PayPoint Group
Annual Report 2022

Delivering innovative services

Making people’s lives a little easier

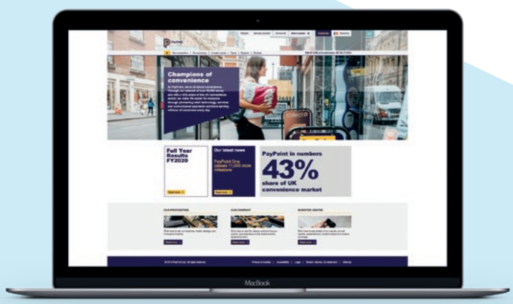
Who we are

The PayPoint Group delivers innovative services and technology connecting millions of consumers online and offline with over 60,000 retailer partner and SME locations.

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

Our purpose

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



For more information go to
corporate.paypoint.com

Contents

Financial highlights

Revenue from continuing operations
£145.1m
+13.6%
(FY21: £127.7m)[1]

Net revenue from continuing operations[2]
£115.1m
+18.5%
(FY21: £97.1m)[1]

Profit before tax
£78.5m
+180.5%
(FY21: £28.0m)[1]

Profit before tax from continuing operations (excluding exceptional items)
£45.6m
+25.0%
(FY21: £36.5m)[1]

Operating margin from continuing operations before exceptional items[3]
41.4%
+2.4ppts
(FY21: 39.0%)[1]

Cash generation[4] from continuing operations excluding exceptional items
£53.9m
+14.9%
(FY21: £46.9m)[1]

Net corporate debt[5]
£43.9m
-35.7%
(FY21: £68.2m)[1]

Ordinary dividend paid per share
33.6p
+7.7%
(FY21: 31.2p)

Ordinary reported dividend per share
35.0p
+8.7%
(FY21: 32.2p)

Diluted earnings per share from continuing operations excluding exceptional items
52.8p
+23.1%
(FY21: 42.9p)

Diluted earnings per share
100.2p
n/m
(FY21: 32.4p)[1]

1. Comparative information has been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.
2. Net revenue is an alternative performance measure. Refer to note 4 to the financial information for a reconciliation to revenue.
3. Operating margin before exceptional items % is an alternative performance measure as explained in note 1 to the Annual Report and is calculated by dividing operating profit before exceptional items from continuing operations by net revenue from continuing operations.
4. Cash generation is an alternative performance measure. Refer to the Financial Review on page 67 – cash flow and liquidity for a reconciliation from profit before tax.
5. Net corporate debt (excluding IFRS 16 liabilities) is an alternative performance measure. Refer to note 1 to the Annual Report for a reconciliation to cash and cash equivalents.

PayPoint Group at a glance

Delivering innovative services and technology

This has been another positive year for the PayPoint Group as we have built on the strategic step change delivered in FY21, opening up further growth opportunities across the business and delivering strong shareholder returns.

What we do:

We deliver innovative services and technology connecting millions of consumers with over 60,000 retailer partner and SME locations

Our divisions:

We operate across three divisions:

Shopping

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

How we do it

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

Who we work with

Read more on page 20

E-commerce

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

How we do it

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

Who we work with

Read more on page 24

Payments & Banking

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

How we do it

- Digital payments – MultiPay and CashOut
- Cash through to digital payments – eMoney
- Cash payments – bill payments and banking

Who we work with

Read more on page 28

PayPoint Group in numbers

PayPoint sites
28,254

Card payment sites
32,609

Parcel transactions
33.3m

Card payment transactions
369.3m

Retailer partner and SME locations
63,657

PayPoint Trustpilot score
4.9/5

Our approach

Our Purpose

Why we exist

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

Read more on page 06

Our values

How we bring our vision to life

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

Our Vision

What we aim to achieve

First-time delivery of outstanding technology and services to our customers

Creating a dynamic place to work for our people

Delivering positive outcomes for all our stakeholders

Our strategy

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

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

Sustain leadership in 'pay as you go' and grow digital payments

Building a delivery-focused organisation and culture

Read more on page 18

ESG

Creating long-term value for all our stakeholders

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

Read more on page 36

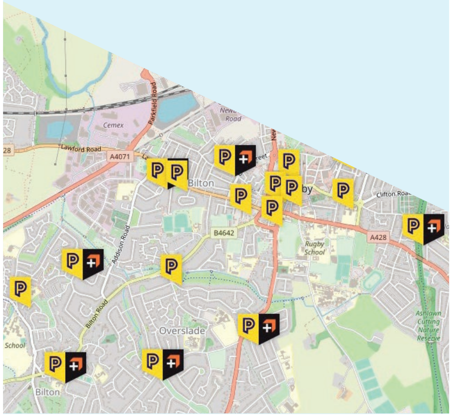
Investment case

PayPoint Group

We create innovative services and technology connecting millions of consumers with brands, retailers and SMEs.

Enlarged network and consumer reach

Our enlarged Group now delivers technology and services to an unparalleled network of over 60,000 retailer partner and SME locations across the UK, including food service, convenience retail, garages and hospitality, serving millions of consumers every day

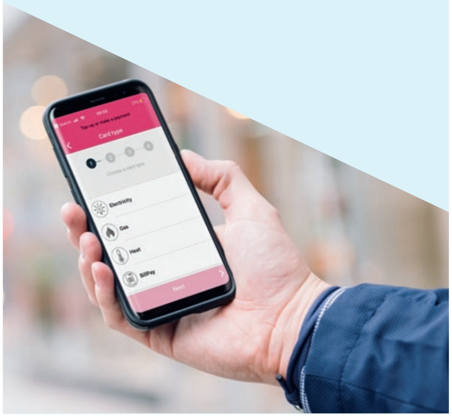


Expanded retailer and consumer proposition

Our expanded proposition helps our retailer partners and SMEs keep pace with changing shopper needs, expectations and demographics. Our retail services platform, PayPoint One, offers everything a modern convenience store needs, including EPoS, parcel services, card and bill payments, Counter Cash, Home delivery and digital vouchering

Delivered payment channel agnostic platform

We have continued our diversification to digital payments, opening up new sectors like housing and charities and helping organisations seamlessly and effectively serve their customers through all channels. Our market-leading omnichannel solution – MultiPay – is an integrated solution offering a full suite of digital payments



Excellence in e-commerce customer experience and technology

We pride ourselves on delivering innovative technology platforms across all our business divisions, whether through PayPoint One, helping our convenience retailer partners digitise their businesses, to our proprietary e-commerce software solutions delivering great consumer experiences for the biggest online brands

Growth-focused deployment of financial resources

We remain committed to maintaining our strong capital discipline and cash flow, whilst rebalancing our business mix towards growth opportunities and delivering a significantly enhanced platform with strong shareholder returns

Talented and committed team

We have a talented, diverse and committed team with years of experience gained from a wide range of industries and disciplines

Our purpose in action

Delivering on our purpose

Over the past year, the PayPoint Group has continued to deliver on its purpose of making people's lives a little easier every day, delivering innovative, sustainable services that make a real difference across the UK.

Keeping people safe **at the heart of local communities**

In Autumn 2021, we began an initial partnership with Randox Health to support them in providing Covid-19 travel test kits to customers across the UK. Randox had been experiencing logistics challenges in processing time-sensitive travel test kits, due to the Northern Ireland protocol, and were focused on improving the experience for their customers.

Through our Collect+ network, we initially rolled out a click and collect solution to 35 major shopping centres across the UK, enabling customers to order a test kit online and pick it up the same day from one of those locations. This was then extended to a further 250 smaller stores pre-Christmas as the Omicron variant was becoming dominant and customers were reluctant to visit major cities and centres.

Due to the initial success of this rollout, the business demonstrated great agility and expanded the partnership in early January 2022, to a further 2,500 Collect+ independent retail stores; this brought the click and collect service to even more consumers, all executed in the space of four weeks. In addition to this, Collect+ were able to mobilise a full stock control solution for Randox in mainland UK, including holding and replenishing test kits in stores and a comprehensive logistics solution, leveraging the strength of the existing Collect+ network.

To date, well over million travel test kits have been processed for consumers and, as government protocols and guidance have continued to evolve, we are now supporting Randox in the rollout of non-travel test kits to stores as the free testing service has ceased in the UK.

Our purpose in action continued

Helping SMEs recover post-pandemic

Handepay, our leading card payments business serving over 22,000 customers, has long been a champion of small businesses across the UK, and this has become even more important as they continue to recover from the pandemic. With a Trustpilot Excellent rating of 4.9 out of 5, we have always been committed to delivering fantastic service and value to SMEs across a wide range of sectors, including hospitality, garages, food service and retail.

In October 2021, this commitment was taken further by the launch of a new one-month rolling contract, designed to give more flexibility, control and value to customers to help them continue to grow as the economy bounced back. The contract was launched to all customers switching their card machine from another provider and was made a permanent part of our proposition after the end of a successful trial, which was all delivered just in three weeks. Since launch, over 2,300 SMEs have benefited from this new addition to our offer with all the benefits of Handepay without the long-term commitment.

In addition, the Business Finance product, offering SMEs short-term business funding to help invest in and grow their businesses, was expanded to the PayPoint retailer partner universe of over 18,000 customers in July 2021. Delivered in partnership with YouLend, an embedded business finance company, and initially launched to Handepay customers in January 2020, the product has proved invaluable to help support SMEs the expansion has seen over £8.5 million lent to businesses across the Handepay and PayPoint universes over the past year.

Digitising the customer experience in the UK Housing sector

Since the launch of our digital omnichannel payments platform, MultiPay, in 2015, PayPoint has long been helping organisations across a wide range of sectors to digitise their offering to customers, delivering significant improvements to customer journeys and realising cost savings and efficiencies for those businesses.

This success has been driven by working closely in partnership with organisations, building strong relationships, understanding their challenges and developing digital payments solutions that help solve those problems. In particular, our progress in the UK Housing sector has benefitted from this collaborative approach, securing significant wins and enhancing the experience for thousands of customers across the UK. Our first major digital contract in this sector is now live with Optivo, one of the UK's largest housing associations, providing our full suite of channel-agnostic payment solutions.

The Housing sector has long faced a number of challenges that have never been truly addressed by payments providers. Use of digital channels has been low, with poor choice and legacy infrastructure deployed, giving a disjointed experience for customers. Similarly, the back-office experience for clients has been equally poor, with no cohesion between systems and a lack of transparent data to help manage relationships in real-time. Add to that a lack of innovation and choice from payments providers in the market, and the opportunity has become clear for PayPoint to lead the market and deliver tangible innovation and benefits for clients.

MultiPay delivers a solution to all these challenges, providing a channel-agnostic payments platform that gives clients and consumers choice. It enables transactions online and through smartphone apps and text messages, as well as event payments, over the counter, over the phone and via interactive voice response (IVR) systems. It also supports a full range of Direct Debit options, including scheduling collections, as well as new product developments such as Open Banking, PayByLink, recurring payments and Event Streamer. Housing customers benefit from real-time visibility of all payments received, through one easy-to-use portal that is fully PCI compliant, and allows visibility of all payment channels – including cash.

Our recent partnership with Optus Homes, a leading app for tenants to manage their home rental account, will help strengthen our offering further, with MultiPay positioned as the native app payment solution, allowing tenants to pay their rent and manage arrears payments directly in the app, on the phone, or over the counter in 28,000 local retailers across the UK, a network bigger than all banks, supermarkets and Post Offices put together.

Chief Executive's review

Delivering a significantly enhanced platform with strong shareholder returns

This has been another positive year for the PayPoint Group as we have built on the last two years of transformation, where we have strengthened our capabilities and opened up further growth opportunities, delivering a broader range of innovative services and technology connecting millions of consumers with an expanded universe of over 60,000 retailer partner and SME locations across multiple sectors.

Nick Wiles
Chief Executive

We have delivered a strong financial performance for the year against the backdrop of uncertainty and disruption in our energy and parcels markets and a rebalancing of consumer behaviour as Covid-19 restrictions have eased. Strategically, we have enhanced the Group's capabilities further by completing the acquisition of RSM 2000 and making a strategic £6.7m investment in Snappy Group, one of the UK's leading local home delivery and click and collect operators. RSM 2000 enhances our digital payments capability, adding innovative mobile payment products and enabling reach into new and existing sectors, including charities, housing, not-for-profit organisations, events and SMEs in the UK. Our investment in Snappy Group builds on our previously announced commercial partnership, enabling the Group and its retailer partners to respond to consumer demand for rapid, local home delivery and remain at the forefront of retail and consumer trends. The acquisitions of Handepay/Merchant Rentals and i-movo in the last financial year are now fully integrated and have made important contributions to our performance and growth this year. As previously reported, we disposed of our Romanian business on 8 April 2021 with proceeds of £48 million, and at a £30 million profit.

The volume of new initiatives delivered across the Group has underlined the need for strong execution and leadership to leverage these opportunities, particularly where we are establishing operations for the first time. We have been relentlessly focused on operational excellence and the rapid delivery of our strategic priorities: embedding PayPoint at the heart of SME and convenience retail businesses; becoming the definitive technology-based e-commerce delivery platform for first and last mile customer journeys; sustaining leadership in 'pay-as-you-go' and growing digital bill payments; building a delivery focused organisation and culture. Our retailer partner proposition has been enhanced further to help respond to consumer trends and drive revenue opportunities in a challenging cost environment: our new Counter Cash solution is now live in 2,624 sites, providing vital access to cash in communities across the UK; the home delivery partnership with Snappy Shopper continues to grow with 269 sites live and positive sales growth; and we've continued to improve our engagement with retailers and key trade associations to work in partnership to make the most of the new opportunities.

We've also diversified our digital payments client base further with 18 schemes live in the year, are developing new opportunities in Open Banking and have secured our first major housing client with Optivo, a leading UK housing association, for our complete digital payments solution. This success has been driven by our focused sector approach to building strong client relationships, developing a deep understanding of their challenges and helping to solve problems for them and their customers. We continue to provide vital support to local authorities in disbursing cash to consumers, with our Cash Out service and the new Payment Exception Service for the Department for Work and Pensions (DWP) launched successfully and has exceeded our expectations, as consumers migrate away from Post Office Card Accounts. Furthermore, we enhanced our e-commerce offering further with an expansion of our partnership with Randox, providing vital Covid-19 testing services throughout our Collect+ and multiple retailer network, as well as launching new services for our existing carrier partners and providing industry leadership for driving further innovation and prominence for the out of home delivery market.

Many of these new services launched in the year have underlined the need to grow further consumer awareness for our expanded propositions, whether leveraging our own channels or partnering with clients and carriers on marketing programmes, such as the promising in-store merchandising our digital voucher category, working with brands like Amazon, Paysafe, PlayStation and Love2Shop. Equally, we remain focused on ensuring that we continue to deliver an excellent service for our consumers, reflected in our high customer satisfaction score of 89%[1], and continue to support them through the current energy crisis and economic challenges. This has been backed up by our extensive efforts to strengthen our retailer partner relationships and drive adoption of these new opportunities to earn, including regular 'cash and carry' days, more direct communications and our reinvigorated relationships with the key trade associations, including the Association of Convenience Stores (ACS), the Scottish Grocers' Federation (SGF) and the National Federation of Retail Newsagents (NFRN). The feedback and support received from these organisations has been critical to our continued commitment to support our retailer partners in delivering vital community service across the UK and responding to changing consumer needs in the UK convenience sector.

Like many businesses, we are navigating more challenges from a cost perspective due to inflation, particularly in our supplier base and the increased salary pressures experienced in recruiting and retaining talent that we referenced at the half year. We are also mindful of the impact of these pressures on the consumers, clients and retailers that we serve and have sought to take action where we can to support them, including our decision to absorb 50% of the annual RPI service fee increase for our retailer partners in April 2022. We have put in place strong mitigation plans to address these challenges.

The Executive Board has also been strengthened in key areas this year to drive growth and accelerate the pace of delivery further. Anna Holness, joined the business as Sales Director in January 2022, after three years as VP, Sales, Merchant International Solutions at Worldpay. In addition, four internal promotions were made to the Executive Board in January 2022 to recognise their critical roles in delivering our growth agenda: Jo Toolan, Head of Client Management; Jay Payne, IT Service and Operations Director; Chris Paul, Head of Corporate Finance; and Steve O'Neill, Corporate Affairs and Marketing Director.

Our Environment, Social and Governance (ESG) approach has also developed further in the year, as we consider our social responsibility and impact as a management team and business towards each of these key areas. A core ESG Working Group was formed at the beginning of the financial year to review policies and approaches across the Group, analyse cross-industry best practice, seek feedback from external stakeholders and investors, and recommend workstreams and targets for the business to prioritise. This builds on the work done last year to refresh our purpose, vision and values and now reflects the expanded universe we now inhabit as well as reinforcing the vital role that our services and partners play in communities across the UK.

On 23 November 2021, Ofgem, the energy regulator, published a 'Notice of Decision to Accept Binding Commitments', regarding commitments proposed by PayPoint to Ofgem to address the concerns raised in Ofgem's Statement of Objections received on 29 September 2020. Ofgem accepted those commitments as a resolution of its concerns. PayPoint has been implementing the commitments in a timetable agreed with Ofgem.

Outlook and dividend

The transformation of the business is gathering pace, reflecting a rebalancing towards growth opportunities and delivering improving returns to our shareholders. We continue to demonstrate agility and drive to respond quickly to changing consumer demands and new opportunities in our markets. As a result, we remain well-placed to support our partners in response to the wider trends that have accelerated through the pandemic, including the continued shift from cash to digital payments, the growing demand for online shopping fulfilment and the increase in shopping local.

The Board has proposed a final dividend of 18.0p per share, an increase of 8.4%, consistent with our dividend policy of a target cover range of 1.2 to 1.5 times earnings from continuing operations excluding exceptional items, which reflects our long-term confidence in the business, the strength of our underlying cash flow, the mitigation plans in place for inflationary pressures and the enhanced growth prospects from the steps we have taken in the past year.

The Board remains confident in the delivery of further progress in FY23 and meeting expectations.

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

Year in review

A positive year for the PayPoint Group

Building on the last two years of transformation

We have strengthened our capabilities and opened up further growth opportunities, delivering a broader range of innovative services and technology connecting millions of consumers with an expanded universe of over 60,000 retailer partner and SME locations.

2021

April

Acquired RSM 2000

Significantly enhancing digital payments capability and diversifying sector reach

Disposal of Romanian business

Completed on 8 April 2021, with proceeds of £48 million, and at a £30 million profit

May

Snappy Shopper home delivery partnership launched

Enabling retailer partners to offer customers a convenient home delivery and click and collect option

June

Love2Shop e-gift vouchers launched

Helping customers shop with high street and online brands, including Argos, Halfords, Marks & Spencer, ASOS, Costa and Uber Eats

MyStore+ retailer rewards app launched

Delivering rewards and incentives to retailer partners

July

£6.6m investment in Snappy Group

Enables PayPoint and network of convenience retailer partners to remain at the forefront of retail and consumer trends

Scottish Grocers Federation partnership announced

Focused on supporting convenience retailer partners in Scotland, with PayPoint joining as a corporate member

September

Payment Exception Service launched for Department for Work and Pensions via i-movo

Digitising benefit payments and making it quicker, simpler and more convenient for customers to collect their payments at over 28,000 PayPoint locations and 11,000 Post Offices

Digital voucher brands partner with PayPoint to offer greater convenience to local shoppers

Successful in-store display trial, partnering with major brands to drive greater consumer awareness of cash through to digital category

October

Counter Cash service launched across UK

Innovative service providing vital access to cash and balance enquiries over the counter

PayPoint partnership with YouLend launched to offer retailer partners fast and flexible funding options

Designed to free up funds and allow retailers to pay back their finance as they earn from card sales, enabling them to focus on growth, buy stock or simply assist with cash flow

November

Tyne Tunnel payments service launched in North East

Payments can be made up to midnight on the day after someone uses the tunnel, paying in cash or card at one of the 28,000 PayPoint retailers

2022

December

Counter Cash service hits 1,000 store milestone

PayPoint was the first of LINK's Members to provide the service with over £630,000 taken out using the channel so far

Local authorities embrace PayPoint's 'Cash Out' for support fund payments

Liverpool and Warwickshire join over 96 local authorities and housing associations distributing funds to customers real-time via email, letter or SMS to obtain a cash payment at any of its retailer outlets

Collect+ delivers best ever Christmas and sector leadership

In November and December 2021, overall parcel volumes were up 11.3% vs 2020, with over 6.5 million packages handled through the extensive Collect+ network of over 10,000 stores

First multi-carrier innovation, trends and future opportunities workshop held in January 2022 to review best practice and performance from the successful peak 2021 period and agree initiatives to drive further excellence

January 2022

Randox Covid-19 testing partnership expanded

Click and collect service rolled out to over 2,000 stores to help keep people safe in communities across the UK

Retailer winter promotion launched

Eligible new retailer partners signing up to PayPoint One entitled to claim three months' service fee refund

February

Counter Cash service reaches 2,000 store milestone

The 'Cashback Without Purchase' service provides a valuable new way to access cash on the high street, allowing consumers to withdraw cash in convenience stores without the need to buy anything or pay a fee

Cash Out service supports local authorities in distributing over £166m since April 2020

Issued under a range of government campaigns, including the Free School Meals and Winter Hardship schemes, the vouchers were distributed by local authorities across the UK and redeemed by consumers throughout PayPoint's nationwide network of 28,000 stores

March

Optus Homes investment of £750k announced

Strengthens MultiPay proposition for the housing sector, as the Optus Homes' native app payment solution, allowing tenants to pay their rent and manage arrears payments directly in the app, on the phone, or over the counter in 28,000 local retailers across the UK, a network bigger than all banks, supermarkets and Post Offices put together

Market overview

Our markets

Changing market dynamics are creating significant opportunities for the enlarged PayPoint Group, with the business uniquely placed to take advantage of the continued shift from cash to digital payments, the growing demand for online shopping fulfilment and the increase in shopping local.

We equally remain committed to supporting our clients, retailer partners and consumers, helping them solve problems arising from the current macro economic challenges.

Key trends and changes since the end of the FY21 financial year in the UK markets in which PayPoint operates include:

Macro economic factors

- The Consumer Prices Index (CPI)[1] grew to 7.8% in April 2022, driven by increased transport and energy costs
- The GfK UK Consumer Confidence Index[2] fell to -38 in April 2022 (vs -15 in April 2021), with the cost of living crisis hitting UK consumers and the headline confidence score dropping to a near historic low, not seen since the 2008 financial crash and the first few months of the pandemic in 2020
- UK retail sales fell by 1.4% in March 2022, with the proportion of retail sales online falling to 26.0%, continuing a broad downward trend since its peak in February 2021 (37.1%)
- The Lumina CTP Price Index[3], tracking shopper price sensitivity, has grown by 5.4% since last year, indicating consumers have already become more price-led, seeking out budget options and reducing spend
- A recent study from Which?[4] has shown that the rising cost of living could mean more people who do not usually use cash turning to it to manage their finances. A fifth (20%) of non-regular cash users said they would start using cash if the cost of living gets worse, with over a third (34%) of respondents whose annual income was lower than £20,000 finding cash easier to budget with, on its own or alongside other payment methods. Around 15 million regular cash users say it helps them to keep track of their spending, underlining its importance for those on tight budgets

Convenience retail

- The UK convenience market grew to £43.2 billion[5] in 2021 as the pandemic-induced boost to market value was retained
- PayPoint One basket data shows overall convenience store average basket spend in the year has reduced year on year to £8.89 (FY21: £9.86) vs the highs seen during the Covid-19 affected prior year. However, average basket spend has now grown by 9.6% over the past two years (FY20: £8.11), driven by cost inflation and reinforcing continuing consumer demand to shop local after government restrictions have been lifted[6]
- Total UK convenience store numbers remained resilient, with marginal growth of 0.2% to 47,079[7]
- The sector continues to see consolidation, most recently with Morrison's buying the McColl's Retail Group being put into administration in May 2022, maintaining over 1,000 stores across the UK
- Local home delivery and click and collect from convenience stores has grown rapidly over the past year, driven by the pandemic. Currently, circa 5% of total convenience purchases are driven through these methods and they attract a younger, more affluent consumer, with basket spend being +128% higher than in-store shoppers[8]

Card payments

- Growth has again been driven by the shift from cash to card payments accelerated by Covid-19
- Forecast growth in UK debit card market by 2027 to 19.7 billion payments[9]
- In the financial year, card payment volumes increased by 3.5% year on year in the PayPoint business, against strong volumes in FY21 due to Covid-19
- Latest UK Finance data shows a 44.1% increase in debit card transactions (January 2022 vs January 2021) with 66.8% of transactions now contactless (vs 56.9% in January 2021) driven by the increase in the contactless limit to £100 in October 2021
- In the SME markets that our Handepay business serves, businesses employing 0-49 people, account for 99.2% (5.5 million) of the total UK business population, with 75% (4.2 million) having no employees and a further 20% (1.1 million) classed as micro-businesses with 0-9 employees[10]. Retail, auto trade and hospitality businesses make up circa 14% of the SME sector[11]

Cash Out

- Despite the shift from cash usage during Covid-19, PayPoint's Cash Out service has grown significantly year on year, driven by ongoing government meal voucher schemes and Covid-19 related hardship funds. In addition, the launch of the Payment Exception Service, run for the Department for Work and Pensions via our i-movo business, has further underlined the continuing importance of delivering cash payments to those without access to a standard bank account and replaces the Post Office Card Account, which is coming to an end
- Latest data from February 2022 showed LINK's ATM transactions were 19% higher (117 million transactions) than 2021 during lockdowns, but 36% down on 2020, which was just before the start of the pandemic. The number of ATMs in the UK reduced by 1.1% year on year to 52,613
- Access to cash remains a key priority in the UK. The Financial Conduct Authority and Payment Systems Regulator are taking a joint approach to maintaining services for the many people who continue to rely on cash as a vital way of making payments. The Access To Cash Action Group, chaired by Natalie Ceeney, has been working on Community Access To Cash pilots, including PayPoint's Counter Cash service, which launched in November 2021 offering cashback without purchase and balance enquiries over the counter

Parcels

- Online retail sales in 2021 were down 5.6% year on year, according to IMRG's Online Retail Performance Report 2021[12], vs 2020 which was positively impacted by Covid-19.
- IMRG data shows that click and collect share of the delivery market in November 2021 to January 2022 dropped year on year to 18% (vs 20% in the same period last year), but still lower than the high of 35% seen in 2019
- This contrasts with the strong performance seen in the Collect+ network in FY22 as transactions were +25.2% vs the prior year, outperforming the overall online retail sales market and driven by a resurgence in the clothing and footwear categories, which performed poorly in 2020, and the strength and breadth of carrier relationships and categories handled across the network of over 10,000 locations
- Metapack data[13] shows that 87% of UK consumers have shopped more online during the pandemic, with 71% having returned a product. Delivery preference is key in the e-commerce journey, with 56% considering it the most important factor when shopping online. Home delivery is still the preferred channel for 82% of consumers, with PUDO at 8% and lockers at 2%
- The Out of Home (OOH) market comprises click and collect, returns and send propositions. The click and collect market is 11% of all volumes with 150 million parcels per year and is expected to double by 2025[14]. Returns and send volumes are estimated at c.185 million and c.380 million parcels per year respectively[15]

