ensure PayPoint is appropriately protected and complies with regulatory requirements. The teams advise on all key contracts and legal matters and oversee regulatory compliance, monitoring and reporting. Emerging regulations are incorporated into strategic planning, and we engage with regulators to ensure our frameworks are appropriate to support new products and initiatives. The compliance team has been expanded and developed to meet the ever-changing requirements of both existing and new legislation, and external counsel is engaged where required. We respond promptly and comprehensively to all legal and regulatory enquiries.	Risk is increasing due to two key factors. Firstly, following completion of the Appreciate acquisition, additional support has been required to ensure a coherent group approach to compliance is implemented. Secondly, as referenced in Note 34, two claims have now been served on a number of companies in the Group in relation to the matters addressed by commitments made to Ofgem in 2021 in resolution of Ofgem's competition concerns. Key new regulations this year have been the PSR and Consumer Duty, which we are addressing in line with regulatory deadlines.
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**	Cyber-attacks may significantly impact service delivery and data protection causing harm to	The Executive Board assesses PayPoint's cyber security and data protection framework, and the	Risk is increasing because of the growing volume and sophistication of cyber-attacks, coupled with our

	Trend = Increasing Appetite = Low	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.	Cyber Security and IT Sub-Committee of the Audit Committee maintain oversight. Our IT security framework is comprehensive, with multiple security systems and controls deployed across the Group. We are ISO27001 and PCI DSS Level 1 certified, and systems are constantly monitored for attacks with response plans implemented and tested. Employees receive regular cyber security training, and awareness is promoted through phishing simulations and other initiatives. We have implemented simple reporting tools to assist in quick identification of potential threats. We operate a robust incident response framework to address potential and actual breaches in our estate or within our supply chain. We engage with stakeholders, including suppliers on cyber-crime and proactively manage adherence with data protection requirements.	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..
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 Appetite = Medium	Focus on environmental, social and governance matters continues to increase, and our business needs to be environmentally responsible to create shared value for all stakeholders. Climate risk is a key priority for governments and organisations globally, and PayPoint needs to play its part in reducing carbon emissions and its environmental impact. Approximately 17% of our revenue is derived from energy and fuel markets and as the UK transitions to Net-zero carbon emission economy by 2050, we need to closely monitor the impacts on our business to ensure our revenue streams remain sustainable.	The CEO and the Executive Board have overall accountability for PayPoint's climate and social responsibility agendas, and they recommend strategy to the Board. PayPoint aligns its business with reducing carbon emissions, and continually assesses its approach to environmental risk and social responsibility, which are embedded in our decision-making processes. We have multiple policies and processes governing our social responsibility strategy and we continually assess and evolve our strategy and working practices to ensure the best outcomes for stakeholders and the environment.	Our ESG working group has implemented various measures as we embed low carbon strategies into our working practices and business strategy. We will be rolling out our new PayPoint terminal, which generates lower emissions than previous models. We are moving toward electric cars for our company fleet and helping our field team to travel in more environmentally friendly ways. We run an employee forum and have implemented various measures as a result, such as cost of living support. Love2shop was named one of the UK's best places to work in April 2023.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge this set of interim financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as contained in UK-adopted IFRS and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 (indication of important events during the first half and description of principal risks and uncertainties for the remaining half of the year) and DTR 4.2.8 (disclosure of related parties' transactions and changes therein).

Nick Wiles **Chief Executive**	Rob Harding **Finance Director**

INDEPENDENT REVIEW REPORT TO PAYPOINT PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed PayPoint PLC's condensed consolidated interim financial statements (the "interim financial statements") in the Results for the half year ended 30 September 2023 of PayPoint PLC for the period from 1 April 2023 to 30 September 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 30 September 2023;
- the Condensed Consolidated Statement of Profit or Loss and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended;
- the Condensed Consolidated Statement of Cash Flows for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Results for the half year ended 30 September 2023 of Paypoint PLC have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

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

We have read the other information contained in the Results for the half year ended 30 September 2023 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Results for the half year ended 30 September 2023, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Results for the half year ended 30 September 2023 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Results for the half year ended 30 September 2023, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Results for the half year ended 30 September 2023 based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
Watford
22 November 2023