Bill payments and top-ups

- The dislocation of the energy market heightened in September 2021, with operator insolvencies and pressure from rising wholesale prices. A well-established Ofgem process to support and transfer customers to new suppliers was invoked with minimal impact and risk to our business and client base. PayPoint's focus through the period has been on increased client engagement and leveraging the strength and stability of our network to provide an uninterrupted service to consumers
- The price cap for pre-pay customers increased to £1,309[16] for the six months to March 2022, which was 13% higher than the cap of £1,156 in the six months from April 2021 to September 2021. From 1 April 2022, the price cap increased by a further 54% to £2,017 for the six months to September 2022
- Non-Big Six energy providers combined market share increased marginally to 29.6%[17] at the end of January 2022 (29% as of 31 March 2021)
- The rollout of smart meters has regained pace following the impact of Covid-19 in 2020. 4.5m meters were installed in 2021[18] versus 3.2m in 2020. The deadline for completion of the rollout has now been extended to 30 June 2025
- PayPoint data shows average transaction values for dual-fuel had grown to £15.66 in March 2022, from £14.10 in the previous year, affecting frequency of visits and transaction volumes
- The number of mobile subscribers declined to 21.5 million subscribers in April 2022, from 22.2 million in April 2021

1. https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/april2022
2. https://www.gfk.com/en-gb/press/uk-consumer-confidence-in-freefall-as-index-crashes-in-april-to-36
3. Lumina Intelligence Convenience Strategy Forum March 2022
4. Macro economic factors'. https://press.which.co.uk/whichpressreleases/cash-a-lifeline-for-keeping-track-of-spending-for-15-million-people-amid-cost-of-living-crisis-which-research-reveals/
5. Lumina Intelligence Convenience Market Report July 2021
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Our business model

How we deliver innovative services

What makes our model work

Unparalleled network of retailer partners and SMEs

- the enlarged PayPoint Group now delivers technology and services to a universe of over 60,000 SME and retailer partner locations across multiple sectors, including food services, convenience retail, garages and hospitality

A diverse range of clients and brands

- our Shopping division serves the best SMEs and retailers in the UK, delivering digital solutions and essential services from large retailers, like Asda, The Co-operative Group and EG Group, to the best independent store owners across the country
- our E-commerce division enables the delivery of best-in-class customer journeys for e-commerce brands over the first and last mile, including Amazon, eBay, Yodel, FedEx, DPD, DHL, HubBox, Randox and Parcel2Go
- our Payments & Banking division delivers digital payment solutions to clients across diverse sectors, including energy, housing, local authorities and a growing portfolio of digital brands such as Amazon, PlayStation, Xbox and Love2Shop

Cutting-edge technology

- we pride ourselves on delivering innovative technology and services across all our business divisions, whether through PayPoint One, helping our convenience retailer partners run their businesses more efficiently, or our proprietary e-commerce software solutions that have a singular focus on the delivery of great consumer experiences and confidence in the crucial first and last mile of parcel journeys

Talented and committed people

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

How we create value

Our three business divisions driving growth in the UK:

Shopping

Read more on page 20

E-commerce

Read more on page 24

Payments & Banking

Read more on page 28

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

Connecting millions of consumers with over 60,000 retailer partner and SME locations:

Creating a better in-store experience

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

Delivering great customer journeys

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

Delivering a channel-agnostic payment platform

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

The value we create

Consumers

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

Transactions per year

645.6m

Retailers and SMEs

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

Retailer and SME locations

63,657

Employees

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

No. of employees

670

Investors

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

Dividends paid per share

33.6p

Local communities

We provide essential services to hundreds of communities across the UK, at over 28,000 locations, with 99.2% of the population living within one mile of a PayPoint location in urban areas

Population within one mile

99.2%

Our strategy

Our strategic framework

Strategic priorities	FY22 progress
Shopping Division **1. Embed PayPoint Group at the heart of SME and convenience retail businesses**	• Counter Cash live in 2,624 sites, offering vital access to cash over the counter and complementing existing ATM estate • SME proposition enhanced, including Handepay one-month rolling contract launched successfully to over 2,300 SMEs, business finance via YouLend with over £8.5m lent across PayPoint and Handepay, and new technology developed • Snappy Shopper live in 269 sites, helping retailer partners offer local home delivery and click and collect • Strong sales team delivery across PayPoint and Handepay, with over 6,900 installs across both businesses, increased engagement, visits, training and support for retailers and SMEs and uniting under new Sales Director
E-commerce Division **2. Become the definitive technology-based e-commerce delivery platform for first and last mile customer journeys**	• Parcel transaction growth of +25.2% year on year vs FY21, driven by best ever peak Christmas performance, strong Q4 with transactions +38.8% year on year driven by a resurgence in the clothing and footwear categories and continued improvements to the consumer in-store experience, particularly through our investment in 'print in store' technology • New partnership launched with Randox, enabling consumers to order tests online for click-and-collect at over 2,000 Collect+ sites • Expanding services to existing clients with DHL in-store returns and Amazon returns, enabled by further Zebra label printer rollout • First multi-carrier innovation, trends and future opportunities workshop held in January 2022 to review best practice and performance from the successful peak 2021 period and agree initiatives to drive further excellence
Payments & Banking Division **3. Sustain leadership in 'pay-as-you-go' and grow digital payments**	• Continued diversification from cash to digital with 28 new client services now live, 19 coming from non-energy sectors and 18 taking digital payments solutions, supported by development of additional capabilities, including Open Banking and new Direct Debit platform • New Payment Exception Service launched via i-movo for DWP, contributing £1.6m of net revenue • First major digital contract now live with Optivo, one of the UK's largest housing associations • Acquisition of RSM 2000 completed on 12 April 2021 – positive contribution of £1.1m net revenue with charity and housing sector action plan underway to expand digital payments services to new and existing clients
PayPoint Group **4. Building a delivery focused organisation and culture**	• Anna Holness joined the Executive Board as Sales Director in January 2022, leading the retail and card services sales teams across PayPoint and Handepay • Four internal promotions made to the Executive Board in January 2022, recognising their critical roles in delivering our growth agenda: Jo Toolan, Head of Client Management; Jay Payne, IT Service and Operations Director; Chris Paul, Head of Corporate Finance; and Steve O'Neill, Corporate Affairs and Marketing Director • Integration work now complete for acquisitions of Handepay/Merchant Rentals, RSM 2000 and i-movo • Further development of our ESG approach, with core ESG Working Group formed to analyse cross-industry best practice, seek feedback from external stakeholders and investors, and recommend workstreams and targets for the business to prioritise

Link to principal risks

1. Competition and Markets
2. Emerging Technology
3. Transformation
4. Operating Model
5. Legal and Regulator
6. People
7. Cyber Security
8. Business Interruption
9. Credit and Operational
10. Operational Delivery

FY23 priorities	KPIs	Risks
• Bring all new card payments business across PayPoint retail and Handepay under a single acquiring service provider • Expand Counter Cash service across UK retail network • Build on our reinvigorated retailer engagement programme to drive further consumer and retailer awareness and adoption of new services • Grow SME and retailer partner lending proposition, developing new commercial partnerships and building on success of YouLend • Deliver further enhancements to our retailer proposition, including refreshed third-party EPoS strategy • Deliver broader SME proposition across Handepay customer base via rollout of new Android terminal	**PayPoint One sites** **18,120** (FY21: 17,462) **Card payment transactions** **369.3m** (FY21: 225.0m – two months only of Handepay/Merchant Rentals)	1, 4, 10
• Deliver Universal Returns proposition for carrier partners to all Collect+ locations • Expand successful 'in-flight divert' service to more carriers, where parcels are automatically diverted to the nearest pick up point after initial unsuccessful delivery attempt at home • Explore additional opportunities to expand carrier proposition, including trial of parcel lockers • Continue to drive leadership for in-store technology and consumer experience within the sector, supporting carrier partners with data, insights and opportunities to expand their customer offering	**Parcel transactions** **33.3m** (FY21: 26.6m) **Parcel net revenue** **£4.9m** (FY21: £3.6m)	1, 2, 3, 10
• Create payment channel-agnostic platform, including Open Banking, Direct Debit, card processing and real-time cash, creating a strong set of capabilities for each target vertical, particularly housing and charities • Continue to invest in new verticals and deliver new business wins, particularly within the housing, newspaper, charity and not-for-profit sectors • Reinforce PayPoint's position as the leader for 'cash out' services for local authorities and housing associations, supporting them in digitally disbursing vital funds to customers in cash • Grow cash through to digital category further, partnering with major brands to drive greater consumer awareness	**Digital transactions** **34.2m** (FY21: 27.2m) **Digital transaction value** **£756.6m** (FY21: £545.7m)	1, 2, 3, 10
• Deliver further growth opportunities and synergies from our acquisitions over the past two years • Embed our ESG approach across the business to deliver responsible and sustainable value for shareholders • Expand our 'Welcoming Everyone' programme to build on our commitments to diversity, equity and inclusion and support our vision to create a dynamic place to work • Invest to build further resilience into our service delivery, including improving quality and speed of agile delivery, reviewing 'heritage' systems and settlement infrastructure and enhancing customer support and collaboration	**Employee engagement – collaboration score** **70** (FY21: 62)	6, 10

Divisional review

Shopping

Priority 1: Embed the PayPoint Group at the heart of SME and convenience retail businesses

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

Retail services – we help our retailer and SME partners keep pace with changing shopper needs, service expectations and demographics. Our retail services platform, PayPoint One, is live in over 18,120 stores across the UK and offers everything a modern convenience store needs, including EPoS, parcel services, card and bill payments, home delivery and digital vouchering. This empowers our retailer partners to grow their businesses profitably, achieving higher footfall and increased spend. We also provide access to cash solutions via our network of 3,686 ATMs and our pioneering Counter Cash service, offering cashback without purchase and balance enquiries over the counter, is now live in 2,624 sites.

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

FY22 Progress

- Counter Cash live in 2,624 sites, offering vital access to cash over the counter and complementing existing ATM estate
- SME proposition enhanced, including Handepay one-month rolling contract launched successfully to over 2,300 SMEs, business finance via YouLend with over £8.5m lent across PayPoint and Handepay, and new technology developed
- Snappy Shopper live in 269 sites, helping retailer partners offer local home delivery and click and collect
- Strong sales team delivery across PayPoint and Handepay, with over 6,900 installs across both businesses, increased engagement, visits, training and support for retailers and SMEs and coming together under new Sales Director

FY23 Priorities

- Bring all new card payments business across PayPoint retail and Handepay under a single acquiring service provider
- Expand Counter Cash service across UK retail network
- Build on our reinvigorated retailer engagement programme to drive further consumer and retailer awareness and adoption of new services
- Grow SME and retailer partner lending proposition, developing new commercial partnerships and building on success of YouLend
- Deliver further enhancements to our retailer proposition, including refreshed third-party EPoS strategy
- Deliver broader SME proposition across Handepay customer base via rollout of new Android terminal

PayPoint One Sites

18,120

The transformation of the PayPoint Group over the last two years has driven new growth opportunities

Given Covid-19 disrupted FY21, we have provided comparisons below with FY20 to demonstrate this shift across the Group.

	FY20		FY22
Net revenue	£35.4m	+66.3%	£58.7m
Percentage of Group	33.1%		51.0%

Key drivers

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

How we deliver

Retail Service

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

Card payments

- PayPoint & Handepay/ Merchant Rentals & RSM 2000

Sub-division Performance

Retail Service

	FY20		FY22
Net revenue	£26.6m	+6.4%	£28.3m
Percentage of Group	24.9%		24.6%

Cards

	FY20		FY22
Net revenue	£8.7m	+249.4%	£30.4m
Percentage of Group	8.2%		26.4%

Divisional review continued

Shopping

Enhancing the retailer proposition & consumer experience

Q&A with Anna Holness

Sales Director

What have your impressions been of the business since you joined in January?
The breadth and scale of what we do is enormous, playing a vital role in the lives of our consumers, retailer partners and clients every day. There is a great responsibility that comes with what we do and I've been impressed by how dedicated and focused the whole business is to delivering for communities across the UK as well as putting our retailer partners at the heart of what we do.

What opportunities are you most excited about for your retailer partners?
We have done a lot of work to enhance our retailer proposition over the past two years, bringing more opportunities to earn and helping them support the communities they serve through the sheer diversity of what we offer. There are many challenges in convenience retail and the broader economy that our retailer partners are facing right now and we're committed to working together with them to help solve the problems that they and their customers are facing.

A great example is our Counter Cash service – as well as providing vital Access to Cash at the heart of communities across the UK, the rollout has allowed us to spend more valuable time engaging our retailer partners, understanding their challenges and seeing how we can leverage the full range of opportunities we can offer to help them.

What's the one big future opportunity that you're working on?
Segmenting and profiling our retailers will be key to better targeting our propositions, how we serve them and set them up for success. The PayPoint Group universe is no longer a 'one size fits all' solution so it's important that we continue to listen to what they and their customers need and our retailer partner network. What's right for an urban store in central London will be different to what works in a rural store in Wales, and we're focused on maximising the opportunity for them and for us so that we continue to offer vital services to millions of consumers every day.

Divisional review continued

E-commerce

Priority 2: Become the definitive technology-based e-commerce delivery platform for first and last mile customer journeys

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

We deliver all of this in over 10,000 locations through our Collect+ brand, helping consumers pick up and drop off online shopping or send parcels across the UK. We work with a comprehensive range of partners, including Amazon, eBay, Yodel, Fedex, DPD, DHL, HubBox, Parcels2Go and Randox. Our proprietary PUDO software solutions are built in-house, with a singular focus on the delivery of great consumer experiences and confidence in the crucial first and last mile of parcel journeys. These solutions are easily deployable in thousands of diverse locations across multiple sectors through the PayPoint Group. Our unique blend of in-depth parcel operations experience, consumer interaction and agile IT development capability has been built over years of delivering best-in-class customer experiences.

FY22 Progress

- Parcel transaction growth of +25.2% year on year vs FY21, driven by best ever Peak Christmas performance, strong Q4 with transactions +38.8% year on year driven by a resurgence in the clothing and footwear categories and continued improvements to the consumer in-store experience, particularly through our investment in 'print in store' technology
- New partnership launched with Randox, enabling consumers to order tests online for click-and-collect at over 2,000 Collect+ sites
- Expanding services to existing clients with DHL in-store returns and Amazon returns, enabled by further Zebra label printer rollout
- First multi-carrier innovation, trends and future opportunities workshop held in January 2022 to review best practice and performance from the successful peak 2021 period and agree initiatives to drive further excellence

FY23 Priorities

- Deliver Universal Returns proposition for carrier partners to all Collect+ locations
- Expand successful 'in-flight divert' service to more carriers, where parcels are automatically diverted to the nearest pick-up point after initial unsuccessful delivery attempt at home
- Explore additional opportunities to expand carrier proposition, including trial of parcel lockers
- Continue to drive leadership for in-store technology and consumer experience within the sector, supporting carrier partners with data, insights and opportunities to expand their customer offering

Parcel transactions

33.3m

Parcel net revenue

£4.9m

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

FY20		FY22
Net revenue £4.1m	+19.5%	**Net revenue** £4.9m
Percentage of Group 3.8%		**Percentage of Group** 4.3%

Key drivers

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

How we deliver

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

Our partners

amazon, ebay, RANDOX HEALTH, dpd, YODEL, Parcel2GO.com, DHL, FedEx, HubBox

Divisional review continued

E-commerce

Providing best-in-class e-commerce journeys

Q&A with David Wild and Richard Gill

Retail Distribution Manager

Parcels Key Account Manager

What was the key to the success of the Randox Covid-19 travel test kit rollout?
The big factor here was the speed and agility demonstrated by the whole business to mobilise and solve a client and consumer problem in the space of three weeks. Given the constant changes in government guidance, this was a time-limited opportunity which needed a will and determination to make it happen, particularly in establishing third party logistics operations for the first time and supporting our retailer partners in delivering a new service for Randox and their customers.

It was also a fantastic example of leveraging the strength of our network and the flexibility of our technology platform to help solve a logistics and customer experience problem for our client and to ultimately help keep people safe in communities across the UK.

What impact do you think the service had on customers around the country?
This was all about making it easier and more convenient to access travel test kits, by enabling people to order a Randox test online for click and collect at a local store within the Collect+ network. With well over million travel test kits processed to date for consumers, it's clear that this was a vital additional service enabling them to access low-cost Covid-19 travel tests on their doorstep.

What's the reaction been from Randox?
The reaction from the Randox team has been very positive – we've worked very closely with them to improve their customer experience, solve logistics challenges and deliver cost savings and efficiencies for their operations. The relationship we've built is strong and, as government protocols and guidance have continued to evolve, we are now supporting Randox in the rollout of non-travel test kits to stores as the free testing service has been ceased in the UK.

Divisional review continued

Payments & Banking

Priority 3: Sustain leadership in ‘pay-as-you-go’ and grow digital payments

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

Digital – we have continued our diversification to digital payments, helping organisations seamlessly and effectively serve their customers. Our market-leading omnichannel solution – MultiPay – is an integrated solution offering a full suite of digital payments. It enables transactions online and through smartphone apps and text messages, as well as event payments, over the counter, over the phone and via interactive voice response (IVR) systems. It also supports a full range of Direct Debit options, including scheduling collections, as well as new product developments such as Open Banking and PayByLink. MultiPay customers benefit from real-time visibility of all payments received, through one easy-to-use portal that is fully PCI compliant, and allows visibility of all payment channels – including cash. The platform is used by a growing number of organisations across the UK, including many housing associations, local government authorities and utility providers. Our Cash Out service also enables the rapid dispersal of funds through secure digital channels and is actively used by local authorities and charities to distribute emergency funds. In August 2021, we launched the new Payment Exception Service via i-movo for the Department of Work and Pensions, digitising benefit payments and replacing the Post Office Card Account which is closing.

Cash through to digital – we enable consumers to access digital brands and services through a comprehensive portfolio of gifting, e-banking and gaming partners, including Amazon, Xbox, PlayStation, Paysafe, Monzo and the Appreciate Group. Consumers simply pay for a ‘pin on receipt’ code in cash in any of our 28,254 retail locations and then can use that value online with the digital brand or service chosen. For our challenger bank partners, consumers can deposit cash into their accounts across our extensive retail network.

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

FY22 Progress

- Continued diversification from cash to digital with 28 new client services now live, 19 coming from non-energy sectors and 18 taking digital payments solutions, supported by the development of additional capabilities, including Open Banking and new Direct Debit platform
- New Payment Exception Service launched via i-movo for DWP, contributing £1.6m of net revenue
- First major digital contract now live with Optivo, one of the UK’s largest housing associations
- Acquisition of RSM 2000 completed on 12 April 2021 – a positive contribution of £1.1m net revenue with a charity and housing sector action plan underway to expand digital payments services to new and existing clients

FY23 Priorities

- Create payment channel-agnostic platform, including Open Banking, Direct Debit, card processing and real-time cash, creating a strong set of capabilities for each target vertical, particularly housing and charities
- Continue to invest in new verticals and deliver new business wins, particularly within the housing, newspaper, charity and not-for-profit sectors
- Reinforce PayPoint’s position as the leader for ‘cash out’ services for local authorities and housing associations, supporting them in digitally disbursing vital funds to customers in cash
- Grow cash through to digital category further, partnering with major brands to drive greater consumer awareness

Digital transactions

34.2m

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

Key drivers

- Built payment channel agnostic platform, supporting diversification to digital
- Investment in capabilities to secure business in new sectors, including government, newspapers, housing and charities
- Accelerated decline of cash in legacy business

Sub-division performance

Digital

	FY20	Change	FY22
Net revenue	£5.5m	+41.8%	£7.8m
Percentage of Group	5.1%		6.8%

	FY20	Change	FY22
Net revenue	£67.4m	-23.6%	£51.5m
Percentage of Group	63.1%		44.7%

Sub-division performance

Cash through to digital

	FY20	Change	FY22
Net revenue	£6.9m	+18.8%	£8.2m
Percentage of Group	6.5%		7.1%

Cash

	FY20	Change	FY22
Net revenue	£55.0m	-35.5%	£35.5m
Percentage of Group	51.5%		30.8%

Divisional review continued

Payments & Banking

Creating a payment channel agnostic platform

Q&A with Vicky Lynch

Business Development Manager

What has driven PayPoint's progress and success in the housing sector?
The key here has been about forging strong relationships with our clients and actively listening to the challenges facing them and their customers. From there, we have worked collaboratively with those clients and our product teams to ensure that insight has been embedded into the product development roadmap, ensuring that all our digital payments solutions hit the mark.

What are the big challenges housing clients are facing right now?
The single biggest challenge is around digital transformation and managing the increasing digital expectations of the customers they serve. Use of digital channels in the Housing sector has historically been low, with poor choice and legacy infrastructure deployed, giving a disjointed experience for customers.

The opportunity here has been to help them improve the platforms they have, creating one place for their customers to manage their relationship with the organisation, and giving greater visibility to help deliver an improved customer experience.

Most of their customers are regular users of well-established digital brands, like Apple or Amazon, and with that comes high expectations of a slick, simple user experience, all of which we can help deliver with MultiPay.

What's the one big future opportunity that you're working on?
Open Banking will make a big difference to our clients, either through the additional customer experience improvements it will deliver, making it easier for organisations to access data for the benefit of their customers, or the additional cost-saving opportunities it will create.

Divisional review continued

PayPoint Group

PayPoint Group

Priority 4: Building a delivery-focused organisation and culture

Underpinning the PayPoint Group's future success is the continued development and investment in our people, systems and organisation. We aim to create a dynamic place to work for our people, enabling us to deliver for our customers by collaborating and being good colleagues to each other, creating a positive and inclusive environment where everyone can learn, grow and shine.

FY22 Progress

- Anna Holness joined the Executive Board as Sales Director in January 2022, leading the retail and card services sales teams across PayPoint and Handepay
- Four internal promotions made to the Executive Board in January 2022, recognising their critical roles in delivering our growth agenda: Jo Toolan, Head of Client Management; Jay Payne, IT Service and Operations Director; Chris Paul, Head of Corporate Finance; and Steve O'Neill, Corporate Affairs and Marketing Director
- Integration work now complete for acquisitions of Handepay/Merchant Rentals, RSM 2000 and i-movo
- Further development of our ESG approach, with core ESG Working Group formed to analyse cross-industry best practice, seek feedback from external stakeholders and investors, and recommend workstreams and targets for the business to prioritise

FY23 Priorities

- Deliver further growth opportunities and synergies from our acquisitions over the past two years
- Embed our ESG approach across the business to deliver responsible and sustainable value for shareholders
- Expand our 'Welcoming Everyone' programme to build on our commitments to diversity, equity and inclusion and support our vision to create a dynamic place to work
- Invest to build further resilience into our service delivery, including improving quality and speed of agile delivery, reviewing 'heritage' systems and settlement infrastructure and enhancing customer support and collaboration

Employee engagement collaboration score

70

Effective collaboration has been important as we have transitioned to new hybrid working patterns across the Group

Key performance indicators

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

Financial

Net revenue from continuing operations (£ million) (UK)

£115.1m

18.5%

FY22	115.1
FY21[1]	97.1
FY20[2]	106.8

Description and purpose: Revenue from continuing operations less commissions paid to retailers, and the cost of mobile top-ups and SIM cards where PayPoint is the principal. This reflects the benefit attributable to PayPoint's performance eliminating pass-through costs and is an important measure of the overall success of our strategy.

See Financial Review – 'Overview' on page 61

Profit before tax from continuing operations excluding exceptional items (£ million) (UK)

£45.6m

25.0%

FY22	45.6
FY21[1]	36.5
FY20[2]	50.0

Description and purpose: Profit before tax from continuing operations excluding exceptional items, provides a measure of the performance of the Group over the past few years. This reflects the rebalancing of the business towards growth opportunities, the shift away from our legacy cash payments business and is an important measure of the overall success of our strategy.

See Financial Review – 'Overview' on page 61

Operating margin from continuing operations before exceptional items (%) (UK)

41.4%

2.4ppts

FY22	41.4
FY21[1]	39.0
FY20[2]	47.2

Description and purpose: Operating profit from continuing operations before exceptional items as a percentage of net revenue. Operating margin provides a broad overview of the efficient and effective management of the cost base enabling shareholder returns and investment in the business.

See Financial Review – 'Operating margin' on page 66

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

£53.9m

14.9%

FY22	53.9
FY21[1]	46.9
FY20[2]	57.9

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

See Financial Review – 'Group cash flow and liquidity' on page 67

Diluted earnings per share from continuing operations excluding exceptional items (pence) (UK)

52.8p

23.1%

FY22	52.8
FY21[1]	42.9
FY20[2]	58.1

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

See note 10 to the financial statements on page 132

Dividends paid per share (pence) (Group)

33.6p

7.7%

FY22	33.6
FY21	31.2
FY20	84.0

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

See Financial Review – 'Dividends' on page 68

1. Comparative information has been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.
2. Comparative KPIs have been restated for the discontinued operation.

Non-financial

Network stability one-mile urban population cover (%)

99.2%

(0.2)ppts

FY22	99.2
FY21	99.4
FY20	99.5

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

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

98.2%

(0.1)ppts

FY22	98.2
FY21	98.3
FY20	98.3

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

Retailer partner site churn (%) (UK)

5.3%

(4.8)ppts

FY22	5.3
FY21	3.6
FY20	8.4

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

Employee engagement (%) (UK)

72.0%

(5.0)ppts

FY22	72.0
FY21	77.0
FY20	68.0

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

Responsible business

How we operate efficiently and responsibly

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

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

We have built on the important work done in the last financial year to develop our strategy, approach and targets to embed ESG in everything that we do, which now reflects the expanded universe across our Group businesses.

This has been driven by a core ESG Working Group, formed at the beginning of the financial year to review policies and approaches across the Group, analyse cross-industry best practice, seek feedback from external stakeholders and investors, and recommend workstreams and targets for the business to prioritise for the coming year.

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

Our commitments and targets

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

	We commit to:	By
1	Achieve Net-zero in our own operations (scope 1 and 2 emissions) by 2030	• Moving to carbon-neutral gas and electricity contracts in Haydock at contract renewal in 2024 (already achieved in Welwyn Garden City) • Retiring diesel company cars, introducing an electric company car option in addition to hybrid model in FY23 and stopping ordering new hybrid models by the end of 2025, subject to the required charging infrastructure being in place • Assessing options to reduce company car mileage
2	Achieve a 30% reduction in emissions generated by use of sold products by 2030	• Replacing PayPoint One devices with alternatives that are more energy efficient • Considering energy consumption in product design • Encouraging retailer partners to use renewable energy and minimise consumption
3	Support a reduction in employee commuting emissions by encouraging the transition to electric vehicles	• Charging points to be installed at office locations in FY23 • Electric car leasing scheme to be considered for introduction in FY23 • Relaunching our cycle-to-work scheme with an enhanced purchase limit in FY23 • Continue hybrid working policy delivered in 2021 • 'Think before you travel' guidance to be developed and issued
4	Engage and educate our people on ESG matters to drive engagement and build ESG considerations into our every day	• Regular programme of communication and training to be implemented
5	Achieve Net-zero across our entire value chain by 2040	• Achieving the targets set out above • Identifying additional actions to reduce emissions as our strategy evolves and we benefit from advancements in technology and the transition to renewable energy more generally
6	Ensure all of our employees are paid a minimum of the Real Living Wage from July 2022	• Increasing salaries at pay review in July 2022 and reviewing annually thereafter
7	Continue to develop an inclusive culture	• Embedding of 'Welcoming Everyone' approach to inclusion (see page 45)

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

Responsible business continued

Environment

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

GHG emissions	Units	Year ended 31 March 2022	Year ended 31 March 2021
Scope 1 (fuel combustion)	tonnes CO_2e	**151**	60
Scope 2 (purchased electricity)	tonnes CO_2e	**293**	320
Total scope 1 & 2	tonnes CO_2e	**444**	380
No. of employees on 31 March 2022		**670**	519
Total scope 1 & 2 per employee	tonnes CO_2e	**0.66**	0.73
Scope 3	tonnes CO_2e	**9,104**	4,740
Total scope 1,2 & 3 per employee	tonnes CO_2e	**14.25**	9.87

NB. Comparative information has been restated for the disposal of the Romanian business. Data for the year ended 31 March 2022 now includes a full year of Handepay/Merchant Rentals post acquisition.

Climate change

We aim to reduce emissions and maximise the resource efficiencies of our operations. We have moved to a new hybrid way of working, reducing commuting journeys and engaging with our people to encourage sustainability at home as well as in the office. During the year we published guidance to our employees to help them consider how to reduce energy consumption at home.

Our GHG emissions

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

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

In line with our climate strategy, tonnes CO_2e per employee in our own operations (scope 1 and 2) reduced during the year from 0.73 to 0.66 tonnes CO_2e per employee. This reflects energy-saving initiatives in our offices and switching energy contracts for our head office to carbon-neutral. Scope 1 emissions increased during the year as business journey emissions transitioned to scope 1 from scope 3, as more business journeys were made in company cars rather than employee owned cars.

However, there was an overall decrease in emissions from business journeys as new company cars are hybrid, and replace journeys that would otherwise have been made in petrol and diesel cars. In addition, we will soon be offering electric company cars which will further reduce overall emissions from business journeys that may have otherwise been made with petrol, diesel and hybrid cars.

Tonnes CO_2e per employee across our entire value chain (scope 1, 2 and 3) increased during the year from 9.87 to 14.25 tonnes CO_2e per employee which is driven by two primary factors:

(a) This year there was a full year of Handepay and Merchant Rentals metrics, as opposed to only two months last year following the acquisitions. Handepay and Merchant Rentals have higher CO_2e per employee due to the number of card terminals in operation at merchants and the business model of a large proportion of employees being in field sales incurring business journeys.

(b) An increase in the purchase of manufactured goods including ATM's, terminals and IT equipment. We recognise emissions on the purchase of manufactured goods, upon receipt of goods, and as we enter into a period of updating our terminal estate, we will see higher emissions in this category in the short term. However our terminals typically have a long lifespan so the increase in emissions over the coming years will be offset when purchases will be significantly lower. Replacement terminals are smaller than legacy terminals resulting in less emissions from manufacturing and they are much more energy efficient, reducing emissions when deployed at retailers and merchants. Additionally, there will be less waste on disposal when they eventually reach their end-of-life.

For scope 2, kilowatts per hour (KWh) increased to 1.38 million in the year (FY21: 1.24 million) due to a full year of Handepay and Merchant Rentals metrics.

We signed a new energy contract for Welwyn Garden City in October 2021 which means that all gas and electricity used in the offices is now carbon-neutral, and are committed to implementing this in our Haydock office at contract renewal in 2024. We have made some changes to the cars that we provide for our sales force, offering hybrid options only, and will introduce an electric option this year. We are encouraging the use of electric vehicles throughout the workforce by implementing electric charging points and introducing an electric car leasing scheme. We are also relaunching our cycle-to-work scheme. Our Salesforce platform already optimises the journeys of our field team and we continue to seek options to reduce their CO_2 emissions even further.

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

Our next phase 2 Energy Saving Opportunity Scheme assessment is due in December 2023 (the last assessment was completed in November 2019).

Natural resources

Water

We use water for domestic purposes such as washroom facilities. Our current measures to reduce usage include time-controlled taps and dishwashers and reduced-flush toilets. With the transition to hybrid working, we expect our water consumption will not revert to previous levels and we will be actively working with our people to reduce their water usage at home.

Waste management

We recycle wherever possible, including paper, cans, plastic, cardboard, computer equipment and PayPoint terminals. New recycling bins have been implemented in our offices to make this as simple as possible for our people. Plans are to be resurrected to recycle batteries, glasses, specialised clothing and mobile phones.

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

Innovation

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

- the acquisition of i-movo, the UK's leading secure digital vouchering system, enables us to offer an alternative to paper vouchers thereby reducing paper usage
- our pioneering Counter Cash Service, a 'cashback without purchase' solution, enables cash withdrawals without the need for ATMs. Energy consumption is thereby reduced together with our need for the supply and distribution of ATMs
- our parcels service enables carriers to reduce their journeys by delivering multiple parcels to a single store for collection

Our Green Team of volunteers works with us to identify opportunities and implement sustainability initiatives in our offices. Their input has led to the introduction of new recycling bins that make it easier for our people to recycle items, the relaunch of our cycle-to -work scheme, the introduction of electric charging points, the electric vehicle leasing scheme and the introduction of a new milk supplier, providing milk in glass bottles which are collected and reused.

Responsible business continued

TCFD

For our TCFD disclosures, we are reporting in line with the FCA listing rule for premium listed companies LR 9.8.6(8), which requires us to report on a 'comply or explain' basis against the TCFD Recommended Disclosures for the year ended 31 March 2022.

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

Although this is our first year of disclosing in compliance with the listing rule, our disclosures build on previous years. In preparing them we have made several judgements, and while we are satisfied that they are consistent with the Recommendations and Recommended Disclosures, we will continue to evaluate our options for future TCFD disclosures.

In addition to developing and embedding our broader ESG strategy across the business, we have complied with the Task Force on Climate-related Financial Disclosures 'TCFD' framework, with the exception of additional climate-related scenarios to be developed in the coming year and the year-on-year comparatives for GHG emissions being impacted by a full year of data for businesses acquired. PayPoint supports the TCFD recommendations and is committed to implementing them, providing stakeholders with information on our exposure to climate-related risks and opportunities, helping them make informed decisions. The TCFD framework is as below:

Governance

Describe the Board's oversight of climate-related risks and opportunities	The Board sets the Group's overall strategy and risk appetite including in relation to sustainability, the environment and carbon emissions. The Executive Board sets PayPoint's climate and TCFD responsibility agendas and recommends strategy to the Board. An ESG Working Group was formed during the year which oversees PayPoint's environment, climate and TCFD matters and provides regular updates to the Board and ESG considerations are embedded into strategic decision-making. See the corporate governance organisation chart on page 77 for more details.
Describe management's role in assessing and managing climate-related risks and opportunities	The CEO and the Executive Board have overall accountability for PayPoint's sustainability, environment and carbon- emission strategy. During the year the Executive Board implemented an ESG Working Group comprising Executive Board members and other key stakeholders, which is responsible for overseeing implementation of PayPoint's sustainability, environment and carbon-emission strategies working directly with management and functions across the Group. See the corporate governance organisation chart on page 77 for more details.

Strategy

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	PayPoint has undertaken a comprehensive assessment of its business activities to identify climate-related physical and transition risks and opportunities over the short, medium, and long term. For the assessment, we considered the short term to be 0-5 years, the medium term 5-15 years and the long term 15-30 years. For the risks and opportunities identified we have assessed the impact on our carbon emissions and how these impact our Net-zero target by 2040 and also the potential financial impacts see table on pages 42 to 43.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Our business is a low-carbon-intensive business particularly in our own operations, but even across our entire value chain our absolute carbon emissions and our intensity measure per employee are relatively low. Physical climate related risk is also considered low. Therefore, our assessment of business activities did not identify significant climate related risks, but did identify potential risks and opportunities as the UK moves towards a Net-zero target by 2050. Accordingly, climate risk is considered an emerging risk rather than a principal risk as detailed on page 58 of the risk management section. Climate and carbon emissions form part of our financial and strategic planning and decision-making process. All new major initiatives are assessed from a climate and carbon emissions perspective so we fully understand the impact on our carbon emission targets.
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	As a low-carbon-intensive business, we consider our organisation to be resilient and have assessed a climate-related scenario of up to 2°C in the current financial year. We will be assessing further scenarios this year to evolve this analysis further. Whilst we recognise climate creates some risks and uncertainties for our business i.e. we have a number of clients in the energy sector who may be impacted with potential knock-on impacts for PayPoint, we consider the risk is low as there would be sufficient time to evolve our business model and activities to mitigate the risks.

Risk management

Describe the organisation's processes for identifying and assessing climate-related risks	PayPoint recognises the impact climate change is having globally and that it presents a risk and uncertainty to our business. As last year, we still consider climate change as an emerging risk to our business rather an immediate principal risk. Risk management is an integral part of our governance and we focus on key risks which could impact achieving our strategic goals and business performance. We identify and assess climate-related risks and opportunities as part of our financial planning processes, business cases and as part of our overall risk identification and management framework.
Describe the organisation's processes for managing climate-related risks	We have an established risk management framework in place to help us capture, document and manage risks facing our business and the Audit Committee oversees the effectiveness of risk management throughout the organisation. See our risk management framework on page 54. We work towards a medium to low risk profile, ensuring we have mitigating controls to bring each risk within the risk appetite set by the Board. The Board are updated on climate risks and set targets to reduce carbon emissions in alignment with perceived risks.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	We are embedding into our culture the consideration of climate and environmental risks and opportunities as part of all business decisions. Risks presented by climate change have been embedded into our risk management framework with risks detailed on corporate risk and control registers, and material business cases including an assessment of climate-related risks and opportunities. Annual financial plan and strategic review processes include assessments of the impact climate transition and physical risks are expected to have on costs and revenue, and scope 1, 2 and 3 carbon emission reduction targets are set by the Board.

Metrics and targets

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	The primary metric we have used to assess climate related risks and opportunities across our value chain is tonnes of carbon emitted. During the year we conducted a comprehensive review of carbon emissions emitted across our value chain, in line with the GHG Protocol. We identified all relevant Scope 3 categories and established appropriate methodologies and assumptions to calculate emissions. We use third party sustainability software to accurately calculate carbon emissions based on input metrics collected from across the Group. In addition to carbon emission metrics, we also use monetary metrics in our financial and strategic planning where climate risk and opportunities across our revenue, costs and balance sheet are attributed with a £ figure.
Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (GHG) emissions and the related risks	Scope 1, 2 and 3 carbon emissions are detailed in the table on page 38. Following an in-depth analysis of our scope 3 emissions, we now have a much better understanding of the emissions across our value chain in alignment with GHG Protocol scope 3 emission areas. The largest scope 3 areas are Purchased Goods & Services covering terminal and IT purchases and Use of Sold Products covering electricity used by our terminals while at retailers and merchants.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	PayPoint set targets during the year to manage climate-related risks and opportunities which were approved by the Board. The targets include reducing carbon emissions in our own business, scope 1 and 2, and across our value chain with the target of being fully Net-zero by 2040. We have also set more detailed targets of how we plan to achieve our Net zero aims and these are detailed on page 37. The ESG Working Group monitors performance against targets throughout the year and reports performance to the Executive Board and Board.

Responsible business continued

Strategy

As a responsible business we consider climate-related risks and opportunities across our organisation and embed these into the strategy set by the Board. We identify risks and opportunities over short term (0-5 years), medium term (5-15 years) and long term (15+years) horizons and incorporate these into our strategy to ensure we operate responsibly and reinforce our commitment to building sustainable growth. Our responsible business strategy is supported by several policies including our Environmental and Sustainability Policy.

Short term (0-5 years)

In the short term, we will continue to take a proactive approach in minimising climate-related risks and maximising opportunities.

These are shaping the way we manage our business and minimise our contribution to climate change, including:

- Increase in climate related regulations i.e. TCFD
- Switch to carbon-neutral energy contracts for our offices
- Office space utilisation and employee commuting
- More energy-efficient terminals
- Market changes

Medium term (5-15 years)

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

- Regulatory Net-zero carbon requirements
- Increased terminal costs
- Carbon pricing
- Shift in customer preferences
- New markets

Long term (over 15 years)

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

- Shift in market trends and customer behaviour
- Impact warmer average temperatures will have on our products
- Government commitment to UK Net-zero by 2050 and potential changes to the regulatory landscape
- The impact of the UKs Net- zero commitment on our customers and stakeholders

Risk management

We have conducted a comprehensive assessment of climate-related risks and opportunities, including any potential financial impact. The table below lists our most material risks and opportunities.

Risks

Transition risks

	Risk	Potential impact	Mitigation strategy
Governance and regulatory	Non-compliance with increased emissions reporting obligations	Potential impact on business operations, revenue, costs or assets to comply with reporting obligations	• Annual review of legislative landscape • Integration of legislative compliance costs into business plans • Implementation of reporting structures and procedures to manage compliance risk • Quarterly review of energy and emissions data
Technology	Substitution of existing products and services with lower emissions options	Costs to adopt and implement new products and processes	• Roll out of more energy efficient terminals
Market	Changes to markets and consumer trends	Some of PayPoint's retailer partners are large forecourt operators and the transition to electric cars may impact these retailers and PayPoint's revenue Approximately 17% of PayPoint's revenue is from energy clients and the transition to carbon neutral energy may impact these clients and PayPoint's revenue	• Ongoing review of our retailer network with new retailers contracted outside the forecourt sector • Ongoing review of our client portfolio with new clients contracted outside the energy sector
	Increased manufacturing costs	Increased cost of purchasing terminals and other physical assets	• Ongoing review of terminal and physical asset requirements • Transition to smaller terminals and new products like Counter Cash with reduced manufacturing
	Increased energy prices	Increased operating costs	• We keep the amount of office space utilised under close review and close sections of the office where feasible, to reduce heating and cooling requirements • Ongoing assessment of office gas and electricity usage to identify reduction opportunities • Ongoing assessment of business travel requirements to minimise car journeys and identify reduction opportunities
Reputation	Lost business opportunities if unable to meet customer and partner climate requirements	Reduction in revenue	• Environmental policy continually assessed and updated to ensure PayPoint meets customer and partner climate requirements
	Increased concern from shareholders and other stakeholders	Reduction in capital availability	• Transparency through our annual participation in CDP and TCFD disclosures in the Annual Report

Physical Risks

	Risk	Potential Impact	Mitigation Strategy
Weather	Changes in precipitation patterns and extreme variability in weather patterns	Increased costs from damage to buildings	• On-going improvement of our buildings
	Rising temperatures	Increased cooling costs	• Switch to renewable electricity contract at our main office • Assessing air conditioning requirements for our offices

Opportunities

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

	Opportunity	Potential impact	Status
Resource efficiency	Data storage	Reduced electricity consumption	• We plan to review the amount and type of electronic data stored and make reductions in order to reduce data centre energy consumption
	Recycling	Reduced construction costs	• We engage with our electrical waste suppliers to ensure there is a high component of reuse and recycling of our retired terminal and IT equipment
	Office space kept under review	Reduced office costs	• We keep the amount of office space utilised under close review and close sections of the office where feasible to reduce heating and cooling requirements
	Reduced water consumption	Reduced office costs	• We keep the amount of water used at our offices under close review and have fitted timed flow taps to ensure taps are not left running
	Terminal economic life	Reduced manufacture, logistics and disposal costs	• Our terminals have a long economic life and are used for many years, some for over ten years, which reduced manufacturing requirements, transport and disposal costs • We refurbish all our terminal models to ensure their economic life is maximised
Energy source	Use of lower-emission energy sources	Increased reputational benefits	• We have already switched our electricity and gas contracts to carbon neutral contracts for our head office and plan to do the same for our Haydock office
	Use of new technologies	Increased reputational benefits	• We encourage the use of more efficient modes of transport through the installation of Electric Vehicle 'EV' charging stations at our offices and offering electric cars as a company car option • We will keep under close review the heating and cooling systems used in our offices
Products and services	Development and migration to lower emission products and services	Increased revenue through demand for lower emissions products and services	• Our new Counter Cash product enables cash withdrawals through card payment terminals which use far less energy than ATMs. This product also reduces the level of ATM manufacturing required in the future • Our latest terminals are far more energy efficient than older terminals • Our expanding digital proposition enables transactions without the need for physical terminals which require manufacturing, transporting and disposal which all impact the environment • Ongoing review of our client portfolio with new clients contracted outside the energy sector
Data Storage	Reduced electricity consumption	Reduced operating costs	• We plan to review the amount and type of electronic data stored and make reductions in order to reduce data centre energy consumption

Responsible business continued

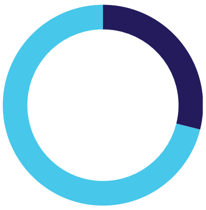
Social

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

People and culture

Gender balance as at 31 March 2022

Board

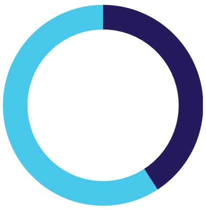


Female	29%
Male	71%

Executive Board

Female	31%
Male	69%

All employees



Female	41%
Male	59%

Our people

We aim to create a dynamic environment for our people where we deliver for our customers by collaborating and being good colleagues to each other, creating a positive and inclusive environment where everyone can learn, grow and shine. The make-up of our population has remained relatively unchanged year-on-year and we employed 670 people on 31 March 2022. Employee turnover increased during the year, in line with general market conditions, with people leaving to pursue different careers and opportunities as the Covid-19 pandemic receded. Our recruitment teams have worked tirelessly to attract new talent to the Group and over the course of the year we have welcomed over 150 new employees. We also welcomed 17 people who transferred to PayPoint during the year following the acquisition of RSM 2000.

During the year we continued to support our people to work from home during the Covid-19 pandemic and transitioned to new hybrid working patterns in September 2021. We believe that everyone needs to spend some time in the office to build relationships and collaborate with colleagues. The majority of our people now work two to three days in the office, with some of our people, predominantly from our IT teams, working mainly from home.

Engagement

The last 12 months has been a period of significant transition for our people as we have integrated the Handepay, Merchant Rentals, i-movo and RSM 2000 businesses and transitioned to new ways of working, all during the latter stages of the Covid-19 pandemic. The engagement of our people during this time has been a priority and we conducted two employee surveys during the period with a particular focus on ways of working, including collaboration, connection and work life balance. Our key measure for these surveys was collaboration, and during the period our score increased to 70, which is ahead of the external benchmark for the survey that we participate in (Glint), and significantly higher than when we first ran the survey in 2019, reflecting the work that we have done to support our people to work effectively throughout the pandemic and during the transition to new working patterns. We continue to achieve a strong response rate to our surveys with 78% of the population participating in our last survey which took place in November 2021.

Each team is responsible for developing and implementing actions that are relevant to them and at a Group level plans are developed in conjunction with our employee forum. During the year we have invested in our offices in Welwyn Garden City to create a more welcoming space for people that reflects our updated purpose and values. We continued to support people from a wellbeing perspective and created our return-to-office approach with feedback from the forum. Once Covid-19 restrictions were lifted we held events for our people to enable them to connect informally face to face with old colleagues and make new connections and will be holding regular face to face events over the coming year. We continue to hold monthly all employee briefings for our people to update on business priorities and performance as well as recognise and celebrate the success of employees who have demonstrated our values.

Our employee forum held three formal meetings during the year to discuss topics including the employee survey, return-to-office and ESG. The forum consists of 17 representatives from around the business, including five representatives from Handepay and Merchant Rentals. The forum is chaired by our HR Director, and Gill Barr, who represents the Board, attends the meetings. The purpose of the employee forum is to give feedback to the Board and Executive Board about how it feels to work in the business, what is working well and ideas for change, to ensure that the employee voice is considered in decision making. The forum also meets informally and provides feedback on and suggestions for employee-related activities and events.

Our engagement work has been recognised by LinkedIn who named us as the winner of the Employee Engagement Champion category for employers with fewer than 1,000 employees at the LinkedIn Talent Awards 2021. The award recognises companies who create a culture of continuous feedback and growth to improve employee engagement and wellbeing.

LinkedIn Talent Awards WINNER

We continue to see a high level of participation in our share incentive plan with a 37% participation rate across the Group. We also continued to operate a discretionary all-employee bonus scheme in order to engage all of our people in delivering our objectives for the year. We were delighted to pay the maximum bonus of £500 to our people for the year ended March 2022, recognising their support and commitment to the delivery of our performance during the period.

Promoting mental health and wellbeing
We continue to support the wellbeing of our people with a particular focus on wellbeing support during the Covid-19 pandemic and the transition to new working patterns during the year. Our wellbeing strategy provides support for physical health, mental health, financial health and work-life balance and we update people regularly with useful resources and awareness events. This included the setting up of a menopause support group, following an event that we ran during Menopause Awareness month in October 2021 to raise awareness and start an open dialogue with our people regarding the menopause. Where possible we are linking wellbeing with charity initiatives including Move For Mind in January 2022, where we encouraged all of our employees to get outside and be active to raise money for Charity. Our people covered a distance of 2,000 miles resulting in a donation of £2,000 to Mind. During the year we also invested in refresher training for our mental health first-aiders who provide confidential advice, support and guidance to our people.

Developing our people
We continue to be committed to supporting the development of our people through a combination of online courses, apprenticeships, further education and in-house and external courses based on business and individual need. We currently have ten apprentices studying programmes including Team Leading, Data Science, CIMA and a Senior People Professional degree. During the period, five of our people completed programmes including MBAs, AAT and Project Management. Focus for the coming year will be on developing our management capability and raising awareness about diversity and inclusion.

We run a Board mentoring programme to support the career development of our senior management population. During the year 20% of PayPoint vacancies were filled internally and we continue to focus on ensuring that we have good development plans in place for our people to create a strong pipeline of internal talent.

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

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

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

1. Ensuring that all of our people understand what we mean by diversity, equity and inclusion, are supported with training to develop inclusive behaviours and feel confident to challenge any behaviours that they see in the workplace that are not in alignment with this.

2. Supporting the creation and development of forums for people from under-represented communities, enabling them to discuss shared challenges, help educate and raise awareness in the business of issues relevant to the community and implement appropriate actions to increase equity, inclusion and allyship around the business.

3. Building inclusion into our every day by ensuring that we listen to diverse voices and consider diversity, equity and inclusion with regards to our policies and practises, both internally and externally, including the employee lifecycle, product and service design and marketing.

We communicated our 'Welcoming Everyone' approach in January 2022 and since then we have launched an LGBTQ+ forum to provide a safe space for people to share experiences and suggest and discuss ideas to enhance inclusivity at the PayPoint Group for those in the LGBTQ+ community. We celebrated both International Men's Day and International Women's Day with virtual events attended by employees from across the Group. We will also be rolling out training to all of our people to support the development of a truly inclusive culture within the business.

The overall gender balance across all employees within the business on 31 March 2022 was 41% female and 59% male. We recently published our fifth gender pay gap report, which can be found on our website[2]. Over the last few years we have implemented a number of initiatives to address our gender balance. However, a pay gap continues to exist in the organisation driven by the fact that we have more men than women in higher paid roles such as roles in IT, sales and senior management positions. We are working with our sales teams to take actions to attract more females into our sales positions and will continue to look at what further actions we can take to ensure we attract more female candidates for all of our roles, as well as supporting development plans for identified talent.

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

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

They guide our day to-day actions and give our people clarity on acceptable behaviour. Our statements on ethical principles and modern slavery can be found on our website[3]. Our 2022 modern slavery statement will be available on our website in September 2022.

We operate an anti-bribery and corruption policy which was put in place in response to the UK Bribery Act 2010. Further information regarding this can be found on page 84 in the Audit Committee report.

1. https://www.paypoint.com/modern-slavery-act.
2. https://corporate.paypoint.com/downloads/csr/gender_pay_report_2020.pdf.
3. https://corporate.paypoint.com/downloads/investorcentre/ethical-principles-2020.pdf.

Responsible business continued

Social

A strong and supportive proposition for retailer partners and SMEs

We provide a broad range of innovative services and technology, connecting millions of consumers with over 60,000 retailer partner and SME locations across multiple sectors.

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

Our retailer partner proposition has been enhanced further during the year to help respond to consumer trends and drive revenue opportunities in a challenging cost environment: our new Counter Cash solution is now live in 2,624 sites, providing vital access to cash in communities across the UK; the home delivery partnership with Snappy Shopper continues to grow with 269 sites live and positive sales growth; and we've continued to improve our engagement with our retailer partners and key trade associations to work in partnership to make the most of the new opportunities. Additional new services added during the year include our retailer rewards app partnership with McCurrach, a leading field marketing agency, with PayPoint's retailer partners now able to access exclusive rewards as part of their package on the MyStore+ app; Love2Shop e-gift cards launched in June 2021 offering richer retailer commission; PayPoint Business Finance launched in July 2021; FMCG marketing and data has been introduced as a proposition with strong early interest from brands and retail groups and several campaigns delivered for FMCG brands, and the provision of vital Covid-19 test kits throughout our multiple retailer network.

This has been backed up by our extensive efforts to strengthen our retailer partner relationships and to drive adoption of these new opportunities to earn, including regular 'cash and carry' days, more direct communications, and our reinvigorated relationships with the key trade associations, including the Association of Convenience Stores 'ACS' the Scottish Grocers' Federation, 'SGF' and the National Federation of Retail Newsagents 'NFRN'. The feedback and support received from these organisations has been critical to our continued commitment to support our retailer partners in delivering vital community service across the UK and our ability to respond to changing consumer needs in the UK convenience sector. We continue to offer free ACS membership to PayPoint One retailer partners, providing access to industry events, advice and best practice.

Our card payment services have been enhanced with the launch of one-month rolling contracts rolled out for Handepay customers switching from other providers from October 2021, faster settlement solutions enabled for all existing and new EVO-acquired customers and successful pilot and roll-out completed of the new Castles range of terminals.

Enabling clients to provide vital services in the community

We partner with over 270 clients in the UK, providing omnichannel payment solutions that enable them to seamlessly and effectively serve their customers however they wish to pay. Our contracts with clients contain clear obligations with respect to the services being provided, underpinned by measurable service levels which are set to ensure a high standard of delivery across key elements, including system and service availability, file delivery and funds settlement.

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

During the reporting period, 28 new client services went live, with 19 coming from non-energy sectors and 18 taking digital payments solutions, supported by the development of additional capabilities, including Open Banking and a new Direct Debit platform. In August 2021, we launched the Payment Exception Service via i-movo for the Department of Work and Pensions, digitising benefit payments and replacing the Post Office Card Account which is closing.

We have continued our diversification to digital payments, helping organisations seamlessly and effectively serve their customers. Our market-leading omnichannel solution – MultiPay – is an integrated solution offering a full suite of digital payments. It enables transactions online and through smartphone apps and text messages, as well as event payments, over the counter, over the phone and via interactive voice response 'IVR' systems. It also supports a full range of Direct Debit options, including scheduling collections, as well as new product developments such as PayByLink, recurring payments and Event Streamer. MultiPay customers benefit from

real-time visibility of all payments received, through one easy-to-use portal that is fully PCI compliant, and allows visibility of all payment channels – including cash. The platform is used by a growing number of organisations across the UK, including many housing associations, local government authorities and utility providers. Our Cash Out service also enables the rapid dispersal of funds through secure digital channels and is actively used by local authorities and charities to distribute emergency funds.

Furthermore, we enhanced our e-commerce offering further with an expansion of our partnership with Randox, providing vital Covid-19 test kits through our Collect+ network, as well as launching new services for our existing carrier partners and providing industry leadership for driving further innovation and prominence for the out-of-home delivery market.

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

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

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

Our UK retail network of more than 28,000 stores is bigger than all banks, supermarkets and post offices together, putting us at the heart of communities nationwide. Our cash bill payment solutions enable less privileged people to access services that may otherwise be unavailable to them and our CashOut service enables the rapid dispersal of funds through secure digital channels and is actively used by local authorities and charities to distribute emergency funds. The recent launch of the Payment Exception Service, run for the Department for Work and Pensions via our i-movo business, has further underlined the continuing importance of delivering cash payments to those without access to a standard bank account and replaces the Post Office Card Account, which is coming to an end. The PayPoint Counter Cash service, offering cashback without purchase and balance enquiries over the counter, is now live in over 2,624 stores, with over £5 million withdrawn since launch. The launch in November 2021 was widely covered in national and regional media, supported by key members of the Cash Action Group, LINK and John Glen MP, Economic Secretary to the Treasury, and supports the FCA and PSR's Access to Cash initiative to maintain services for the many people who continue to rely on cash as a vital way of making payments.

Our retailer partner proposition has been enhanced further during the year in response to consumer trends, and in addition to our new Counter Cash solution, consumers are also able to benefit from new services including the home delivery partnership with Snappy Shopper and Love2Shop e-gift cards.

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

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

Supporting the communities where we live and work

We support the communities where our people live and work by providing them with financial support to serve their causes. PayPoint has a charity committee made up of volunteers which leads and provides support to fundraising activities carried out by our people for charities which are important to them.

Fundraising activity continued to be impacted by the Covid-19 pandemic with reduced opportunity for face-to-face events. However, the Committee organised a number of company-wide events including Move for Mind, making and selling roses to raise money for the British Heart Foundation, Christmas Jumper appeal for Save the Children, and a number of events to raise money for Children in Need. The Committee also continued to support our people with their own fundraising efforts.

In total over £13,000 was donated to local and national charities of which £10,000 was funded by the Company.

Additionally, our people in Welwyn Garden City supported our Christmas foodbank campaign, donating over £700 to provide food to local foodbanks in Stevenage and Welwyn Garden City.

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

Championing the employability of young people

Externally we continue to support young people in our community with a commitment to the local schools community and the continued development of young talent. PayPoint started to work as an enterprise advisor to a local secondary school in 2016, supporting students with the transition from school to the workplace. Our support has since expanded to other schools in the community and in the last year we provided support with a number of virtual careers fairs and interview skills events. Following the lifting of Covid-19 restrictions we held an event onsite for year 11 students, introducing them to PayPoint and some of our people to talk about career options and development. PayPoint has also signed The Tech She Can Charter which is a PwC initiative designed to encourage more girls to study IT and view it as a career choice.

Social

Purpose, vision and values

In delivering our purpose we hold ourselves accountable for delivering positive outcomes for all our stakeholders through the implementation of a meaningful ESG strategy and measures. Further information can be found in the Responsible Business section on page 36.

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

Value award winner: Chris Lambell
Chris Lambell, Retail Standards Manager, received multiple nominations from colleagues around the business for the support that he gave to the launch of Counter Cash to our retailer partners. Within just a few days Chris designed and delivered training to a team of new starters and subsequently led the team to deliver excellent training to our retailer partners. The team received 45 5* Trustpilot reviews in their first week which is a testament to Chris's training and leadership. Chris has an amazing 'can do' approach as well as being 'results focused' in everything that he does.

Value award winner: Kelly Coleman
Kelly Coleman, Customer Support Team Leader, received a values award for her 'can do' approach. Kelly is highly praised by her colleagues as someone who is always looking for solutions for both employees and customers. She stepped up into a Team Leader role in November 2021, and with the absence of a Senior Manager has led the customer support and amendments team throughout that period of time. She has embraced the Delivering Brilliant Results programme and has led from the front in motivating and engaging her team.

Case Study – Cash Out technology and payment infrastructure

Delivering vital financial support at the heart of UK communities

PayPoint's Cash Out technology and payment infrastructure offers a solution enabling local authorities to disburse cash via digital or physical vouchers to their customers, helping deliver urgent and much needed support to individuals across the extensive retail network of over 28,000 stores, more than all banks, supermarkets and post offices put together.

Over the past 12 months, PayPoint has aided local government in its support of vulnerable people by dispensing more than 1.9 million vouchers, worth over £97million. Issued under a range of government campaigns, including the Free School Meals and Winter Hardship schemes, the vouchers were distributed by local authorities across the UK and redeemed by consumers using PayPoint's Cash Out solution.

Over 99% of urban households are within one mile of a PayPoint location, which includes Sainsburys, Asda, the Co-op, Spar, and One-Stop, and 98.2% of rural households are within five miles.

Those eligible for this support also benefitted from the convenience provided by PayPoint's retailer network and Cash Out's capabilities. Crucially, they found that PayPoint partnered stores are open longer than other redemption locations, both weekdays and weekends. In total, 36% of all vouchers redeemed in the last twelve months through Cash Out were outside typical working hours, demonstrating the success of the service in providing convenient and immediate financial support.

The highest redemption rates were on the weekend, where 60% of transactions took place outside typical working hours on Saturday and 100% on Sunday. From Monday to Friday, the rates of redemption outside of normal hours sat between 28% and 30%.

> **PayPoint stepped in to deliver an instant solution when we urgently needed it. At first, we saw a 70%-80% redemption rate, but this grew to an average of 91% following further communication from the council. To this day, PayPoint's Cash Out remains a vital service for our residents.**
>
> **Stephen Pendrich**
> Benefits and Revenue Advisor for South Lanarkshire Council

Responsible business continued

Governance

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

The framework through which PayPoint provides transparency on how it operates its business, which is in line with current regulations, is set out in the Corporate Governance Report on pages 76 to 81 and in the Risk Management Report, on pages 54 to 58. In addition, our anti-bribery and corruption policy is set out in the Audit Committee Report on page 84.

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

Over the last year we have developed our approach to climate-related risks in terms of governance, strategy and risk management and prepared disclosure in accordance with TCFD, which can be found on pages 40 to 43.

As part of our ESG journey over the past year, we also participated in the CDP survey for the second time, developed and launched an Environmental policy, and implemented an ESG questionnaire as part of our procurement process to assess environmental, social and governance risks within our supply chain. Compliance with current mandatory disclosures for our greenhouse gas emissions are detailed on page 43.

PayPoint Plc, and certain of its subsidiaries, are signatories to the Prompt Payment Code, a voluntary code of practice for payment practices whereby signatories undertake to pay 95% of their supplier invoices within 60 days. Our payment practices are reported on a six-monthly basis and details can be found at www.gov.uk/check-when-businesses-pay-invoices.

Finally, the following table sets out our Group Non-Financial Information statement, prepared in order to comply with sections 414C and 414CB of the Companies Act 2006. A description of our business model and strategy, as well as the non-financial KPIs relevant to our business, can be found on pages 16 to 35.

Reporting requirement	Where to find further information	Page	Relevant policies if applicable
Environmental matters	Responsible business	38 to 43	Environmental
Employees	Responsible business Principal risks Audit Committee Report	44 to 45 57 89	Diversity Recruitment and Selection Health and Safety Whistleblowing Code of Ethics
Society and communities	Responsible Business	47	Charitable donations
Respect for human rights	Responsible business and https://www.paypoint.com/modern-slavery-act	45 –	Modern Slavery Statement Human Rights
Anti-bribery and corruption	Audit Committee Report	89	Anti-bribery and Corruption

Section 172(1) Statement

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

- likely consequences of any decisions in the long-term
- interests of the company's employees
- need to foster the company's business relationships with suppliers, customers and others
- impact of the company's operations on the community and environment
- desirability of the company maintaining a reputation for high standards of business conduct
- need to act fairly as between members of the company

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

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

We delegate authority for day-to-day management of the Company to the Executive Board and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Board meetings are held periodically at which the Directors consider the Company's activities and make decisions. For example, each year we make an assessment of the strength of the Company's balance sheet and future prospects relative to market uncertainties and make decisions about the payment of dividends. For the year ended 31 March 2022, we are recommending a final dividend of 18 pence per share.

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

During the year under review the Executive Board, through the ESG Working Group, sought feedback and input from a wide range of stakeholders into the development of the Group's ESG strategy. This included engagement with investors, clients and employees to ensure that the strategy balances the needs of all stakeholders. As an example, the ESG working group engaged with the employee forum and a number of suggestions made by the forum, including the introduction of an electric vehicle leasing scheme and the installation of electric charging points at our office locations, have been incorporated into our commitments. Feedback from stakeholders was included in a paper that was presented to the Board for consideration as part of the decision-making process to agree the Group's ESG commitments and targets. Further information about how the Company engages with all of its stakeholders can be found on pages 52 and 53 of this report.

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

Nick Wiles
Chief Executive
17 June 2022

Responsible business continued

Engaging with our stakeholders

Our stakeholders	How we engage
People We have a talented, diverse and committed workforce with experience from a wide range of industries.	Our employee forum is a communication platform attended by employee representatives elected by their colleagues. In addition, we hold regular staff briefings and functions hold their own team meetings and engagement forums (see page 44 for more information on how we engage with our people).
Shareholders We aim to deliver a sustainable and rewarding business model.	Through our investor relations programme, our Annual Report and Accounts and our annual general meeting, we ensure shareholder views are brought into our Boardroom and considered in our decision-making.
Convenience retailer partners Our retailer partners offer their consumers one or more PayPoint services. Ranging from independent retailer partners with one store to large multiple retailer partners.	An account management team develops our relationships with multiple retailer partners, whilst our Retail Services Hub and Retail Relationship Management team supports independent retailer partners. Independent retailers are also represented by a retailer partner forum, which has regular meetings across the year. In addition we actively engage with trade bodies including the Association of Convenience Stores 'ACS', Scottish Grocers Federation 'SGF' and National Federation of Retail Newsagents 'NFRN'.
SMEs We provide card payments services for over 30,000 SMEs across various sectors.	Our field team is always available to support and engage with business owners across all the sectors we serve. We use a range of channels and methods to communicate with and seek feedback from new and existing customers including social media, customer referrals and case studies.
Consumers We serve millions of consumers every day, helping them to make payments and collect parcels conveniently through our retailer partner network and omnichannel payments solutions.	Our communication platforms provide the environment for us to engage with consumers. Through our Retail Services Hub we inform, update and quickly resolve issues with consumers at first-point-of-contact where possible. Feedback, queries and data gathered from surveys are all collated to improve the consumer experience.
Clients Our client base operates across a broad and diverse range of sectors including commercial, not-for-profit and the public sector. They are critical to our business. Understanding their needs and requirements is essential to retention and development.	Dedicated Account Managers have client review meetings throughout the year to discuss performance and future innovations. We also have daily operational contact where required to resolve business as usual queries. For the larger strategic accounts, we will hold a mixture of operational, tactical, and strategic meetings throughout the year.
Local communities Our network places us at the heart of local communities.	We support fundraising events by providing financial support to causes that are important to employees. We act as an enterprise advisor to a local secondary school, supporting the transition between school and the workplace.

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

Key topics discussed	How the Board engages/ is kept informed	Key outcomes in 2022
The employee forum discusses the issues raised by the engagement survey and any business-related issues. The impacts of the pandemic continued to be discussed throughout the year. Other key topics included the results of employee surveys, return to office following the Covid-19 pandemic and ESG.	Gill Barr, the Board representative of the Employee Forum, facilitates the flow of communication between the forum and the Board. The HR Director updates the Board on results of engagement surveys and people matters generally in a formal presentation to the Board each January and as required throughout the year.	The employee forum has helped shape survey actions and ensured that our return-to-office plans have taken into account feedback from around the business. The forum also contributed suggestions that have been incorporated into our ESG strategy including the electric vehicle leasing scheme.
Financial performance, strategy and business model, dividend policy and ESG.	The Chief Executive updates the Board on any shareholder feedback received and on investor sentiment following each roadshow. The approach to ongoing shareholder engagement is agreed by the Board. All members of the Board are available for questions by the shareholders at the annual general meeting and Giles Kerr has held several investor meetings.	We have taken important steps to strengthen our operating model and organisational structure and to identify and support growth opportunities in our core UK business. A final dividend of 18 pence per share has been declared for approval by shareholders.
Performance reviews, market trends and insights, sharing best practice, new clients and product development.	The Executive Board keeps the Board informed of our relationships with convenience retailer partners throughout the year.	Significant improvements have been made to the retailer proposition over the year with the introduction of new services including Counter Cash, Snappy Shopper and digital vouchers. Reinvigorated relationships with key trade associations, working together to engage our retailer partner community.
Performance, support, pricing and service enhancements.	Updates on enhancements to current and future services for SMEs are provided to the Board by the Executive Board.	Maintaining an excellent Trustpilot score. Introduction of one-month rolling contracts in response to customer feedback.
Services and partnerships, performance, network expansions, product portfolio, systems and support on customer complaints.	The Executive Board provides updates to the Board on the levels of transactions, performance and overall services provided to our consumers.	Our retailer proposition has been enhanced to respond to consumer trends, including home delivery, Counter Cash, digital vouchers and CashOut services.
Service and performance versus key performance indicators, business challenges where we may be able to provide support, short and long-term strategic goals to drive alignment, and PayPoint service evolution to enhance our clients' own service performance to their end users.	The Executive Board provides updates to the Board when required.	Several MultiPay product portfolio enhancements launched in year. Delivery of new client services, including the Payment Exception Service for the DWP. Continued diversification to digital and new clients secured, including the first major digital contract now live with Optivo.
Our Charity Committee agrees which charities we should support.	The HR Director updates the Board via a formal presentation each January.	Page 47 details our charitable work and support provided for young people in the community.

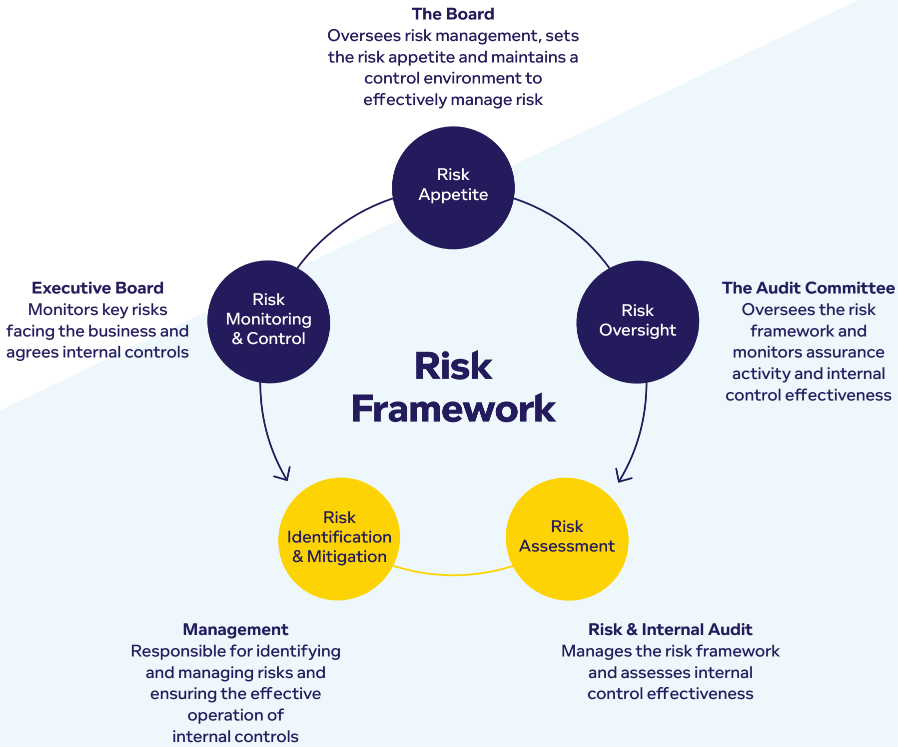
Risk management

Robust approach to managing risk

Strategy
Strategic and operational benefits of proactively managing risk are achieved when Enterprise Risk Management is aligned with the strategic and operational goals of the organisation, and our process and governance structure achieve this. Risks are assessed through PayPoint's risk management and internal control framework which are designed to identify and manage risk. Processes apply throughout the Group and are designed to mitigate rather than eliminate risk, and provide assurance to stakeholders regarding PayPoint's ability to deliver its objectives and manage risks. The Board is responsible for overseeing risk management and approves levels of acceptable risk. The Board is also responsible for maintaining an appropriate internal control environment to manage risk effectively. The Audit Committee supports the Board in reviewing the effectiveness of risk management and internal controls and performs an annual assessment. The results of this years assessment are detailed on page 85 Audit Committee section.

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

Risk identification and management
The risk management process assesses strategic, financial, IT, regulatory and operational risk across all areas of the business. PayPoint's risk framework includes a bottom-up risk assessment managed through risk and control registers, and a top-down risk assessment and horizon scanning process to identify emerging risks. Functional and entity risk and control registers are maintained and form an important component of our governance framework. Risks and controls are determined by senior management and Executive Board members and discussed with the Head of Risk and Internal Audit. Risk and control registers contain risk descriptions, assessment of materiality, probability, mitigating controls, residual risk and risk owners. At least annually, risks identified through the top down and bottom up risk assessment process are agreed with Executive Board members to determine principal and emerging risks. The Audit Committee receives and reviews information on the risk framework and principal and emerging risks and advises the Board on risks.



1. Risk identification
Identifying risks which may impede achieving objectives

2. Inherent risk assessment
Assessing the level of inherent risk

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

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

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

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

Principal risks and uncertainties

Mitigating risks effectively

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

Changes to principal risks

New risks and disclosures

This year Operational Delivery has been elevated to a separate principal risk. Previously it formed part of our Transformation principal risk but now Operational Delivery is considered a principal risk in its own right, in support of Transformation. This year we have also disclosed Board risk appetite for each principal risk. Our risk appetite is defined as:

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

Changing risks

People & Culture – This risk has been renamed as People as culture is no longer considered a principal risk following successful integration of the acquisitions made in 2020 and 2021 and the switch to hybrid working. Remaining culture risks are included under the People principal risk.

Transformation & Acquisition Integration – Acquisition Integration is no longer considered a principal risk following successful integration of the acquisitions made in 2020 and 2021. Remaining risks are included under the Transformation principal risk.

Cyber Security & Data Protection – This risk has been renamed as cyber security as data protection is now recognised as a key component of cyber security risk. Regulatory risk in relation to data protection is included in the Legal & Regulatory principal risk.

Receding risks

Government Policy – Government policy was previously considered an emerging risk due to changes in government policy potentially leading to adverse impacts on our proposition and markets. However policy outcomes during the year including the Access to Cash Review and the Payment Systems Regulator Market review into the supply of card acquiring services have reduced this as a standalone risk and remaining risks are included under the Legal & Regulatory principal risk.

Climate Risk – PayPoint recognises the impact climate change is having globally and that it presents a risk and uncertainty to our business. As last year, we still consider climate change to be an emerging risk rather an immediate principal risk. During the year we launched our net zero carbon strategy with the goal of becoming net zero in our own operations by 2030 and fully net zero by 2040. Details of how we plan to achieve this can be found on page 37. We also implemented The Task Force on Climate-related Financial Disclosures (TCFD) which provides companies with a framework to improve reporting on climate-related risks and opportunities. Risks presented by climate change have been embedded into our enterprise risk management framework including financial planning processes, business cases and our overall risk identification and management processes detailed on page 58.

The table on pages 56 to 58 sets out our principal and emerging risks including details of the potential impact, mitigation strategies and status. The table also details risk movement during the year and risk appetite. They do not comprise all risks faced by the Group and are not set out in order of priority.

Principal risks and uncertainties continued

Principal risks

Change in status and trend

Increased Unchanged Decreased

Market

	Potential impact	Mitigation strategies	Status	Change
1. Competition and markets	PayPoint's markets and competitors continue to evolve, and failure to deliver effective strategies to respond to market and competitor changes will reduce market share, revenue and profits. The decline in cash usage, accelerated by Covid-19, is expected to continue impacting some of our markets, and further lockdowns would also have an impact. Our business may also be impacted by changing consumer trends, competitor activity and new and alternative payment solutions.	The Executive Board regularly reviews markets, competitor activity, trading opportunities and potential acquisitions, and the Board oversees and challenges strategic direction. We closely monitor consumer and technological trends and engage with clients, retailers and other stakeholders to improve our proposition. We continually develop products, services and systems to adapt to changes in consumer trends and technology, and make strategic acquisitions where appropriate.	Risk is considered increasing as competition is increasing across our business but particularly in bill payment and top up markets which are seeing downward pressure on margins due to competition. However, recent acquisitions have diversified our business into new markets and strengthened our card and digital payment businesses as we transition away from cash with our digital proposition.	Increased **Risk appetite** Medium
2. Emerging technology	New and emerging technologies are changing the way consumers pay for goods and services, impacting our products and markets. For many years cash was the principal method for topping up gas and electricity; however this is changing and PayPoint needs to evolve its proposition to capitalise on new technology and payment methods. New disruptive fintech products, and large tech companies who are increasingly advancing into payment solutions, have the potential to significantly impact our business. Covid-19 accelerated global digital transformation. There is risk to our business if our digital transformation fails to keep pace and we do not exploit new technologies and markets to evolve our proposition.	We continually develop products with the latest technology and evolve them to take advantage of new and expanding markets. The Executive Board closely monitors emerging technologies and the impact they may have on PayPoint, and mitigating strategies are implemented where possible. Emerging technology is a key component of our acquisition strategy with recent acquisitions focusing on digital products.	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 such as our new Department for Work and Pensions Cash Out product, as well as other technological product advances.	Unchanged **Risk appetite** Medium

Strategic

	Potential impact	Mitigation strategies	Status	Change
3. Transformation	Our business relies on continued innovation and implementations and failure to effectively manage our transition from cash to digital would impede business performance and our ability to achieve strategic goals. Continued system infrastructure improvements are essential in providing great products and customer service, and a lack of investment would impact our business.	The Executive Board assesses transformation as part of the strategic planning process and the Board oversee and challenge strategic direction. PayPoint is committed to its transition from cash to digital and we continue to innovate our legacy products. Product and infrastructure reviews are regularly conducted to identify improvements in processes, systems and products.	Risk is considered stable as recent acquisitions have significantly rebalanced our business away from cash to digital channels. Numerous IT infrastructure improvement programmes are underway following recent architecture reviews, including migration to the cloud. Re-platforming of our digital proposition is underway with some elements ready to go live.	Unchanged **Risk appetite** Medium

Business

	Potential impact	Mitigation strategies	Status	Change
4. Operating model	It is important we have a diversified and varied operating model so we are not overly exposed to any particular markets, clients, suppliers or partners. Our core business relies on an appropriate mix of clients and retailers and failure to maintain attractive client and retailer propositions may cause attrition adversely impacting our business. Business areas such as card payments and ATM rely on key partner relationships and it is important strong relationships are maintained to ensure a resilient and sustainable operating model.	PayPoint builds strategic relationships with key clients and retailers and we continually seek to improve service levels through new initiatives, products and technology. We monitor performance through regular retailer engagement and surveys and are proactive in addressing areas for improvement. New clients, retailers and merchants are routinely onboarded, ensuring a sustainable customer base across a diversified range of sectors. Where products rely on key partners including our ATM and card payment businesses, we invest in relationships and propositions to ensure sustainable partnerships.	Risk is considered stable as recent acquisitions have diversified our business and we continue to renew contracts and onboard new retailers, clients and merchants in line with expectations. Our acquisition of Handepay and Merchant Rentals increased our card acquirer partnerships and we are expanding our relationship with LINK through the launch of the new Counter Cash product. We continue to focus on retailer engagement and enhance our proposition with new and varied initiatives such as Randox.	– **Risk appetite** Medium
5. Legal and regulatory	PayPoint is required to comply with numerous contractual, legal and regulatory requirements and failure to meet obligations may result in fines, penalties, prosecution and reputational damage. Recent acquisitions have increased the number of regulated entities and as regulatory landscapes evolve, there is a risk that changes may adversely impact our business. In November 2021 Ofgem published its decision to accept the commitments proposed by PayPoint to address Ofgem's competition law concerns in relation to our pre-payment energy business. The commitments are being implemented in line with the timetable agreed with Ofgem and PayPoint provides Ofgem with regular updates on progress.	Our Legal and Compliance Teams work closely with management on all legal and regulatory matters, and adopt strategies to ensure PayPoint is appropriately protected and complies with regulatory requirements. The Teams engage on all key contracts and legal matters and oversee regulatory compliance, monitoring and reporting. Emerging regulations are incorporated into strategic planning and we engage with regulators to ensure our frameworks are appropriate to support new products and initiatives. External counsel is engaged where required and we respond promptly and comprehensively to all regulatory enquiries.	Risk is considered stable as recently acquired regulated companies have been integrated into the PayPoint Group, with regulatory compliance requirements harmonised where appropriate. In November 2021, Ofgem accepted PayPoint's commitments to address the concerns raised in Ofgem's Statement of Objections received in September 2020. PayPoint is implementing the commitments in line with the timetable agreed with Ofgem. No other significant legal or regulatory matters occurred during the year. The Payment System Regulator Card Acquiring Market Review presents some regulatory risk to our card business but this is not expected to be significant.	– **Risk appetite** Low
6. People	Failure to retain and attract key talent impacts many areas of our business including service delivery and achieving strategic objectives. Maintaining a strong culture of ethical behaviours and employee wellbeing is also vital in ensuring our business, people, customers and other stakeholders are safeguarded. Our transition to a new hybrid working model with increased home working increases the importance of supporting and engaging our people to ensure business objectives are met.	The Executive Board define and advocate PayPoint's purpose, vision and values and an employee forum comprising employees from across the business engages directly with the Board on employee matters. We continue to invest in, and support our people, particularly through Covid-19 where numerous steps have been taken to ensure employee wellbeing. We have well established processes for retaining and recruiting key talent and developing our people, and there is continued focus on culture, ethics and diversity.	The UK recruitment market is extremely competitive at present impacting retention and recruitment. PayPoint's staff turnover increased during the year and although retention plans were implemented and vacancies continue to be recruited, risk is considered increasing due to the market conditions. During the year employees from recent acquisitions were successfully integrated and hybrid working embedded. We followed all government guidance on Covid-19 working practices and implemented numerous initiatives to protect our people and ensure their wellbeing. Employee engagement surveys continue to be positive and the Employee Forum continues to play an active role in employee engagement.	↑ **Risk appetite** Low

Operational

	Potential impact	Mitigation strategies	Status	Change
7. Cyber Security	Cyber attacks may significantly impact service delivery and data protection causing harm to PayPoint, our customers and other stakeholders. Globally, criminals continue to exploit vulnerabilities, and recent acquisitions have increased the number of IT environments, products and systems we need to protect. Although PayPoint has multiple cyber security systems, capabilities and controls, ransomware attacks remain a constant threat. Failure to safeguard systems, networks and data and comply with data protection requirements may result in significant financial loss and reputational damage.	The Executive Board assesses PayPoint's cyber security and data protection framework and the Cyber Security and IT Sub-Committee of the Audit Committee maintain oversight. Our IT security framework is comprehensive with multiple security systems and controls deployed across the Group. We are ISO27001 and PCI DSS Level 1 certified and systems are constantly monitored for attacks with response plans implemented and tested. Employees receive regular cyber security training, and awareness is promoted through phishing simulations and other initiatives. We engage with stakeholders on cyber-crime and proactively manage adherence with data protection requirements.	PayPoint has not experienced any material attacks or data breaches during the year but cyber security continues to be a key focus and risk is considered increasing because of the external threat, which has potentially increased due to the crisis in Ukraine. Group security standards and systems have been applied to acquisition IT environments and we continue to enhance our architecture, systems, processes and cyber monitoring and response capabilities. We regularly engage third parties to assess and assist on our cyber defences and strengthen our controls.	↑ **Risk appetite** Low

Principal risks and uncertainties continued

Change in status and trend

Increased Unchanged Decreased

Operational continued

	Potential impact	Mitigation strategies	Status	Change
8. Business interruption	Our customers and stakeholders rely on our systems, products and services being resilient, with continued service delivery. Failure to maintain resilience or promptly recover services following an outage may result in financial loss, reputational harm and potential regulatory scrutiny. Changes to our infrastructure as we transform our business from cash to digital and transition to the cloud increases the risk of disruptive events, and effective IT change processes and controls are vital to avoid disruption. Our infrastructure and service delivery is supported by multiple suppliers and poor supplier performance or supplier failure may adversely impact our business.	The Executive Board reviews PayPoint's business continuity framework and the Cyber Security and IT Sub-Committee of the Audit Committee maintains oversight. Business continuity, disaster recovery and major incident response plans are maintained and tested with failover capabilities across third party data centres and the cloud. Systems are routinely upgraded with numerous change management processes deployed and resilience embedded where possible. Supplier failure can disrupt PayPoint's service delivery and risk is managed through contractual arrangements, alternative supplier arrangements and business continuity plans.	Although we have not suffered any significant outages during the year, risk is considered increasing as we do experience small business interruption events due to supplier performance and internal processes. The crisis in Ukraine also has the potential to cause disruption to our services, suppliers and partners. Although system disruption is an inherent business risk, our incident monitoring and response processes are regularly reviewed and enhanced and we continue to enhance our infrastructure and processes to strengthen continuity controls.	Increased **Risk appetite** Low
9. Credit and operational	PayPoint has material credit exposures with large retailers and other counterparties and significant financial loss may result, in the event of a default. We process large volumes of payments daily therefore effective operational controls are essential to ensure funds are settled accurately, securely and timely. Absent or ineffective processes and controls could result in fraud, liquidity risk, reputational damage or other financial loss.	PayPoint has effective credit and operational processes and controls. Retailers and counterparties are subject to ongoing credit reviews, and effective debt management processes are implemented. Settlement systems and controls are continually assessed and enhanced with new systems and technology implemented. We have effective governance with oversight committees, delegated authorities and policies for key processes. Segregation of duties and approvals are implemented for all areas where fraud or material error may occur.	Although credit losses remain low, risk to credit exposures is increasing following the government ending business support for Covid-19, and other impacts on the UK economy from increasing energy prices and inflation. We continue to review and enhance our operational processes and controls and have made good progress during the year aligning processes and controls for the recent acquisitions. No material processing errors or frauds occurred during the year and the risk profile of our business operations remains stable.	Increased **Risk appetite** Low
10. Operational delivery	Effective operational delivery of key initiatives and strategic objectives is central to achieving our transformation aims. Poor delivery would impede our business performance and impact our stakeholders. Additionally, poor planning and forecasting of business initiatives may impede financial targets and business performance.	The Executive Board has overall responsibility for delivering key initiatives and ensuring effective governance. Larger initiatives have steering groups and project teams with representatives from across the business to ensure all business considerations are included in planning and delivery. We regularly liaise with third party stakeholders throughout implementation to agree and revise objectives and targets as projects progress. Finance teams are actively involved in key projects to ensure cost and revenue considerations are continually reviewed and post project assessments are made to establish lessons for future deliveries.	Risk is considered to be increasing as we are at an important stage in our transformation, and have a number of key initiatives underway to ensure sustainable revenue and growth into the future. During the year we successfully delivered our new Counter Cash product and Zebra printer roll-out to parcel retailers as well as other new initiatives and products.	Increased **Risk appetite** Low

Emerging risks

	Potential impact	Mitigation strategies	Status
ESG and Climate	Focus on environmental, social and governance matters continues to increase and our business needs to be environmentally responsible and create shared value for all stakeholders to ensure sustainability and reinforce our values and brand. 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 recommends strategy to the Board. We align our business with reducing carbon emissions, and continually assess our 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.	During the year we implemented an ESG Working Group comprising Executive Board members and other key stakeholders, which is responsible for overseeing ESG and climate matters and updating the Executive Board. We implemented the new Task Force on Climate-related Financial Disclosures (TCFD), and comprehensively assessed carbon emissions across our value chain. In doing so, we have been able to set net zero targets and make various carbon emission reductions – see page 37 for more details. We have reviewed and updated many of our environmental and social responsibility policies, which are approved by the Board. ESG and climate were also embedded into our risk management framework.

Viability statement

In accordance with the 2018 UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three-year period, taking account of the Group's current financial and trading position, the principal risks and uncertainties (as set out on pages 56 to 58) and the strategic plans that are reviewed at least annually by the Board.

The Directors have determined that the Group's strategic planning period of three years remains an appropriate time frame over which to assess viability. This broadly aligns to average client renewal terms, new client prospecting and onboarding cycles and the development-through-to-maturity evolution of new products and service lines.

The starting point for the viability assessment is the strategic and financial plan which makes assumptions relating to the economic climate, market growth, cost inflation, the prospects of new products and services and past performance. This plan is then subject to a series of stress scenarios using inputs from business functions based on the potential materialisation of certain principal risks.

All principal risks identified (which are set out on pages 56 to 58), including ESG, could have an impact on the Group's performance. However, the main risks which could potentially and materially impact the Group together with the related scenario assumption are:

Principal risk 1: competition and markets:

- Failure to maintain significant client contracts resulting in 20% to 40% reduction in transaction volumes depending on the nature of the clients' contract
- Inadequate recruitment or excessive churn in the retail network and merchant estate resulting in a net annual churn of 10% in the estate (impacting service fees and card acquiring revenues).

Principal risks 3 and 10: transformation and operational delivery:

- New products or services do not perform as anticipated and/or execution in their delivery limits contribution to 10% of expectations.

Principal risk 5: legal and regulatory:

- Fines/reputational damage amounting to £24 million (being 15% of turnover for violation of market abuse regulations).

Principal risks 6 and 7: cyber security and business interruption:

- The financial impact of technical failure from cyber-attacks resulting in a network outage and loss of revenue for up to seven days.

Principal risk 8: Credit and Operational:

- Multiple retailer groups entering receivership assuming a 20% loss of client funds, where PayPoint is liable.

Financing facilities

The impacts of these scenarios were then reviewed against the Group's current and projected future net cash/debt and liquidity position. The Group closed the financial year with net debt of £43.9m of which £21.7m is an amortising loan (repayable in quarterly instalments of c.£3m).

The Group had £48m of committed and unutilised debt facilities, consisting of a revolving credit facility syndicated across three banks. The Revolving Credit Facility (RCF) has two financial covenants, relating to interest cover and leverage (EBITDA to Net debt). The RCF expires in February 2025, with the assumption we will successfully refinance in advance of that date.

Result of stress tests

In the unusual set of circumstances of all the above significant scenarios occurring together, the Group, with no cost mitigations, would still deliver positive EBITDA and remain within its financing facility covenants. The viability scenario also factors in reductions of taxation and dividends following the payment of the final dividend of 18.0p declared in respect of the financial year ended 31 March 2022.

Under a viability scenario the Group would create a committee with a focus to actively preserve viability through containing and limiting further exposure. This committee would engage with key partners and suppliers to ensure continued support of key activities as well as to reduce operational activity and related costs to ensure the longer-term viability of the business.

Conclusion

Taking these results into account together with the Group's current position, the Group's experience of managing adverse conditions in the past and mitigating actions available to the Group, the Directors confirm that they have a reasonable expectation that the Group will be able to continue its operations, remain solvent and meet its liabilities as they fall due over the three-year viability period.

Financial review

A positive, resilient performance

The Group has delivered a profit before tax from continuing operations excluding exceptional items of £45.6 million, up 25.0% vs FY21, reflecting a rebalancing of the business mix towards growth opportunities and a positive contribution from the acquisitions of Handepay/Merchant Rentals, i-movo and RSM 2000.

Alan Dale
Finance Director

Overview of continuing operations

Last year we saw the impact of the Covid-19 pandemic affect a number of our business lines and sectors which drove significant variances. In the current year a number of variances are driven by the impact of our acquisitions as well as a number of those business lines and sectors that have partially recovered. Given the disposal of the Romanian business on 8 April 2021 the focus of this review is primarily on the continuing operations of the Group, the results of Romania have been classified as a discontinued operation and are provided below.

£m	Year ended 31 March 2022	Restated[1] Year ended 31 March 2021	Change %
Revenue			
Revenue from continuing operations	**145.1**	127.7	13.6%
Net revenue[2]			
Continuing operations			
Shopping	**58.7**	40.2	46.2%
E-commerce	**4.9**	3.6	36.2%
Payments & Banking	**51.5**	53.3	(3.6%)
Total net revenue	**115.1**	97.1	18.5%
Total costs from continuing operations (excluding exceptional items)[3]	**(69.5)**	(60.6)	14.7%
Profit before tax from continuing operations (excluding exceptional items)	**45.6**	36.5	25.0%
Exceptional items	**2.9**	(16.1)	n/m
Profit before tax from continuing operations	**48.5**	20.4	137.3%
Profit before tax from discontinued operations	**30.0**	7.6	n/m
Profit before tax	**78.5**	28.0	180.5%
Cash generation from continuing operations excluding exceptional items	**53.9**	46.9	14.9%
Net corporate debt[4]	**(43.9)**	(68.2)	(35.7%)

1. Comparative information has been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.
2. Net revenue is an alternative performance measure. Refer to note 4 to the financial information for a reconciliation to revenue.
3. Total costs is an alternative performance measure as explained in note 1 to the financial information, a reconciliation to costs is included in the Financial review on page 66.
4. Net corporate debt (excluding IFRS 16 liabilities) is an alternative performance measure. Refer to note 1 to the financial information for a reconciliation to cash and cash equivalents.

The above results for continuing operations reflect a number of corporate changes within the Group and the impact of exceptional items. The results of last year's acquisitions, i-movo in December 2020 and Handepay/Merchant Rentals in February 2021, are included for the full year as is the acquisition of RSM 2000 which completed in April 2021.

Profit before tax from continuing operations of £48.5 million (2021: £20.4 million) increased by £28.1 million (137.3%). The current year reflects exceptional income of £2.9 million whilst the prior year reflects exceptional costs of £16.1 million which includes the £12.5 million provision made in relation to the Ofgem Statement of Objections. The profit before tax from continuing operations excluding exceptional items, the underlying profit, increased by £9.1 million (25.0%) to £45.6 million (2021: £36.5 million).

Revenue from continuing operations increased by £17.4 million (13.6%) to £145.1 million (2021: £127.7 million). Net revenue from continuing operations increased by £18.0 million (18.5%) to £115.1 million (2021: £97.1 million). Handepay and Merchant Rentals contributed additional £16.1 million net revenue from a full year compared to two months in 2021. Growth in service fees from additional sites and growth in e-commerce as it recovers from Covid-19 have been partially offset by the headwinds of structural changes and margin pressure on UK bill payments and a continued decline in cash use on UK bill payments, top ups and ATMs.

Shopping net revenue increased by £18.5 million (46.2%) to £58.7 million (2021: £40.2 million). Service fees net revenue increased by £1.9 million (13.1%) driven by additional PayPoint One sites and implementing the annual RPI increase. ATM net revenue decreased by 0.1% due to a reduction in transactions driven by the continuing trend of reduced demand for cash across the economy. Handepay/Merchant Rentals net revenue increased by £16.1 million (658.4%) as both entities were owned for a full financial year compared to the previous year where they were owned for two months. PayPoint card payments net revenue decreased by £1.1 million (9.4%), maintaining strong transaction volumes seen in prior year but at a lower average transaction value.

E-commerce net revenue increased by £1.3 million (36.2%) to £4.9 million (2021: £3.6 million), driven by strong growth in total transactions which increased by 25.3% with the easing of Covid-19 restrictions in the current year. This facilitated increased Pick Up/Drop Off activity combined with growth in volumes following our investment in thermal instore Zebra printers. During the year a new partnership was launched with Randox providing their Covid-19 testing service in our parcel network, this contributed £0.5 million of revenue (2021: £nil).

Financial review continued

Payments & Banking net revenue decreased by £1.8 million (3.6%) to £51.5 million (2021: £53.3 million). Cash bill payments net revenue decreased by £2.3 million (8.1%) to £26.7 million, as a result of a decrease in bill payment transactions from the continued switch to digital payment methods along with the continuing impacts of Covid-19 where consumers are making larger payments, less frequently. Cash top-ups net revenue decreased by £0.5 million (6.2%) to £7.8 million with volumes down 12.6% driven by the continuing structural declines in the prepaid mobile sector.

Digital net revenue increased by £1.6 million (27.1%) to £7.7 million driven by the £1.1 million net revenue contribution from RSM 2000 in the year. MultiPay net revenue decreased by £0.9 million to £3.3 million (2021: £4.2 million) and transactions increased 6.7% as a result of more clients taking the digital services and contribution from the new functionalities of Direct Debit and PayByLink although at a lower net revenue per transaction. This has been partially offset by Cash Out net revenue which increased by 75.6%, driven by the new DWP Payment Exception Service launched by the i-movo acquisition. Existing Cashout vouchers decreased by £0.1 million (4.7%) to £1.6 million (2021: £1.7 million) as the demand from local authorities to disperse Covid-19 support schemes has reduced. eMoney net revenue decreased by £0.5 million (5.6%) to £8.2 million (2021: £8.7 million), as a result of a 6.9% decrease in transactions reflecting these schemes delivering lower volumes following the strong performance seen during Covid-19 period.

Total costs from continuing operations excluding exceptional costs increased by £8.9 million to £69.5 million (2021 restated: £60.6 million). The increase in costs was driven by the £12.2m additional cost base in relation to the newly acquired businesses partially offset by £3.3m reduction in operational costs. Prior year costs have been restated and reduced by £1.0 million by the retrospective application of the change in accounting policy on intangible assets following the April 2021 IFRIC agenda decision on costs incurred in implementing cloud computing SaaS arrangements.

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

	Year ended 31 March 2022 £m	Restated[1] Year ended 31 March 2021 £m
Profit before tax from continuing operations	**48.5**	20.4
Adjusted for:		
Current year exceptional costs – administrative expenses	**(2.9)**	–
Prior year exceptional costs – administrative expenses	**–**	3.1
Prior year exceptional costs – finance costs	**–**	0.5
Prior year provision in relation to the Ofgem Statement of Objections	**–**	12.5
Underlying profit before tax from continuing operations	**45.6**	36.5

1. Comparative information has been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

Current year exceptional item is a £2.9 million revaluation gain of the i-movo deferred, contingent consideration liability. Prior year exceptional costs of £16.1 million were one-off acquisition and refinancing expenses and a £12.5 million provision in relation to Ofgem's Statement of Objections.

Cash generation from continuing operations excluding exceptional items remained strong with £53.9 million (2021: £46.9 million) delivered from profit before tax excluding exceptional items of £45.6 million (2021: £36.5 million). There was a net working capital outflow of £3.2 million, primarily the VAT deferral offered by HMRC being repaid in the period.

Net corporate debt decreased by £24.3 million to £43.9 million (2021: £68.2 million) due to the benefit from the disposal of the Romanian business partially offset by current year investments in Snappy Shopper and RSM 2000. At 31 March 2022 loans and borrowings were £51.5 million (2021: £86.6 million) which included £2.9 million of asset financing in the Merchant Rentals acquisition.

Sector analysis

Shopping

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

Net revenue (£m)	Year ended 31 March 2022	Year ended 31 March 2021	Change %
Service fees	**16.6**	14.6	13.1%
Card payments – PayPoint	**11.0**	12.1	(9.4%)
Card payments – Handepay (two months in 20/21)	**12.8**	1.5	n/m
Card payments – RSM 2000	**0.9**	–	n/m
Card terminal leases – Merchant Rentals (two months in 20/21)	**5.7**	1.0	n/m
ATMs	**9.7**	9.7	–
Other shopping	**2.0**	1.3	56.4%
Total net revenue (£m)	**58.7**	40.2	46.2%

Net revenue increased by £18.5 million (46.2%) to £58.7 million (2021: £40.2 million) primarily due to the inclusion of Handepay and Merchant Rentals revenues for the full year.

The net revenue of each of our key products is separately addressed below.

Service fees from terminals	Year ended 31 March 2022	Year ended 31 March 2021	Change %
Net Revenue (£m)	**16.6**	14.6	13.1%
PayPoint terminal sites (No.)			
PayPoint One Base	**7,392**	7,915	(6.6%)
PayPoint One EPoS Core	**9,639**	8,307	16.0%
PayPoint One EPoS Pro	**1,089**	1,240	(12.2%)
Total PayPoint One – revenue generating	**18,120**	17,462	3.8%
PayPoint One Base non-revenue generating	**671**	343	95.6%
Total PayPoint One	**18,791**	17,805	5.5%
Legacy (T2)	**214**	1,441	(85.1%)
PPoS	**9,249**	8,821	4.9%
Total terminal sites in PayPoint network	**28,254**	28,067	0.7%
PayPoint One average weekly service fee per site (£)	**17.0**	16.3	4.3%

As at 31 March 2022, PayPoint had a live terminal in 28,254 UK sites, an increase of 0.7% primarily as a result of new sales. PayPoint One sites increased by 5.5% to 18,791 sites due to new sales and the continued migration from the legacy T2 terminal.

Service fees: This is a core growth area and consists of service fees from PayPoint One and our legacy terminals. Service fee net revenue increased by £2.0 million (13.1%) to £16.6 million driven by the additional 658 PayPoint One revenue generating sites compared to 2021. The higher price point EPoS Core sites increased by 1,332 due to new sales and upselling whilst EPOS Pro sites decreased by 151 compared to 2021, which had benefited from our three month try before you buy EPoS Pro offering.

The PayPoint One average weekly service fee per site increased by 4.3% to £17.0, benefiting from the increase in EPoS Core sites which are charged at a higher rate and the annual RPI increase. Retailers taking the Core version of the product represent 51.3% (2021: 46.7%) of all PayPoint One sites and the Pro version represent 5.8% (2021: 7.0%). Legacy terminals now just remain in a few of our multiple retailer partners but are being replaced.

Financial review continued

Card payments and leases	Year ended 31 March 2022	Year ended 31 March 2021	Change %
Net Revenue (£m)			
Card payments – Handepay (two months in 20/21)	**12.8**	1.5	n/m
Card terminal lessees – Merchant Rentals (two months in 20/21)	**5.7**	1.0	n/m
Card payments – PayPoint	**11.0**	12.1	(9.4%)
Card payments – RSM 2000	**0.9**	–	n/m
Services in Live sites (No.)			
Card payments – Handepay	**22,796**	18,805	21.2%
Card terminal lessees – Merchant Rentals	**35,403**	26,017	36.1%
Card payments – PayPoint	**9,666**	9,930	(2.7%)
Card payments – RSM 2000	**147**	–	n/m
Transactions (Millions)			
Card payments – Handepay (two months in 20/21)	**145.0**	14.6	n/m
Card payments – PayPoint	**217.8**	210.4	3.5%
Card payments – RSM 2000	**6.5**	–	n/m

Card payments: Handepay and Merchant Rentals generated £18.5 million net revenue in the year. Handepay contributed £12.8 million card payments net revenue and 145.0 million transactions, benefiting from the reopening of SMEs across key sectors with the easing of government restrictions. Handepay card payment services were live in 22,796 sites at 31 March 2022, an increase of 3,991 sites (21.2%) since 31 March 2021. Merchant Rentals contributed £5.7 million terminal leasing net revenue.

PayPoint card payments transactions increased by 3.5% to 217.8 million and net revenue decreased by 9.4% to £11.0 million maintaining strong transaction volumes seen in FY21 but at a lower average transaction value £11.27 (FY21: £12.40). Across our network there were 9,666 PayPoint card payments sites, a decrease of 264 sites (2.7%) since 31 March 2021.

RSM 2000 card payments reflects a full year's transactions from the new acquisition.

ATMs	Year ended 31 March 2022	Year ended 31 March 2021	Change %
Net Revenue (£m)	**9.7**	9.7	–
Services in Live sites (No.)	**3,686**	3,626	1.7%
Transactions (Millions)	**30.4**	30.6	(0.8%)

ATMs: Net revenue remained flat at £9.7 million although transactions reduced by 0.8% to 30.4 million. This is attributable to the continued reduced demand for cash across the economy, accentuated by the Covid-19 preference for card use. Sites increased 1.7% to 3,686 and PayPoint continued to optimise its ATM network by relocating existing machines to better performing locations.

Other: Other shopping services increased by £0.7 million (56.4%) to £2.0 million (2021: £1.3 million) this includes the launch of the partnership with Snappy Shopper and the new PayPoint Counter Cash service which was live in 2,624 sites.

E-commerce

Parcels	Year ended 31 March 2022	Year ended 31 March 2021	Change %
Net Revenue (£m)	**4.9**	3.6	36.2%
Services in Live sites (No.)	**10,049**	10,509	(4.4%)
Transactions (Millions)	**33.3**	26.6	25.2%

E-commerce net revenue increased by £1.3 million (36.2%) to £4.9 million due to the increase in total parcels transactions by 25.2% to 33.3 million with the easing of Covid-19 restrictions in the current period facilitating increased Out of Home activity. The prior period transactions were impacted by Covid-19 restrictions with consumers staying at home. Parcel sites decreased by 4.4% to 10,049 sites due to stores being removed from our network.

Payments & Banking

Net revenue (£m)	Year ended 31 March 2022	Year ended 31 March 2021	Change %
Cash – bill payments	**26.7**	29.0	(8.1%)
Cash – top-ups	**7.8**	8.3	(6.2%)
Digital	**7.8**	6.1	27.1%
Cash through to digital	**8.2**	8.7	(5.6%)
Other payments and banking	**1.0**	1.2	(16.4%)
Total net revenue (£m)	**51.5**	53.3	(3.6%)

Payments & Banking divisional net revenue decreased by 3.6% to £51.5 million, as a result of fewer cash bill payments and top up transactions, and margin erosion from client contract renewals but partly offset by continued growth in digital transactions.

Cash – bill payments	Year ended 31 March 2022	Year ended 31 March 2021	Change %
Net revenue (£m)	**26.7**	29.0	(8.1%)
Transactions (millions)	**157.2**	168.3	(6.6%)
Transaction value (£m)	**3,932.3**	4,210.1	(6.6%)
Average transaction value (£)	**25.0**	25.0	–
Net revenue per transaction (pence)	**17.0**	17.2	(1.4%)

Cash – bill payments net revenue decreased by £2.3 million (8.1%) to £26.7 million primarily as a result of the continued switch to digital payment methods and consumers are continuing to make larger payments, less frequently. Cash bill payments transactions decreased by 11.1 million (6.6%) to 157.2 million. Cash bill payments net revenue per transaction decreased by 0.2 pence (1.4%) due to margin erosion from client contract renewals.

Cash – top-ups	Year ended 31 March 2022	Year ended 31 March 2021	Change %
Net revenue (£m)	**7.8**	8.3	(6.2%)
Transactions (millions)	**21.2**	24.3	(12.6%)
Transaction value (£m)	**257.6**	289.1	(10.9%)
Average transaction value (£)	**12.1**	11.9	1.9%
Net revenue per transaction (pence)	**36.8**	34.2	7.7%

Cash – top-ups net revenue decreased by £0.5 million (6.2%) to £7.8 million. Cash top-ups transactions decreased by 3.1 million (12.6%) to 21.2 million due to further market declines in the prepaid mobile sector whereby UK direct debit pay monthly options displace UK prepay mobile and Covid-19 impacts where consumers are making larger payments and less frequently.

Digital	Year ended 31 March 2022	Year ended 31 March 2021	Change %
Net revenue (£m)	**7.8**	6.1	27.1%
Transactions (millions)	**34.2**	27.2	25.6%
Transaction value (£m)	**756.6**	545.7	38.6%
Average transaction value (£)	**22.2**	20.1	10.3%
Net revenue per transaction (pence)	**22.5**	22.4	0.4%

Digital (MultiPay, Cash Out and RSM 2000) net revenue increased by £1.7 million (27.1%) to £7.8 million and digital transactions increased by 7.0 million (25.6%) to 34.2 million driven by the £1.1 million contribution of RSM 2000 to this sector. MultiPay net revenue decreased by £0.9 million to £3.3 million (2021: £4.2 million), this was due to the expected volume reduction from Utilita moving customers to their in-house solutions. This was partially offset by the new DWP Payment Exception Service which contributed £1.6 million net revenue in the period partially offset by Cash Out net revenue which decreased by £0.1 million (4.7%), driven by reduced demand from local authorities seeking to digitise their payments offering and despite Covid-19 meal voucher schemes winding down.

Financial review continued

Cash through to digital	Year ended 31 March 2022	Year ended 31 March 2021	Change %
Net revenue (£m)	**8.2**	8.7	(5.6%)
Transactions (millions)	**10.6**	11.4	(6.9%)
Transaction value (£m)	**505.2**	475.0	6.4%
Average transaction value (£)	**47.5**	41.6	14.3%
Net revenue per transaction (pence)	**77.4**	76.3	1.4%

Cash through to digital (eMoney) net revenue decreased by £0.5 million (5.6%) to £8.2 million (2021: £8.7 million) and transactions decreased by 0.8 million (6.9%) to 10.6 million (2021: 11.4 million) reflecting these schemes delivering lower volumes following the strong performance seen during Covid-19 period. eMoney transactions derive a substantially higher fee per transaction than traditional top-up transactions.

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

Total costs

	Year ended 31 March 2022	Restated[1] Year ended 31 March 2021	Change %
Continuing operations excluding exceptional items (£m)			
Other costs of revenue	**11.0**	7.0	57.1%
Depreciation and amortisation (costs of revenue)	**7.6**	7.8	(2.6%)
Depreciation and amortisation (administrative expenses)	**2.9**	0.9	222.2%
Other administrative costs (administrative expenses)	**46.0**	43.6	5.7%
Net finance costs	**2.0**	1.3	53.8%
Total costs from continuing operations excluding exceptional items	**69.5**	60.6	14.7%

Total costs from continuing operations increased by £8.9 million (14.7%) to £69.5 million. Prior year costs have been restated and reduced by £1.0 million by the retrospective application of the change in accounting policy on intangible assets following the April 2021 IFRIC agenda decision on costs incurred in implementing cloud computing SaaS arrangements. This is the net impact of reversing amortisation of previously capitalised intangible assets and expensing rather than capitalising SaaS type expenditure in the year.

The increase in costs from continuing operations was primarily driven by the cost base in relation to the newly acquired businesses of £12.2 million, included within this balance is £2.4 million for amortisation on acquired intangibles shown in administrative expenses.

This was partially offset by operational cost reductions made in the group of £3.3 million. This included lower people costs of £1.2 million primarily as a result of higher vacancies this year compared to last year, lower depreciation and amortisation with some legacy assets coming to the end of their life.

Operating margin before exceptional items[2]

Operating margin from continuing operations before exceptional items of 41.4% (2021: 39.0%) increased by 2.4 ppts due to increases in our shopping sector which carries a higher operating margin.

Profit before tax and taxation

The tax charge for continuing operations of £9.0 million (2021: £4.5 million) on profit before tax from continuing operations of £48.5 million (2021: £20.4 million) represents an effective tax rate[3] of 18.5% (2021: 22.3%). 3.8ppts lower than prior year due to a decrease in disallowable expenses associated with the one-off acquisition and disposal costs and expenditure qualifying for the capital allowances super deduction and non-taxable items, partially offset by the impact of revaluing the deferred tax liability following the enactment of the increased main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023.

1. Comparative information has been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.
2. Operating margin before exceptional items % is an alternative performance measure and is calculated by dividing operating profit before exceptional items by net revenue.
3. Effective tax rate is the tax cost as a percentage of profit before tax.

Discontinued operation – Romania

	Year ended 31 March 2022	Year ended 31 March 2021	Change %
Revenue from discontinued operation	**1.3**	67.7	n/m
Net profit from discontinued operation	**0.1**	7.6	n/m
Profit on disposal of discontinued operation	**29.9**	–	–
Total profit before tax from discontinued operation	**30.0**	7.6	n/m

The revenues and net profit from the discontinued operation in the current year represents the revenue and costs from the Romanian between 1 and 8 April 2021 prior to disposal completion.

Group statement of financial position

Net assets of £83.3 million (2021: £33.3 million) increased by £50.0 million. Current assets decreased by £64.4 million to £104.8 million (2021: £169.8 million) with no assets held for sale in the current financial period following the sale of the Romanian business in April 2021. Non-current assets of £127.3 million (2021: £115.7 million) increased by £11.6 million mainly due to the additional investments made in RSM 2000 and Snappy Shopper Limited. Current liabilities reduced £88.0 million due to no liabilities relating to assets held for sale, £24.0 million reduction in loans and borrowings from using part of the Romania disposal proceeds and payment in relation to Ofgem. Non-current liabilities of £15.7 million (2021: £30.5 million) decreased mainly by the non-current portion of the 3 year term loan.

Group cash flow and liquidity

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

	Year ended 31 March 2022	Restated[1] Year ended 31 March 2021	Change %
Profit before tax from continuing and discontinued operations	**78.5**	28.0	180.4%
Ofgem provision – cash payment/provision reversal	**(12.5)**	12.5	–
Other exceptional items	**(2.9)**	–	–
Gain on disposal of investments Romania	**(30.0)**	–	n/m
Depreciation and amortisation	**10.6**	9.1	16.5%
VAT and other non-cash items	**–**	0.1	–
Share-based payments and other items	**0.9**	0.9	–
Working capital changes (corporate)	**(3.2)**	0.8	n/m
Cash generation	**41.4**	51.4	(19.5%)
Taxation payments	**(9.2)**	(8.4)	9.5%
Capital expenditure	**(10.8)**	(5.2)	(107.7%)
Acquisition of Collect+ brand	**–**	(6.0)	–
Acquisitions of subsidiaries net of cash acquired	**(4.5)**	(60.8)	92.6%
Contingent consideration cash paid	**(2.0)**	–	–
Purchase of investment in associate	**(6.7)**	–	–
Purchase of convertible loan note	**(0.8)**	–	–
Disposals of business net of cash disposed	**20.2**	–	–
Movement in loans and borrowings	**(35.0)**	11.3	(409.7%)
Lease payments	**(0.2)**	(0.2)	–
Dividends paid	**(23.1)**	(21.4)	7.9%
Net decrease in corporate cash and cash equivalents	**(30.7)**	(39.3)	(21.9%)
Net change in clients' funds and retailers' deposits	**(9.7)**	11.9	(181.5%)
Net decrease in cash and cash equivalents	**(40.4)**	(27.4)	47.4%
Cash and cash equivalents at the beginning of year	**64.8**	93.8	(30.9%)
Effect of foreign exchange rate changes	**–**	(1.6)	–
Cash and cash equivalents at the end of year	**24.4**	64.8	(62.3%)
Comprising:			
Corporate cash	**7.7**	18.3	(57.9%)
Clients' funds and retailers' deposits	**16.7**	46.5	(64.3%)

1. Comparative information has been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

Financial review continued

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

	Year ended 31 March 2022	Restated[1] Year ended 31 March 2021	Change %
Profit before tax from continuing operations	**48.5**	20.4	137.7%
Provision in relation to the Ofgem Statement of Objections	**–**	12.5	–
Other exceptional items	**(2.9)**	3.6	n/m
Profit before tax from continuing operations excluding exceptional items	**45.6**	36.5	25.0%
Depreciation and amortisation	**10.6**	8.7	21.8%
VAT and other non-cash items	**–**	0.1	–
Share-based payments and other items	**0.9**	0.9	–
Working capital changes (corporate)	**(3.2)**	0.7	n/m
Cash generation from continuing operations excluding exceptional items	**53.9**	46.9	14.9%

1. Comparative information has been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

Cash generation remained strong with £41.4 million (2021: £51.4 million) delivered from profit before tax from continuing and discontinued operations of £78.5 million (2021: £28.0 million). Current year cash generation was impacted by the £12.5 million payment in relation to the Ofgem Statement of Objections. Adjusting for exceptional items, cash generation from continuing operations improved by 14.9% to £53.9 million. There was a net working capital outflow of £3.2 million primarily from the VAT deferral offered by HMRC now being repaid.

The current period benefited from the £47.6 million cash proceeds received on sale of the Romanian business, net of transaction costs. Taxation payments on account of £9.2 million (2021: £8.4 million) are higher compared to the prior period due to the increased taxable profits earned in the period compared to the prior year. Dividend payments were higher compared to the prior period due to the increase in the interim and final ordinary dividend paid per share compared to the prior year ended 31 March 2021.

Capital expenditure of £10.8 million (2021: £5.2 million) was £5.6 million higher than the prior year. Capital expenditure primarily consists of IT hardware, PayPoint One terminals, EPoS development and the enhancement to the Direct Debit platform. The increase in capital expenditure is primarily driven by the enhancement to the Direct Debit platform.

At 31 March 2022 net corporate debt was £43.9 million (2021: £68.2 million) and has decreased by £24.3 million from the prior year end position. Total loans and borrowings of £51.6 million which have decreased by £35.0 million consisted of a £21.7 million amortising term loan, £27.0 million drawdown of the £75.0 million revolving credit facility and £2.9 million of asset financing balances (2021: £49.5 million drawdown from the revolving credit facility, £32.5 million amortising term loan and £4.6 million of asset financing balances). The cash proceeds received on sale of the Romanian business in April 2021 were partly used to reduce the revolving credit facility.

Dividends

	Year ended 31 March 2022	Year ended 31 March 2021	Change %
Ordinary reported dividends per share (pence)			
Interim (paid)	**17.0**	15.6	9.0%
Final (proposed)	**18.0**	16.6	8.4%
Total reported dividend per share (pence)	**35.0**	32.2	8.7%
Total dividends paid per share	**33.6**	31.2	7.7%
Total dividends paid in year (£m)	**23.1**	21.4	7.9%

We have declared an increase of 8.4% in the final dividend of 18.0 pence per share (2021: 16.6 pence per share) payable in equal instalments of 9.0 pence per share (2021: 8.3 pence per share) on 25 July 2022 and 30 September 2022 to shareholders on the register on 10 June 2022 and 2 September 2022 respectively. The final dividend is subject to the approval of the shareholders at the annual general meeting on 20 July 2022.

The final dividends will result in £12.4 million (2021: £11.4 million) being paid to shareholders from the standalone statement of financial position of the Company which, as at 31 March 2022, had approximately £67.9 million (2021: £58.1 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 not materially changed since the prior year end and follows the following capital allocation priorities:

- Investment in the business through capital expenditure in innovation to drive future revenue streams and improve the resilience and efficiency of our operations;
- Investment in opportunities such as the acquisitions of i-movo, Handepay/Merchant Rentals and RSM 2000 in November 2020, February 2021 and April 2021 respectively and investment in Snappy Shopper in April 2021;
- Progressive ordinary dividends targeting a cover ratio of 1.2 to 1.5[1] times continuing operations earnings excluding exceptional items.

Going concern

The financial statements have been prepared on a going concern basis having regard to the identified principal risks and uncertainties and viability statement on pages 54 to 59. Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group including dividends.

Alan Dale
Finance Director
17 June 2022

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

Chairman's statement for governance

Giles Kerr
Chairman

This has been another positive year for the PayPoint Group as the business has built on the transformation and strategic step change delivered last year.

Dear Shareholders,
This has been another positive year for the PayPoint Group as the business has built on the transformation and strategic step change delivered last year. Over the last two years, the Group has undergone material change and diversified away from legacy business lines, with growth in Payments and Banking, E-commerce and Shopping off-setting the decline in cash payments. I am delighted with the way the management team, led by Nick Wiles, and all the employees of the Group have responded to the continuing challenges in our markets, enabling us to report a positive financial performance, opening up further growth opportunities across the business and delivering further progress against our strategic objectives.

Governance
I am pleased to report that for the year under review, we have consistently applied the Principles of Good Governance contained in the 2018 UK Corporate Governance Code. The Board has completed a review of the disclosures and management of climate related risks for the Task Force on climate related Financial Disclosures. Disclosure is provided in our 2022 Annual Report, along with the further progress made on developing our broader ESG strategy.

Executive Board
The Executive Board has also been strengthened in key areas this year to drive growth and accelerate the pace of delivery further. Anna Holness, joined the business as Sales Director in January 2022, after three years as VP, Sales, Merchant International Solutions at Worldpay. In addition, four internal promotions were made to the Executive Board in January 2022 to recognise their critical roles in delivering our growth agenda: Jo Toolan, Head of Client Management; Jay Payne, IT Service and Operations Director; Chris Paul, Head of Corporate Finance; and Steve O'Neill, Corporate Affairs and Marketing Director.

Board Evaluation
Following last year's triennial external evaluation, we have this year conducted an internal evaluation of the Board, its Committees and individual Directors, which confirmed that our Board and Committees continue to operate effectively. More information on the process and results of that evaluation can be found on page 71.

Ofgem
On 23 November 2021, Ofgem, the energy regulator, published a 'Notice of Decision to Accept Binding Commitments', regarding commitments proposed by PayPoint to Ofgem to address the concerns raised in Ofgem's Statement of Objections received on 29 September 2020. Ofgem accepted those commitments as a resolution of its concerns. PayPoint has been implementing the commitments in a timetable agreed with Ofgem, including a £12.5 million donation to Ofgem's Energy Industry Voluntary Redress Scheme (currently administered on Ofgem's behalf by the Energy Saving Trust).

Annual General Meeting
The Company's Annual General Meeting will be held at PayPoint's registered office on 20 July 2022 where you will have the opportunity to meet the Board and members of the Executive Board. The matters to be approved by shareholders are set out in our Notice of Annual General Meeting which will be mailed to shareholders towards the end of June.

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

Giles Kerr
Chairman
17 June 2022

Performance evaluation of the PayPoint Board and its Committees

In accordance with the Code, the Board and its Committees undertake an external evaluation every three years, with internal evaluations being undertaken in the intervening years. The last such external evaluation was carried out in 2021.

2022 internal evaluation process and output

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

The Chairman presented the findings of the evaluation at the February 2022 Board meeting and the following actions were agreed:

1) Presentation of risk:	2) Engagement with stakeholders:	3) Extend the employee forum for the NEDs:	4) ESG:	5) Deep dives:
The work on risk was felt to be good with a high level of diligence but it was considered that the presentations to the Board could be snappier with greater focus on four or five key issues which could be pre-agreed with the Audit Committee Chair/ Finance Director prior to the meeting.	The Chairman acknowledged it was important to engage with stakeholders. We have made efforts to strengthen our retailer partner relationships and drive adoption of new opportunities to earn, including regular 'cash and carry' days, more direct communications and more regular meetings with the key trade associations, including the Association of Convenience Stores (ACS), the Scottish Grocers' Federation (SGF) and the National Federation of Retail Newsagents (NFRN). Additionally, the Chairman of the Board and the CEO engaged with key shareholders throughout the year and reported to the Board on issues discussed. The Remuneration Committee Chair also engages with shareholders on matters pertaining to Board and Executive pay.	It was thought beneficial for the NEDs to attend some employee fora to engage one-to-one. Gill Barr continued her attendance of the quarterly meetings as she has done for the last three years and invitations have been extended to other NEDs to attend in future. Rakesh Sharma attended a meeting of the employee forum last year to describe the remuneration arrangements.	Further actions on ESG reporting and monitoring would continue in 2022/23 including monitoring initiatives in equality, diversity and inclusion, the gender pay gap, the structure of rewards, recruitment and retention, corporate actions on culture and engagement, monitoring and assessing climate risk and issues relating to integration of the businesses acquired during the financial year.	It was agreed that deep dives of various business sectors should occur. A deep dive into the Housing Associations sector was held at the November 2021 Board meeting and for the Charities and Newspapers sectors reviews were held at the March 2022 Board meeting.

2021 external evaluation process and output

In 2020, PayPoint engaged Lintstock to facilitate an external evaluation. Lintstock is an advisory firm that specialises in Board reviews and provides no other services to the Company.

The first stage of the review involved Lintstock engaging with the Chairman and Company Secretary to set the context for the evaluation and to tailor the survey content to the specific circumstances of PayPoint. All Board members were then invited to complete surveys addressing the performance of the Board, each of the Board Committees and the Chairman. The anonymity of the respondents was ensured throughout the process in order to promote open and candid feedback.

The exercise was designed to cover core aspects of Board performance, and had a particular focus on the following themes:

- the quality of the relationship developing between the Board and the new Chief Executive, and the top priorities for the new Chief Executive over the coming year
- the adjustment in the Board's focus in response to Covid-19, and the effectiveness of meetings conducted remotely during the pandemic
- the level of the Board's focus on risk, including how well the organisation's risk management arrangements have coped with the challenges associated with Covid-19
- the size of the Board, the range of skills and the level of diversity amongst members, as well as key changes that should be made to the Board's composition over the coming years
- the knowledge of the views of employees, the monitoring of the culture throughout PayPoint, and the quality of insight that the Board gains through the employee forum
- the Board's understanding of other key stakeholder groups, including our people, shareholders, convenience retailer partners, SMEs, consumers and clients
- the clarity and achievability of PayPoint's strategic plan, and the Board's understanding of the organisation's strengths and weaknesses relative to key competitors

The observations and recommendations resulting from the review were considered at subsequent Board and Committee meetings.

The following areas were proposed and agreed for focus over the next 12 months:

Area	Board discussion	Agreed action
Strategy	The integration of the newly acquired businesses was key.	The Board would continue to be provided with regular updates on these integrations. This occurred throughout the year.
Stakeholders	The Board would benefit from greater exposure to client and retailer engagement.	Management would provide a detailed review of the ongoing relationships with and experiences of these stakeholders to include site visits as appropriate. Board members attended client and retailer site visits regularly.
Diversity	The Board acknowledged that the gender balance within the Board had fallen from 33% to 28.5%.	The Board agreed to appoint an additional female Non-Executive Director to the Board in Q4 FY22-23. Once appointed the gender balance would represent 37.5%.

The following actions were agreed in respect of the evaluations of each of the Committees of the Board:

Committee	Discussion	Agreed action
Audit	The Committee agreed that training on specific areas would be of benefit to the members.	External providers would be contacted and training arranged. The MD of the Payment Systems Regulator was to be contacted and training arranged. Cyber security risk was presented.
Nomination	The Committee was working effectively.	No specific actions required. The Committee was fit for purpose.
Remuneration	Keeping abreast of the views of investors and proxy advisors was essential.	The remuneration consultants would provide an update to the Committee. This occurred at the March 2022 Committee meeting.

Board of Directors

Giles Kerr
(ACA)
Chairman

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

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

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

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

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

Nick Wiles
Chief Executive

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

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

Board skills and experience
Investment banking, corporate finance, equity markets, investor sentiment and relations.

Other principal roles
Director Snappy Shopper.

Committee memberships
Member of the Market Disclosure Committee.

Alan Dale
(ACA)
Finance Director

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

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

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

Other principal roles
None.

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

Gill Barr
Independent Non-Executive Director

Appointed to the Board in June 2015.

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

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

Other principal roles
Senior independent director of N Brown Group plc and non-executive director of Wincanton plc.

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

Rakesh Sharma
OBE FREng CPhys MInstP
Senior Independent Director

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

Career
Rakesh started his career as an electronic design engineer at Marconi in 1983 before moving to Dowty as chief engineer in 1989. He was chief executive of Ultra Electronics Holdings Plc ('Ultra') having previously held several senior and management positions within Ultra and has managed businesses and divisions across the full range of that company's wide portfolio including in the B2B fintech sector.

Board skills and experience
Rakesh brings executive management and cultural change experience to the Board. Additionally, his long association in the global security sector brings skills in cyber security and information technology. Rakesh also supports the younger generation though his pro bono activities for a multi academy trust and Riverbank Academy, a special educational needs school. In addition, Rakesh mentors young start-ups and is a motivational speaker.

Other principal roles
Chairman of Kromek Group plc.

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

Ben Wishart
Independent Non-Executive Director

Appointed to the Board in November 2019.

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

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

Other principal roles
Global CIO Ahold Delhaize.

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

Rosie Shapland
(FCA)
Independent Non-Executive Director

Appointed to the Board in October 2020.

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

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

Other principal roles
Non-executive director and audit committee chair of Foxtons Group plc and Workspace Group Plc.

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

Board experience

Cyber security and IT
29%

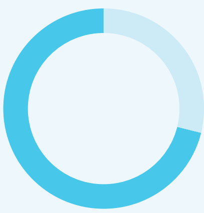
Operational
29%

Finance
57%

Risk management
57%

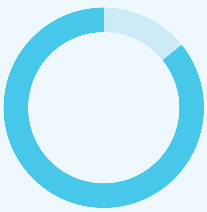
Board diversity

Gender



- Female 29%
- Male 71%

Ethnicity



- Ethnic minority British 1
- White British 6

Executive Board

Nick Wiles
Chief Executive

See **Board of Directors** for biography.

Alan Dale
Finance Director

See **Board of Directors** for biography.

Simon Coles
Chief Technology Officer

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

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

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

Danny Vant
Client Services Director

Danny joined the business in 2019 and was appointed to his current role of Client Services Director in 2020, leading the commercial and strategic development of the client portfolio and managing relationships with the multiple retailers.

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

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

Mark Latham
Banking Services Director

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

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

Anna Holness
Sales Director

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

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

Steve O'Neill
Corporate Affairs and Marketing Director

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

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

Steve is also a member of the ESG Working Group.

Chris Paul
Head of Corporate Finance

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

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

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

Katy Wilde
HR Director

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

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

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

Ben Ford
Customer Experience Director

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

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

Tanya Murphy
General Counsel and Head of Compliance

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

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

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

Jay Payne
IT Service & Operations Director

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

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

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

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

Jo Toolan
Head of Client Management

Jo joined PayPoint in 2011 and is currently Head of Client Management, responsible for the strategic management of major accounts and expanding our digital payments solutions into new and existing clients, including BBC, Paysafe, Monzo and the major Utility providers.

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

Corporate Governance Report

The Board considers that throughout the year under review it has complied with the provisions of the UK Corporate Governance Code (the 'Code') as published by the Financial Reporting Council in July 2018.

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

Membership and attendance at scheduled Board meetings held during the year

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

Current members	Role	Attendance at scheduled meetings during the year: Eligible to attend	Attendance at scheduled meetings during the year: Attended
Executive Directors			
Nick Wiles	Chief Executive	7	7
Alan Dale	Finance Director	7	7
Non-Executive Directors			
Giles Kerr	Chairman	7	7
Gill Barr	Independent Non-Executive Director	7	6[1]
Rosie Shapland	Independent Non-Executive Director	7	7
Rakesh Sharma	Senior Independent Director	7	7
Ben Wishart	Independent Non-Executive Director	7	7

1. Gill Barr was unable to attend the meeting held in March 2022 due to a family bereavement.

In addition to the seven scheduled meetings, the Board met a further 12 times during the year under review to give consideration to and approval of adhoc matters in accordance with the schedule of matters reserved to the Board.

Corporate governance framework

The Board provides effective leadership to the Group within a wider corporate governance framework with clearly defined roles and responsibilities as illustrated in the chart opposite. The governance framework supports the rigorous challenge by the Board of strategy, performance and accountability, which encourages the proper implementation of the strategic aims of the Company. This results in the growth of the business and protection of the interests of shareholders and wider stakeholders.

Board composition

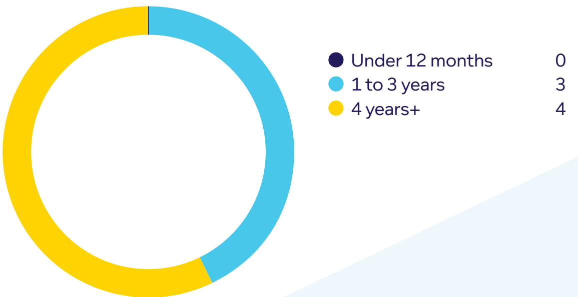
At the date of this report, the Board comprises seven Directors: the Chairman; the Chief Executive; the Finance Director; the Senior Independent Director; and three Independent Non-Executive Directors. The size of our Board allows time for full discussion and debate of matters and enables all Directors' views to be heard. The Non-Executive Directors have a broad range of skills and experience bringing balance and diversity to the Board. The biographies, skills and competences of each of our Directors are set out on pages 72 to 73.

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

The terms and conditions of appointment of the Non-Executive Directors and the Executive Directors' service contracts are available for inspection at the Company's registered office during normal business hours and at the annual general meeting. In accordance with the provisions of the Code all Directors submit themselves for election or reelection at each annual general meeting. The Board's recommendations in respect of the election/re-election of each Director can be found in the Notice of Annual General Meeting on page 156.

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

Tenure of Board



Independence statement

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

Corporate Governance Framework

The Board

The Board is collectively responsible for the long-term success of the Group and is accountable to the shareholders of the Group. The Board provides effective leadership by setting the strategic aims of the Group and overseeing the efficient implementation of these aims in order to achieve sustainable growth of the business. It monitors operational and financial performance against agreed goals and objectives whilst ensuring that the appropriate controls and systems exist to manage risk. The Board ensures that there are the necessary financial resources and people with the necessary skills to achieve the strategic goals the Board has set. The Nomination, Audit and Remuneration Committees support the Board in carrying out its role, which is formally set out in 'the Matters Reserved to the Board', full details of which can be found on the Company's website www.corporate.paypoint.com. The details of the roles of each of those Committees can be found on pages 82 to 101. In addition, the Executive Board carries out strategic objectives delegated to it by the Board and the roles of each member of the Executive Board are set out on pages 74 to 75.

Audit Committee

The key role of this Committee is to ensure the integrity of the Company's financial reporting to shareholders. Read more on pages 84 to 89.

Nomination Committee

The Nomination Committee is responsible for reviewing the composition of the Board to ensure its members have the right skills and experience to implement the strategy of the Company. Read more on pages 82 to 83.

Remuneration Committee

The Committee's key responsibility is to determine and apply the Remuneration Policy to ensure it promotes the delivery of the Group's strategy. Read more on pages 90 to 101.

Market Disclosure Committee

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

Cyber Security & Information Technology Sub-Committee

This is a sub-committee of the Audit Committee. The role of the Committee is to oversee Group cyber-security and IT matters.

Executive Board

The Executive Board is led by the Chief Executive and comprises: the Finance Director, HR Director, Client Services Director, Customer Experience Director, Banking Services Director, General Counsel and Head of Compliance; Chief Technology Officer; Sales Director; IT Service & Operations Director; Head of Client Management; Corporate Affairs & Marketing Director and Head of Corporate Finance. The Executive Board is responsible for the day-to-day operational management of the Group and supports the Chief Executive in implementing the Group's strategic aims. The Board oversees the activities of the Executive Board.

Regulated entities within the Group

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

- PayPoint Payment Services Limited[1]
- i-movo Limited[2]
- Handepay Limited[3]
- Merchant Rentals Limited[4]
- RSM 2000 Limited[5]

1. This an authorised payment institution regulated by the FCA with permission to provide regulated payment services (including certain CashOut services) under the Payment Services Regulations 2017.
2. This is a small payment institution regulated by the FCA with money remittance permissions under the Payment Services Regulations 2017.
3. This is an authorised Consumer Credit (Consumer Hire) company regulated by the FCA with credit broking permissions under the Consumer Credit Act. This is a Limited Permission Consumer Credit firm.
4. This is an authorised Consumer Credit (Consumer Hire) company regulated by the FCA with permission to enter into Regulated Consumer Hire Agreements as owner and to exercise or have the right to exercise the owner's rights and duties under regulated Consumer Hire Agreement permissions. This is a Limited Permission Consumer Credit firm.
5. This is an authorised Consumer Credit company regulated by the FCA with permissions for credit broking, debt collecting, debt administration, entering into Regulated Consumer Hire Agreements as owner and exercising or having the right to exercise the owner's rights and duties under a regulated Consumer Hire Agreement. This is a Full Permission Consumer Credit Firm and also an authorised payment institution regulated by the FCA with permission to provide regulated payment services under the Payment Services Regulations 2017.

ESG Working Group

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

The Executive Board has overall day to day control on ESG and hears progress reports from the ESG Working Group (a working party of the Executive Board comprising the Finance Director, the HR Director, the Head of Risk and Internal Audit, the Corporate Affairs and Marketing Director and the Company Secretary to progress ESG matters and TCFD Reporting through regular meetings. The Group met throughout 2021-22 and progressed various aspects on TCFD and ESG that were considered and approved by the Executive Board and Plc Board. The ESG Working Group monitors performance against targets throughout the year and reports performance to the Executive Board and Board.

Corporate Governance Report continued

Induction
On joining the Board, all new Directors receive a full, formal and tailored induction. One-to-one meetings are held with each member of the Executive Board and other senior management in the business and external advisors as appropriate. The induction includes the provision of relevant current and historical information about the Company together with applicable business policies. The Company Secretary assists in the induction of new Directors and undertakes a review with new Directors post induction to consider any initiatives which would improve the process.

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

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

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

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

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

Conflicts of interest
Under the Articles of Association, the Board has authority to approve any conflicts or potential conflicts of interest that are declared by individual Directors prior to and during appointment. Conditions may be attached to such approvals and Directors will generally not be entitled to participate in discussions or vote on matters in which they have or may have a conflict of interest.

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

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

Two strategy sessions are also held each year, the first in September followed by a session in February. The Board is updated on progress against the strategic plan and any new initiatives to grow and develop the PayPoint Group.

The Chairman sets the agenda for the Board and ensures that adequate time is available for discussion of all agenda items. He ensures informed decisions are reached in an effective manner by facilitating open discussion and debate of agenda items by Board members. The Non-Executive Directors meet ahead of each Board meeting to discuss the business of the meeting and any related issues. Consultations with management and with external advisors are held when necessary to aid the Board's decision-making process. The table opposite shows the key areas of Board activity during the year ended 31 March 2022.

Strategy and business review

- two scheduled strategy sessions followed by progress reviews throughout the year
- regular business and performance updates across all divisions
- further to Covid-19, implementing an operating model to minimise disruption of service and support to clients and retailer network whilst ensuring the safety of all employees
- investment in Snappy Shopper and Optus Homes

Internal control and risk management

- considered the continuing impact of Covid-19 for the Group
- assessed the IT infrastructure and cyber risks generally and specifically
- assessed the effectiveness of the internal controls and risk management process within the Group
- approved the renewal of insurance policies for the Group
- carried out a robust assessment of the nature and extent of emerging and principal risks and uncertainties facing the Group and how these risks could affect the business, financial condition or operations of the Group

Financial

- approved half-year and full-year financial statements and quarterly trading updates
- approved dividends paid to shareholders during the financial year ended 31 March 2022
- reviewed management presentations to analysts for the full and half-year results
- considered and approved the plan for the financial year ending 31 March 2023
- reviewed Group forecasts and scrutinised the built-in risks and opportunities
- received monthly management accounts
- received management reports

Governance

- approved the Notice of Annual General Meeting
- reviewed and approved the Board policy on Diversity and Inclusion
- reviewed investor feedback from the full and half-year roadshows
- approved the Modern Slavery Statement
- approved scope 1, 2 & 3 GHG reduction targets
- approved Net zero targets
- considered the feedback received from the employee forum when making decisions regarding working patterns, engagement surveys and ESG
- carried out an internal performance evaluation of the Board and its Committees
- approved revisions to the terms of reference of the Audit, Remuneration and Nomination Committees
- approved revisions to various policies and the Board's delegated authority in accordance with the Matters Reserved for the Board
- considered shareholder analysis summary reports

People

- reviewed the Group health and safety reports
- received regular updates on the employee forum from Gill Barr, Non-Executive Director, the appointed Board representative for the employee forum
- reviewed the PayPoint Gender Pay Gap report and approved the commitments and actions therein, prior to publication of the report
- continued the monitoring of working practices for all our people to safeguard employees in light of Covid-19
- discussed the composition of the Executive Board and reviewed succession planning

Corporate Governance Report continued

Division of roles and responsibilities

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

Board leadership

Chairman – Giles Kerr

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

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

Running the business

Chief Executive – Nick Wiles

Nick Wiles is responsible for running the Group's business and for proposing and developing the Group's strategy and overall commercial objectives. He leads the Executive Board, the responsibilities of which are set out on page 77. His other main responsibilities include:

- providing input to the Board's agenda and ensuring that the Executive Board gives appropriate priority to providing timely reports to the Board containing clear and accurate information
- implementing the agreed strategy with the support of the Executive Board
- ensuring that the Chairman is alerted to forthcoming complex, contentious or sensitive issues affecting the Group
- providing information and advice to the Chairman in respect of succession planning for membership of the Executive Board
- leading the communication programme with shareholders
- acting as Director of various subsidiaries of the Group

Finance Director – Alan Dale

Alan Dale is responsible for all financial reporting, investor relations, tax, treasury and financial control aspects of the Group. As a member of the Executive Board he also provides support to the Chief Executive in the development and implementation of the strategy, and in the wider activities of the Group as required. Alan is also a Chair and Director of various subsidiaries of the Group and a member of the ESG Working Group[1].

Constructive challenge and independent oversight

Senior Independent Director – Rakesh Sharma

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

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

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

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

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

Board support

Company Secretary – Brian McLelland

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

- supporting the Board and Committee Chairs in setting the agendas and ensuring information is made available to the Board members in a timely fashion
- arranging the induction of new Directors and coordinating training requirements for the Non-Executive Directors as required
- organising internal and external Board and Committee evaluations at the request of the Chairman
- membership of the Market Disclosure Committee of the Board
- acting as secretary to the subsidiaries of the Group
- membership of the ESG Working Group

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

Accountability

Financial and business reporting

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

- page 104 for the Board's responsibility statement setting out the steps taken to present a fair, balanced and understandable assessment of the Company's position and prospects
- pages 02 to 33 for the strategy and business model which explains how the Company generates and preserves value over the longer term and the strategy for delivering the objectives of the Company
- page 103 for the statement that the financial statements have been prepared on a going concern basis

Risk management and internal control

The Board has overall responsibility for establishing and maintaining sound risk management and internal control systems and the monitoring of these systems to ensure that they are effective and fit for purpose. The Audit Committee provides support to the Board in this regard and oversees the monitoring process. Further information on the risk management and internal control system is set out in the Risk Management Report on page 54.

The Board has carried out a robust assessment of the nature and extent of the emerging and principal risks facing the Group and how these risks could affect the business, financial condition or operations of the Group. The explanation of these principal risks including how they are being mitigated can be found on pages 56 to 58, and a statement on how the Directors have assessed the prospects of the Group taking into account the current position and principal risks is on page 59.

Remuneration

Details of how the provisions of the Code have been applied in respect of Directors' remuneration are set out in the Remuneration Committee Report on pages 90 to 101.

Engagement with stakeholders

In its decision-making, the Board has regard to each Director's duty to promote the success of the Company on behalf of the Company's stakeholders, to foster the Company's relationships with its people, shareholders, convenience retailer partners, SMEs, consumers, clients and local communities and to consider the effect of the principal decisions taken by the Company during the financial year on the Company's stakeholders. For more information see pages 52 to 53.

Engagement with and feedback from our people across the business is vital. This year the employee forum continued to provide feedback on changing working patterns due to Covid-19, general engagement and input into our ESG strategy. Gill Barr, our Board representative for the employee forum, feeds back issues raised by the members of the forum for consideration by the Board.

Shareholder relations

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

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

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

Brian McLelland
Company Secretary
17 June 2022

Nomination Committee Report

Giles Kerr
Chairman,
Nomination Committee

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

Membership and attendance

Current members	Date appointed as member	Attendance at meetings during the year: Eligible to attend	Attendance at meetings during the year: Attended
Giles Kerr (Chairman)	20 November 2015, assuming chairmanship in May 2020	3	3
Gill Barr	1 June 2015	3	2[1]
Rakesh Sharma	12 May 2017	3	3
Rosie Shapland	2 October 2020	3	3
Ben Wishart	14 November 2019	3	2[2]

1. Gill Barr was unable to attend the meeting held in March 2022 due to a family bereavement.
2. Ben Wishart was unable to attend the meeting held in May 2021 due to an unscheduled Ahold Delhaize management meeting.

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

Dear Shareholders,
On behalf of the members of the Nomination Committee, I am pleased to present the Nomination Committee Report for the year ended 31 March 2022.

The Committee met three times during the year. The key areas of focus included the:
- review of the structure and development of the Board and the Executive Board
- review of the result of the 2021 external performance evaluation
- approval of the report of the Committee for inclusion in the 2022 annual report and accounts
- organisational development
- review of the Board's policy on diversity, equity and inclusion
- annual review of the Directors' length of service
- annual review of the Directors' conflicts of interest register and number of external directorships held
- annual review of its terms of reference

During the year, a review of the progress of the NED mentoring programme and succession planning were covered at a meeting of the Board of Directors.

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

Succession planning

In addition to having succession planning in place for the Board and Executive Board, we also focus on the succession plans for key management to ensure we have the right pipeline of talent coming through the business to support the future needs of the Group.

Diversity

The Board's policy on diversity, equity and inclusion, which is reviewed annually by the Committee, sits alongside PayPoint's employee policy, which sets out the Company's commitments to create a positive and inclusive environment where everyone can learn, grow and shine. The Board policy addresses the specific requirements of the UK Corporate Governance Code in relation to the Board and the recommended targets set out in the reports on diversity of Sir Philip Hampton and Dame Helen Alexander, and of Sir John Parker.

In accordance with the Policy Statement on,"Diversity and Inclusion on company boards and executive management" published by the FCA April 2022, which propose changes to the Listing Rules in order to provide disclosure of certain diversity targets on a comply or explain basis. The targets are:

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

All Board appointments are made on merit, in the context of the balance of skills, experience, independence and knowledge which the Board as a whole requires to be effective, taking account of diversity in the manner described above. Responsibility has been delegated to our HR Director for the operation of the diversity and inclusion policy across the rest of the Group and ensuring its maintenance and review. Efforts to increase diversity in the senior management pipeline towards Executive Board positions continues to be supported, and the development of diversity in senior management roles within the Group is encouraged.

As at the date of this report, PayPoint Plc continues to have two female members on the Board who represent 28.5% of the Board members. The Board has approved the appointment of a further female Non-Executive Director to the Board in FY 22-23 and will engage with executive search firms in a manner which enhances opportunities for diverse candidates to be considered for appointment. The Board will also consider female appointments to the senior Board positions identified by the FCA above, at the next available opportunity. Additionally PayPoint Plc meets the targets set out in the Parker Review and the FCA in respect of ethnic diversity on UK boards.

For more information on our diversity, equity and inclusion policy please refer to page 45.

Directors' time commitment and length of service

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

Giles Kerr's second three-year term expired on 20 November 2021. Following Giles's agreement, the Committee recommended to the Board that he be reappointed for a further three years.

All Directors, in accordance with the Code, will be offering themselves for reelection at the annual general meeting on 20 July 2022.

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

Directors' conflicts of interest

The Nomination Committee annually reviews and considers the interests and other external appointments held by the members of the Board. Conflicts declared are recorded in our register of conflicts of interest and this was reviewed and approved by the Committee at its meeting in March 2022. The Directors have a continuing duty to inform the Board of any potential conflicts immediately so that such conflicts may be considered and, if authorised, included within the register of conflicts of interest. We recognise that the Non-Executive Directors have other business interests outside of PayPoint Plc and that other directorships bring significant benefits to the Board. All key external roles are given within the Director biographies on pages 72 to 73. Non-Executive Directors are required to obtain the approval of the Chairman before accepting any further appointments.

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

The Nomination Committee Report was approved by the Board on 17 June 2022.

Giles Kerr
Chairman,
Nomination Committee
17 June 2022

Audit Committee Report

Rosie Shapland
Chair,
Audit Committee

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

Membership and attendance[1]

Current members	Date appointed as member	Attendance at meetings during the year: Eligible to attend	Attended
Rosie Shapland (Chair)	2 October 2020, becoming Chair in December 2020	4	4
Gill Barr	1 June 2015	4	3[2]
Rakesh Sharma	12 May 2017	4	4
Ben Wishart	14 November 2019	4	4

1. The Audit Committee invites the Head of Risk and Internal Audit to attend and provide updates to the Committee at each meeting covering the matters set out in the risk management section of this report. The external auditors KPMG are also in attendance at each meeting along with the Chief Executive, Finance Director and Chairman. Other members of management attend as and when requested. The Company Secretary acts as secretary to the Committee.
2. Gill Barr was unable to attend the meeting held in March 2022 due to a family bereavement.

The Committee has satisfied itself that the PayPoint Plc 2022 annual report and accounts is fair and balanced. We have sought to make the annual report as clear, understandable and informative as possible to provide the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee therefore supports the Board in making its formal statement on page 104.

Audit Committee responsibilities

The Committee's key role is to support the Board in fulfilling its oversight responsibilities by reviewing and monitoring the integrity of the Company's financial reporting to shareholders and any formal announcements relating to the Company's financial performance. The Committee also supports the Board in matters relating to the relationship with the external auditor and in respect of the internal control and risk management systems of the business. Significant financial reporting issues and judgements, together with any changes in accounting principles, are reviewed by the Committee and reported through to the Board. As requested by the Board, the Committee reviews the content of the annual report and accounts and advises the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. Further details of the Committee's responsibilities can be found in its terms of reference, on the Company's website www.corporate.paypoint.com.

Dear Shareholders,

As Chair of the Audit Committee (the 'Committee') I am pleased to present the Audit Committee Report for the year ended 31 March 2022. The report sets out the remit of the Committee, its areas of focus for this financial year and the Company's relationship with its external auditors, KPMG LLP.

The Committee met four times during the year, with meetings timed to coincide with the financial and reporting cycles of the Company. We also met on 19 May 2022 to review the 31 March 2022 annual Report and accounts and the findings of the external auditor. In addition, the Committee met with both the Company's external auditor and Head of Risk and Internal Audit during the year without management being present.

In the year under review the work undertaken by the Audit Committee was as follows:

Financial reporting

- reviewed the annual and interim financial statements
- considered significant accounting policies, financial reporting issues, judgements and estimates, most notably in relation to recent acquisitions
- considered the provision in relation to the Ofgem Statement of Objections and the commitments volunteered by the Company which were formally accepted on 23 November 2021
- considered findings as set out in the reports from the external auditors
- considered and recommended to the Board the going concern basis for preparation of the financial statements
- considered and recommended to the Board the viability statement and the period over which the Company's viability is measured. In doing so the Committee had regard to an assessment which modelled the possible occurrence of significant risks and events, and which showed that the Company would continue to be viable and profitable over the three-year period
- reviewed PayPoint's treasury policy
- approved PayPoint's annual tax strategy
- the Committee continued to focus on revenue recognition during the year due to the level of transactions and the complexity of the systems. We have enhanced the accounting policy and revenue note disclosures to aid understanding of this important area.

Internal audit

- approved the annual audit plan
- monitored progress against the approved audit plan
- received copies of audit reports and assessed key findings and implementation of recommendations
- assessed the audit universe and audit cycle
- monitored resource requirements for internal audit and approved the annual internal audit budget
- carried out an annual review of and approved the internal audit charter

Risk management and internal controls

- carried out a review of the Group's insurance coverage
- approved various policies including whistleblowing and anti-bribery and corruption
- considered any reported frauds and any concerns raised via the Company's whistleblowing process
- reviewed the Company's risk framework and any changes thereto prior to approving the principal and emerging risks for inclusion in the annual report
- approved the UK SOX proposed project plan to ensure it incorporates appropriate processes and controls
- considered quarterly updates from the Group's Compliance Officer which provide an overview of compliance within the Group's regulated entities

Governance

- considered quarterly updates from the Head of Risk and Internal Audit on the Group risks
- carried out an annual review of the Committee's terms of reference
- carried out reviews of the Board Delegated Authority
- received reports from the Chairman of the Cyber Security and Information Technology Sub-Committee. See page 88 for details on the role of the Sub-Committee

The Audit Committee and Cyber and IT Sub-Committee support the Board with monitoring risk management and internal control systems and reviewing their effectiveness. Internal controls are used to mitigate risks faced by the Group within the risk appetite set by the Board in order to safeguard shareholders' investments and Group assets. The Audit Committee reviews effectiveness of the risk management and internal control framework by receiving regular and comprehensive reports and information from Risk and Compliance teams. The Board has defined its risk appetite for all principal risks which are categorised under market, strategic, business and operational risk. A standard risk assessment methodology is applied across the Group to evaluate gross and residual risk and comparing residual risk against risk appetite.

As required by the Code, the Board via the Audit Committee, has carried out a robust assessment of the principal and emerging risks facing the Group, including those that could threaten its business model, future performance, solvency or liquidity. This is more fully described on pages 56 to 58. The following key procedures and monitoring processes are in place to provide effective internal control:

- the Board approves key Group policies and authorities delegated to the Executive Board and senior management. Internal Audits assess adherence and exceptions are reported in Internal Audit reports which are made available to the Audit Committee
- there is an ongoing process to identify, evaluate and manage risks via functional and entity Risk and Control registers and significant risks are reported to the Board and Audit Committee
- the Group's Risk and Compliance teams continuously review processes that have been correctly followed across the Group and exceptions are reported to the Audit Committee and Cyber and Information Technology Sub-Committee
- on behalf of the Board, the Audit Committee reviews fraud, anti-bribery and whistleblowing – there were no instances of fraud, whistleblowing or identified instances of bribery or corruption during the year
- during the year the Environmental, Social and Governance ('ESG') Working Group was implemented to oversee the Group's environmental and social related risks and to make recommendations to the Board, as well as reviewing the TCFD disclosures in the 2022 annual report and accounts
- Executive and Finance management annually attest that to their knowledge they and their teams adhered with Group policies, delegated authorities and year-end procedures; and that relevant Risk and Controls registers are a fair representation of risks, and the controls listed operated effectively during the year. Attestation details are reported to the Audit Committee
- the Audit Committee reviews risk appetite for principal risks and compliance with risk appetite is monitored through the Group's risk assessment processes

Audit Committee Report continued

- the Audit Committee reviews key risks presented by the Head of Risk and Internal Audit at each meeting to ensure management effectively implements preventative and detective controls to monitor and mitigate risk
- the Cyber and Information Technology Sub-Committee reviews key IT and cyber risks to ensure the Group's IT function effectively implements preventative and detective controls to monitor and mitigate risk

On the basis of the above procedures and monitoring processes, the Board, supported by the Audit Committee, has reviewed the effectiveness of the risk management and internal control systems. No significant control failings or weaknesses were identified during the period under review. The Directors confirm that the processes described above have been in place during the financial year and up to the date of the approval of the Annual Report and Accounts.

External audit

- agreed the scope of the 2022 audit together with the fees and terms of engagement. Details of the amounts paid to the external auditors for the audit services for 2022 are given on page 131, note 8 to the financial statements
- received the external auditor's plan for the financial year, reviewing materiality thresholds and areas of risk where the auditor would focus their work
- reviewed the effectiveness of the external audit process, by discussing the results of the auditor's work and their views on material accounting issues and key judgements and estimates
- reviewed the robustness of the audit process and reviewed the 2021 Audit Quality Review Report, regarding the overall quality of audit work provided by KPMG for listed companies
- reviewed and monitored the independence of the external auditor and approved their provision of non-audit services
- recommended KPMG for reappointment at the 2022 annual general meeting
- considered the regulations contained within the Competition and Markets Authority Audit Order to ensure that the Company carries out specific functions in relation to audit services

Significant judgements and critical estimates in relation to the financial statements

In preparing the financial statements for 2022, there were several areas requiring the exercise by management of judgement or a high degree of estimation. Throughout the year, the finance team worked closely with the external auditor to ensure the Company provides the required level of disclosure. The tables below outline the significant areas of judgement and estimation together with other financial reporting matters that have been considered by the Committee in discussion with management and the external auditor.

Significant financial judgements and critical estimates for the year ended 31 March 2022	How the Audit Committee addressed these significant financial judgements and critical estimates
Business combinations: recognition of goodwill and intangible assets and creation of cash generating unit (critical estimate and significant judgement) During the year PayPoint acquired RSM 2000. Accounting for the acquisition requires an assessment of the existence, fair value and expected useful economic lives of separable intangible assets such as customer relationships and regulatory licences at the date of acquisition. The fair value attributed to intangible assets arising on acquisition is recognised in accordance with IAS 38 Intangible Assets and is based on a number of estimates, including the long-term revenue growth rate of the related business and discount rate. PayPoint acquired RSM 2000 as part of its digital strategy and this now forms a key part of PayPoint's new Digital Cash Generating Unit ('CGU'). As part of this strategy Paypoint's MultiPay business has been brought together with the RSM 2000 business to form this new CGU. This will be used to provide a seamless digital proposition to clients going forward into existing and growing markets such as housing and charities.	The Committee reviewed and approved management's paper on the acquisition supported by a report from a third-party valuation specialist. The Committee reviewed the valuation methodology for the acquired assets, with particular focus on the goodwill and intangible assets, and is satisfied that the acquisition accounting and related disclosures are appropriate. The Committee has challenged management on the key assumptions that drive the valuation of acquired assets; the costs to recreate the regulatory licences;and for customer relationships, the expected future income streams and discount rate. The Committee reviewed, discussed and approved a further management paper setting out the rationale and background to the formation of the Digital CGU. The paper summarised the background to the CGU and the constituent elements that make up the relevant income and cost elements that will form the basis for the value-in-use calculation. The Committee also gave further consideration to the implication of the new Digital CGU on the recognition of operating segments for the Group and agreed that no changes were required.
Valuation of the goodwill relating to cash generating unit (critical estimate) In the current and prior year Paypoint has acquired four subsidiaries. An annual impairment review is required on the carrying value of goodwill relating to each of the resulting four cash generating units that have been identified. These are i-movo, Handepay and Merchant Rentals and RSM 2000. The first three subsidiaries were acquired in the prior year and are distinct CGUs whilst RSM 2000 was acquired in the current year and is now part of the Digital CGU. Impairment models have been built which consider future cash flows based on the Board-approved plan and these are discounted to a net present value for comparison to the carrying value. The Board approved plan forecasts cash flows for the initial three years and then appropriate assumptions are applied to forecast a further two years, before prudent long-term growth rates are applied to the fifth year to calculate terminal values. Sensitivity analysis has been applied to determine the impacts of reasonably possible changes in the assumptions used for the value-in-use calculations.	The Committee reviewed and approved a paper setting out management's impairment assessments for the carrying values of goodwill, acquired intangible assets and investments associated with the relevant acquisitions. The Committee reviewed the methodology and assumptions set out in the paper for the impairment tests and is satisfied that the valuation, headroom and related disclosures are appropriate. The Committee has challenged the key assumptions that drive each of the models for the impairment tests including specific growth drivers for each business, discount rates applied and long-term growth rates.

Significant financial judgements and critical estimates for the year ended 31 March 2022	How the Audit Committee addressed these significant financial judgements and critical estimates
Recognition of cash and cash equivalents (Significant judgement) The nature of bill payments and Direct-Debit services means that PayPoint collects and holds funds on behalf of clients as those funds pass through the settlement process and also retains retailer partners' deposits as security for some of those collections. A critical judgement in this area is whether clients' funds and retailer partners' deposits are recognised in the statement of financial position. This includes evaluating: (a) the existence of a binding agreement clearly identifying the beneficiary of the funds (b) the identification, ability to allocate and separability of funds (c) the identification of the holder of those funds at any point in time (d) whether PayPoint bears the credit risk Where there is a binding agreement specifying that PayPoint holds funds on behalf of the client (i.e. acting in the capacity of a trustee) and those funds have been separately identified as belonging to that beneficiary, the cash and the related liability are not included in the statement of financial position. In all other situations the cash and corresponding liability are recognised on the statement of financial position.	The Committee reviewed and approved the accounting policy on cash and cash equivalents and considers the treatment of transactions with management. The Group continues not to recognise clients' funds and retailer partners' deposits on the statement of financial position where there is a binding agreement specifying that PayPoint holds the cash in trust accounts on behalf of clients or retailer partners (i.e. acting in the capacity of a trustee) and that is separately identified as belonging to that beneficiary. The Audit Committee considered the impacts of the April 2022 IFRIC agenda decision on demand deposits with restrictions on use arising from a contract with a third party and is satisfied with management's conclusion that the IFRIC does not result in any changes to the Group's existing accounting policy for cash and cash equivalents.

Other financial reporting matters for the year ended 31 March 2022	How the Audit Committee addressed these financial reporting matters
i-movo deferred consideration During the year management have considered the accounting for the i-movo deferred consideration which is contingent on future performance over the 29-month earnout period from acquisition. It is linked to four revenue growth targets on two potential key revenue streams. As a result of the actual performance compared to the targets set out in the purchase agreement, two of the targets were met and consideration was paid in the year. Management have reviewed the Board approved plans which indicate the remaining two revenue targets are unlikely to be met by the dates specified in the purchase agreement and as a result the remaining provision for deferred contingent consideration was released in the year.	The Committee reviewed and approved a paper supporting management's decision to release the remaining element of the deferred contingent consideration not yet paid. This involved reviewing the background to the deferred contingent consideration and the revenue targets and dates set out in the purchase agreement, the actual performance to date against targets and the forecast performance included in the latest Board approved plan. The Committee agreed with management's conclusion that the remaining provision for deferred contingent consideration should be released.
Viability and going concern Each year the Directors consider the Group's viability over a three-year period. This is consistent with the Group's strategic planning period. For the purposes of assessing the going concern assumption cash flow forecast scenarios have been prepared for a period of at least 12 months from the date of approval of these financial statements, taking into account the Group's current financial and trading position, the principal risks and uncertainties and the strategic plans. Additionally, the Directors have carried out an assessment of the principal risks and uncertainties and applied several severe but plausible scenarios to further test the Group viability. Based on a satisfactory assessment the Directors conclude that it is appropriate to prepare the financial statements on a going concern basis.	The Committee reviewed management's assessment of going concern and the viability statement. The review included consideration of forecast cash flows, relevant sensitives and the impacts of these on the Group's cash position over the 12-month forecast period. The Group's viability has been further tested by applying a number of severe but plausible downside scenarios and considering mitigating actions and the impact of such scenarios on the Group's future financial position. The Committee reviewed and discussed these and the potential mitigations.

Audit Committee Report continued

Cyber Security & Information Technology Sub-Committee

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

Its key responsibilities include to:

- advise the Audit Committee on cyber and information security risks faced by the Group
- assess the adequacy of policies, resources and funding for cyber and information security
- review the Group's cyber and information security breach response plan
- review cyber incident reports and assess the adequacy of proposed actions
- ensure effective business continuity plans
- oversee cyber security training and awareness

The Sub-Committee comprises two Non-Executive Directors: Rakesh Sharma and Ben Wishart as Chairman of the Sub-Committee; the Finance Director, the Chief Technology Officer (who is a member of the Executive Board) and the IT & Service Operations Director (who joined the Executive Board in the year). The Company Secretary is the secretary to the Sub-Committee.

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

External audit

The effectiveness of the audit process is underpinned by appropriate audit planning and risk identification at the outset of the audit cycle. The auditor provides a detailed audit plan identifying their assessment of the risks and other key matters for review. For the year ended 31 March 2022, the significant audit risks identified were: RSM 2000 acquisition accounting; valuation of i-movo contingent consideration; recoverability of i-movo goodwill; and management override of controls and recoverability of parent company's investments in subsidiaries.

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

In accordance with its policy on auditor independence and the provision of non-audit services by the external auditor, the Committee reviews and monitors the auditor's independence and objectivity. This is done by considering the auditor's statement of confirmation of independence, and discussing any identified threats to independence and the safeguards applied to mitigate those threats. The Committee also considers all relationships between the Company and the audit firm, including their network firms and whether those relationships appear to impair the auditor's independence and objectivity. As part of the audit planning process, the auditor provided a statement of confirmation of independence to the Board and the Audit Committee, which confirmed that in their professional judgement KPMG was independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff remained unimpaired.

KPMG was appointed as the Company's auditor on 15 August 2017 following a formal audit tender process. The lead audit partner, James Tracey replaced Michael Harper in September 2021. The Committee considers that it would be appropriate to conduct an external audit tender by no later than the year ending 2028. During the year the Committee reviewed KPMG's scores following their inspection by the AQR for audit engagements during FY2021; 59% of KPMG's audits were rated 'good or limited improvements required', while one required significant improvements. The Committee recommends that KPMG be reappointed as the Company's statutory auditor for the year ending 31 March 2023. It believes the independence and objectivity of the external auditor and the effectiveness of the audit process are safeguarded and remain strong. There are no contractual obligations restricting the Committee's choice of auditor. The Notice of Annual General Meeting at which a resolution for reappointment of the auditor will be proposed, can be found on pages 156 to 162.

Non-audit services

In accordance with the FRC Revised Ethical Standard 2019, the Committee has a policy on auditor independence and the provision of non-audit services by the external auditor. This policy is a guide to the types of work that are acceptable for the external auditor to undertake, and provides clarity on the process to be followed for approval of the provision of non-audit services by the external auditor. The policy also covers the 70% cap on non-audit fees as prescribed by the FRC Revised Ethical Standard 2019. It states that subject to prior approval by the Finance Director, the fees for permitted non-audit services provided by the external auditor must not exceed a specified amount and must have a cumulative annual total of less than 70% of the average audit fee over the three proceeding years.

The ratio of non-audit fees to audit fees paid to the auditor for the year was 7.5%, with non-audit services limited to assurance services for the half year review. Details of the auditor's remuneration for the statutory audit and non-audit services are set out in note 8 to the financial statements.

Risk management and internal control

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

The Company's management of risks and its internal control framework are detailed on page 54.

Internal audit

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

The Committee is responsible for ensuring the Group has a rigorous internal audit programme covering all business areas and risks.

Whistleblowing

PayPoint continuously seeks to prevent malpractice in its business. However, if it occurs, whistleblowing processes have been implemented to provide employees with guidance and ensure concerns raised are appropriately addressed. Our whistleblowing policy ensures colleagues are encouraged to raise concerns about the conduct of others, breaches and irregularities, without fear of reprisal. Whistleblowing is discussed at each Committee meeting and all whistleblowing occurrences are reported to the Committee together with details of investigations and any corrective action necessary.

Anti-bribery and corruption

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

The Audit Committee Report was approved by the Board on 17 June 2022.

Rosie Shapland
Chair,
Audit Committee
17 June 2022

Directors' Remuneration Report

Rakesh Sharma
Chairman,
Remuneration Committee

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

Membership and attendance

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

1. Gill was unable to make the meeting held in March 2022 due to a family bereavement.
2. Ben was unable to attend the meeting held in May 2021 due to an unscheduled Ahold Delhaize management meeting.

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

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

Dear Shareholders,

I am pleased to present our Directors' Remuneration Report for the financial year ended 31 March 2022 which has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Listing Rules of the UK Listing Authority and the prevailing UK Corporate Governance Code (the 'Code'). The Directors' Remuneration Report will be subject to an advisory shareholder vote at the annual general meeting on 20 July 2022.

The report is divided into three sections:

- this Annual Statement of the Remuneration Committee Chairman for the year ended 31 March 2022, which summarises remuneration outcomes for the year ended 31 March 2022
- the Directors' Remuneration Policy – at a glance, which sets out the key elements of our Remuneration Policy which was approved by shareholders at the 2020 annual general meeting. Full details of our current policy can be found within our 2020 annual report on our website
- the Annual Report on Remuneration, which provides further detail on how the Remuneration Policy was implemented in the year ended 31 March 2022 and how it will be implemented in the year ending 31 March 2023

Committee activities during the year

The Committee met twice during 2021/22. The main Committee activities during the year (full details of which are set out in the relevant sections of this report) included:

- approving the 2020/21 Directors' Remuneration Report
- setting the performance targets for the 2021/22 annual bonus and bonus deferral levels
- approving the release of the 2018 deferred bonus awards
- confiming the lapse of the 2018 Long-Term Incentive Plan ('LTIP') awards due to the respective performance conditions not being met
- approving the vesting of the 2018 restricted share plan awards (granted below Board level)
- agreeing the 2021 Restricted Share Plan (annual and adhoc) awards

- agreeing not to award salary increases to the Executive Directors in July 2021 given that they were set at appointment during the year ended 31 March 2021
- reviewing and agreeing the salary review applied to the workforce below Board level including the increases applied to the Executive Board
- carrying out an internal evaluation of its performance and reviewing its terms of reference

Pay and performance

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

In assessing the performance of the 2021/22 annual bonus, the Committee considered the financial and operational performance of the Group as well as the progress made in the continuing delivery of the strategy. Annual bonuses for the year have been awarded at 76% of maximum, reflecting the delivery of a strong financial performance for the year against the backdrop of growing macroeconomic uncertainty in the wider economy, disruption in energy markets and an acceleration of cost pressures through the year. The Executive Team continues to build on the strategic step change they have been managing in the business to deliver a significantly enhanced platform with strong shareholder returns, including opening up further growth opportunities across the business and delivering a broader range of innovative services and technology.

Group profit before tax of £45.6 million was ahead of target and all strategic targets were achieved. Net revenue from continuing operations increased by £18 million to £115.1 million, a strong performance against the backdrop of growing uncertainty in the wider economy and disruption in our energy markets, but below the stretching targets that were set for bonus purposes.

The deferred annual bonus awards which were granted in 2019 in respect of the 2018/19 annual bonus awards will vest in June 2022.

The LTIP awards granted in 2019 will be performance-tested in July 2022 but the current indication, based on a review of the formulaic outcome of the performance conditions, is that these awards are unlikely to vest.

Discretion

No discretion has been exercised in the year ended 31 March 2022.

Over the last two years the Committee has exercised restraint with regards to pay and bonus awards in response to the Covid-19 pandemic and continued cost pressures within the business. PayPoint remained fully operational throughout the Covid-19 pandemic, did not request or receive any government support, did not furlough any of its employees or make any redundancies as a result of Covid-19. Dividends have continued to be paid. A summary of the discretion exercised and decisions made is set out in the following table:

Financial year ended 31 March 2020	The Committee chose to exercise discretion by accepting the proposal of the Executive Board to waive their entitlement to bonuses for the year ended 31 March 2020
Financial year ended 31 March 2021	The Committee chose to exercise discretion by accepting the proposal of the Executive Board to waive their entitlement to salary review in July 2020 and the proposal of the Chief Executive to reduce his base salary by 20% for a period of three months with effect from 1 April 2020
Financial year ended 31 March 2022	The Committee did not increase the base salary levels of the Chief Executive and Finance Director in July 2021 when increases were applied to the general workforce

In addition to the above it should be noted that Non-Executive Director fees have remained flat since April 2019. A 3% increase will be applied in July 2022, in alignment with the minimum increase that will be applied to the general workforce.

Policy implementation for the year ending 31 March 2023

A summary of the proposed approach to the implementation of the Policy is as follows:

- the salaries of the Chief Executive and Finance Director will be increased by 3% to £484,100 and £309,000 respectively in July 2022, in line with the minimum increase that will be applied to the general workforce
- the annual bonus potential for the year to 31 March 2023 will remain at 106% of base salary and the performance targets will continue to be based on profit before tax, net revenue and stretching strategic targets. 25% of any bonus will continue to be deferred in shares for three years
- Restricted Share Awards ('RSAs') to be granted in 2022 will:
  - be set at 75% of salary for the Chief Executive and 62.5% of salary for the Finance Director
  - vest 50% after three years from grant, 25% after four years from grant and 25% after five years from grant, subject to continued employment, satisfactory individual performance and a positive assessment of performance against an underpin. No shares can be sold until at least five years from grant, other than those required to settle any taxes

Conclusion

In accordance with its terms of reference, the Committee continues to ensure the clear linkage of Executive Directors' pay and performance to the strategy and enhancement of shareholder value and is comfortable that remuneration for the year ended 31 March 2022 is appropriately aligned to the Company's performance.

Rakesh Sharma
Chairman,
Remuneration Committee

Directors' Remuneration Report continued

Directors' Remuneration Policy – At a glance

Our Remuneration Policy, for which shareholder approval was obtained at the 2020 annual general meeting, will continue to apply without amendment for the forthcoming year. The Policy applies to the Chairman, Executive Directors and Non–Executive Directors and full details of this Policy can be found in the 2020 annual report which is on the Company's website.

Executive Directors' remuneration

The table below gives an overview of the remuneration package for Executive Directors:

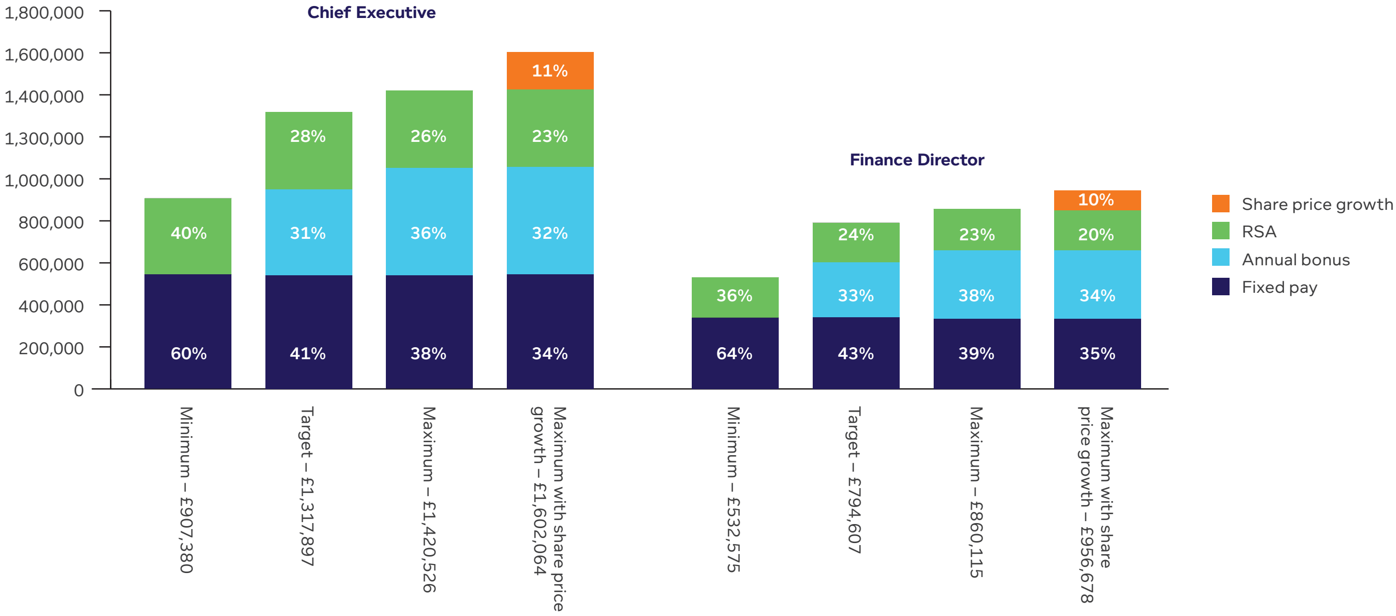
Fixed pay	Short-term incentives	Long-term incentives
Base salary – normal salary increases should be broadly in line with general workforce **Benefits** – maximum 15% of salary **Pension** – aligned with general workforce as a % of salary	**Annual Bonus and Deferred Annual Bonus Scheme ('DABS')** – maximum opportunity 150% of salary – 25% of any bonus is deferred into shares for three years	**Restricted Share Awards ('RSAs')** – maximum opportunity 75% of salary **Shareholding guidelines** – 200% of salary **All-employee share plans** – HMRC approved

Non-Executive Directors' remuneration

Remuneration is set within the limits set by the Articles of Association. Non-Executive Directors are not entitled to pension contributions or other benefits provided by the Company and do not participate in any bonus plan or receive share awards. A Non-Executive Director base fee is paid with additional fees payable for roles with additional responsibilities.

Pay scenario charts

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



In illustrating potential reward opportunities, the following assumptions have been made for each Executive Director:

- salary effective 1 July 2022
- an approximated annual value of benefits
- 5% of salary pension provision
- a 106% of salary maximum annual bonus (with target assumed to be 80% of the maximum)
- a 75% of salary RSA for the Chief Executive and a 62.5% of salary RSA for the Finance Director. These awards vest over five years with 50% vesting after three years and 25% after four and five years. Awards vest subject to continued service, satisfactory performance and a positive assessment of performance against an underpin
- share appreciation of 50% for the RSA. Awards vest subject to continued service, satisfactory performance and a positive assessment of performance against an underpin
- for simplicity, the value of any SIP awards are excluded

Annual report on remuneration

The following section provides details of how PayPoint's Remuneration Policy was implemented during the financial year ended 31 March 2022 and how it will be implemented for the year ending 31 March 2023. The following pages contain information that is required to be audited in compliance with the Directors' remuneration requirements of the Companies Act 2006. All narrative and quantitative tables are unaudited, unless otherwise stated.

Role of the Remuneration Committee

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

During the year, the Committee sought internal support from the Chief Executive and the HR Director, who attended Committee meetings by invitation from the Chairman, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the Executive Board and senior managers. None of the above were present for any discussions that related directly to their own remuneration. The Company Secretary attended each meeting as secretary to the Committee.

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. To this end, the Committee continued to retain the services of FIT Remuneration Consultants LLP as the principal external advisors to the Committee during the financial year. The Committee is comfortable that the FIT team provide independent remuneration advice to the Committee and do not have any other connections with PayPoint that may impair their independence. FIT is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. During the year, FIT provided independent advice on a range of remuneration matters including remuneration benchmarking. FIT provides no other services to the Company. The fees paid to FIT (on the basis of time and materials) in respect of work carried out for the year under review were £15,577 (excluding VAT).

Summary of shareholder voting

The following table shows the results of the binding vote on the Remuneration Policy Report at the 24 July 2020 annual general meeting and the advisory vote on the 2021 Annual Report on Remuneration at the 21 July 2021 annual general meeting:

	Remuneration Policy		Remuneration Report	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	45,225,049	87.32%	44,941,726	96.77%
Against	6,565,202	12.68%	1,498,626	3.23%
Total votes cast (excluding withheld votes)	51,790,251		46,440,352	
Total votes withheld[1]	315,310		2,785,736	
Total votes cast (including withheld votes)	52,105,561		49,226,088	

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

Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 March 2022 and the prior year:

	Nick Wiles[1]		Alan Dale[2]	
	£'000		£'000	
	2022	2021	2022	2021
Base salary earned	**470**	447	**300**	109
Taxable benefits[3]	**36**	35	**15**	5
Pension[4]	**23**	19	**15**	5
Total fixed pay	**529**	501	**330**	119
Annual bonus[5]	**380**	499	**242**	115
Long-term incentives[6]	**–**	–	**–**	–
Other[7]	**2**	1	**2**	1
Total variable pay	**382**	500	**244**	116
Total remuneration	**911**	1001	**574**	235

1. No pay increase was awarded to the Chief Executive during the year ended 31 March 2022. Nick Wiles took a voluntary 20% reduction in pay from April-June 2020, this is reflected in the 2021 base salary figure. Nick Wiles is a Board member of Snappy Shopper Limited although he receives no fees for this.
2. No pay increase was awarded to the Finance Director during the year ended 31 March 2022. Alan Dale was promoted to Finance Director in November 2020. The 2021 figures reflected a partial year in role.
3. Taxable value of benefits received in the year by Executive Directors relates to a benefits allowance and hotel costs (Chief Executive), car allowance, petrol, medical insurance, life assurance and permanent health insurance (Finance Director).
4. Pension during the year: the pension rate for Executive Directors was 5% of base salary, in line with the rate offered to the wider workforce.
5. Annual bonus: this is the total bonus earned in respect of performance during the relevant year, including any deferred amounts. 25% of the annual bonus is normally deferred in shares under the DABS.
6. Long-term incentives: for 2022 no values have been included for the 2019 LTIP award vesting as, based on interim performance measured to 31 March 2022, these awards are unlikely to vest.
7. SIP matching and dividend shares awarded in the period valued at the average share price calculated over three months to 31 March 2022 of £6.35 (2021: £6.07). The SIP is an HMRC-approved plan that allows participants to purchase shares using gross salary and receive matching awards from the Company. There are no performance conditions.

Directors' Remuneration Report continued

Single total figure of remuneration for the Chairman and Non-Executive Directors (audited)
The table below sets out a single figure for the total remuneration received by the Chairman and each Non-Executive Director for the year ended 31 March 2022 and the prior year:

	Base fee £'000		Committee Chair fees £'000		Senior Independent Director fees £'000		Chairman fees £'000		Total fixed remuneration £'000		Total Variable Remuneration £'000	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Chairman												
Giles Kerr[1]	–	–	–	–	–	–	165	143	165	143	–	–
Non-Executive Directors												
Gill Barr	49	49	–	–	–	–	–	–	49	49	–	–
Giles Kerr	–	6	–	1	–	1	–	–	–	8	–	–
Rakesh Sharma[2]	49	49	9	9	6	5	–	–	64	63	–	–
Ben Wishart	49	49	–	–	–	–	–	–	49	49	–	–
Rosie Shapland[3]	49	25	9	2	–	–	–	–	58	27	–	–
Total	196	178	18	12	6	6	165	143	385	339	–	–

1. Giles Kerr was appointed Chairman from May 2020.
2. Rakesh Sharma was appointed Senior Independent Director in May 2020.
3. Rosie Shapland joined the Board as an Independent Non Executive Director effective 2 October 2020 and as Chair of the Audit Committee effective 1 December 2020.

Non-Executive Directors do not receive any variable remuneration.

No changes to the fees paid to Non-Executive Directors were made during the period. Changes in total fixed remuneration reflect changes in roles and responsibilities and appointments made during the year ended 31 March 2021.

Shareholding guidelines

PayPoint's shareholding guidelines encourage a long-term focus and align the interests of Executive Directors with Shareholders. Executive Directors are required to build up a shareholding in the Company equal in value to 200% of their base salary. In employment they are required to retain 50% of any share award acquired on vesting (net of tax) until the guideline is achieved. Post-employment they are required to retain shares equal to 100% of the shareholding guideline up until the first anniversary of cessation. Between the first and second anniversary of cessation they will need to retain shares equal to 50% of the guideline. Executive Directors leaving the employment of PayPoint would be required to self-certify annually in writing post-cessation that they still hold the required shares as part of their termination agreement.

Incentive outcomes for the year ended 31 March 2022

Annual bonus in respect of 2021/2022 performance (audited)
The annual bonus for the year ended 31 March 2022 was based on a combination of Group profit before tax excluding exceptional items ('PBT'), net revenue and strategic targets.

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

Profit before tax and net revenue targets:

Measure	Maximum value	Threshold (20% of maximum) £'000	Target (80% of maximum) £'000	Stretch (100% of maximum) £'000	Actual achieved £'000	Nick Wiles	Alan Dale
Group profit before tax[1]	64% of salary	42,500 (96.5% of target)	44,000 (100% of target)	45,500 (103.4% of target)	45,600[1]	64% of salary (100 % of max)	64% of salary (100% of max)
Net revenue	21% of salary	119,600 (96.5% of target)	123,900 (100% of target)	128,200 (103.4% of target)	115,100	0% of salary	0% of salary

1. The Group profit before tax value stated above excludes exceptional items which do not reflect underlying performance.

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

Target	Performance and bonus earned
Integration of acquisitions Maximum value 5.3% of salary	Deliver synergies and growth opportunities through integrating acquisitions of Handepay, Merchant Rentals, i-movo and RSM 2000.
	Delivered: Integration work for acquisitions of Handepay, Merchant Rentals, RSM 2000 and i-movo completed, including a united sales team under a new Sales Director. YouLend business finance product offered to PayPoint retailers. Card switching proposition launched in PayPoint.
	Assessment: Achieved at target. Payout 4.3% of salary (80% of maximum).
Systems resiliency Maximum value 5.3% of salary	Invest to further improve systems resiliency and application code quality.
	Delivered: New IT organisation and strategy implemented including two appointments to the Executive Board and new role leading settlement and billing engineering. Tooling implemented to manage code quality and third party library risks.
	Assessment: Achieved at target. Payout 4.3% of salary (80% of maximum).
Retailer proposition Maximum value 5.3% of salary	Deliver further enhancements to our retailer proposition.
	Delivered: Proposition significantly enhanced with launch of new products including Counter Cash live in 2,624 sites, YouLend business finance product launched to PayPoint retailers, in excess of 1500 retailer leads introduced to Snappy Shopper of which 269 sites are live, enhanced e-commerce offering including Randox Covid-19 test kits and in-store merchandising of digital voucher category including Love2Shop. FMCG proposition launched with Blakemore (SPAR); initial campaign successful.
	Assessment: Achieved at target. Payout 4.3% of salary (80% of maximum).
Digital payments platform Maximum value 5.3% of salary	Launch new digital payments platform.
	Delivered: Enhanced Direct Debit platform developed and live with Optivo. Strong pipeline of housing clients and charity team hired to build charity sector pipeline. MultiPay new product developments launched including next generation PayByLink service offering more payment and message options, app balance enquiries, recurring payments and low balance notifications via text rolled out. PayByLink and card payments integration complete with Northgate.
	Assessment: Achieved at target. Payout 4.3% of salary (80% of maximum).
Maximum value	21% of salary.
% of potential award	80% of maximum.
% of salary award	17% of salary.

The above objectives have been assessed as achieved and the Remuneration Committee approved a payout of 80% of maximum of this part of the bonus award.

Total bonus awards

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

	% of award	Maximum	Actual
PBT	60%	64% of salary	64% of salary
Net revenue	20%	21% of salary	0% of salary
Strategic targets	20%	21% of salary	17% of salary
Total	100%	106% of salary	81% of salary
			(76% of maximum)

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

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

Directors' Remuneration Report continued

2019 LTIP vesting (audited)

With respect to the LTIP awards granted on 10 June 2019, vesting is based 50% on TSR and 50% on earnings per share ('EPS'). The three-year performance period for these awards ends on 10 June 2022 for the TSR element and ended on 31 March 2022 for the EPS element with vesting on the third anniversary of the date of grant. Further details relating to these awards are provided in the table below, based on TSR calculations run to 31 March 2022:

Measure	Weighting	Targets	Outcome to 31 March 2022[1]	% vesting[1]
Relative TSR vs FTSE 250 Index (excluding companies in the oil and gas, mining and utilities sectors)	50%	0% vesting below median 25% vesting at median 100% vesting at upper quartile Straight-line vesting between these points	Below threshold	0%
EPS	50%	0% vesting at less than 5% p.a. 25% vesting at 5% p.a. 100% vesting at 12% p.a. or more Straight-line vesting between these points	Below threshold	0%
Total LTIP vesting				0%

1. Estimate based on an assessment of performance measured to 31 March 2022.

Alan Dale is the only current Executive Director for whom any awards may vest as follows:

Director	Interests held	Implied % vesting	Number of shares vesting	Date of vesting	Value £'000
Alan Dale	4,502	0%	0	10 June 2022	0

Scheme interests awarded in the year ended 31 March 2022 (audited)

RSAs

In the year under review, RSAs were granted with a face value of 75% of salary for the Chief Executive and 62.5% of salary for the Finance Director. The RSAs made to Executive Directors once vested may not be sold until at least five years from grant date other than to settle any tax due.

Executive Director	Basis of award	Number of shares	Face value[1]	Vesting profile	Performance measures
Nick Wiles	75% of salary	55,863	£352,495	50% after three years from grant, 25% after four years from grant and 25% after five years from grant	(a) continued service; (b) satisfactory individual performance: and (c) a positive assessment of performance against an underpin. **Underpin:** the Committee must be satisfied that PayPoint's underlying performance and delivery against its strategy and plans are sufficient to justify the level of vesting, having regard to such factors as the Committee considers to be appropriate in the round (including revenue, earnings and share price performance) and the shareholder experience more generally (including the risk of windfall gains).
Alan Dale	62.5% of salary	29,714	£187,495	50% after three years from grant, 25% after four years from grant and 25% after five years from grant	

1. Face value is based on the middle market quotation of a share in the capital of the Company on the preceding dealing day of award, 12 August 2021, of £6.31.

Payments for loss of office and to past Directors (audited)

- There were no payments for loss of office in the year ended 31 March 2022.
- Rachel Kentleton stepped down from her position as Finance Director in June 2020 and details of final payments were noted in last year's report. On 4 June 2021 her deferred annual bonus awards granted in 2018 vested and she received 6,720 shares with a gross value of £40,387. Her LTIP award granted in 2018 did not vest as the threshold performance conditions were not met.
- Dominic Taylor stepped down as a Director with effect from 1 April 2019. On 4 June 2021 his deferred annual bonus awards granted in 2018 vested and he received 32,210 shares with a gross value of £193,582. His LTIP award granted in 2018 did not vest as the threshold performance conditions were not met.
- Tim Watkin-Rees stepped down as a Director with effect from 31 March 2018. On 4 June 2021 his deferred annual bonus awards granted in 2018 vested and he received 7,107 shares with a gross value of £42,713.

CEO pay ratio

The data shows how the Chief Executive's single figure remuneration for the year ended 31 March 2022 (as taken from the single figure remuneration table) compares to the equivalent single figure remuneration for full-time equivalent UK employees, on a Group basis, ranked at the 25th, 50th and 75th percentiles. The reduction in the pay ratio since 2021 is driven by the fact that no pay increase was awarded to the Chief Executive during the period and the bonus award made to the Chief Executive in respect of the year ended 31 March 2022 was lower than the award made in respect of the prior year.

CEO single figure: £910,644

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	**Option A**	**34:1**	**23:1**	**15:1**
2021	Option A	42:1	29:1	17:1

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

The underlying quartiles for salary and total remuneration numbers for full-time equivalent UK employees are set out below.

	Salary			Total pay and benefits		
Year	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2022	**£22,255**	**£30,000**	**£51,587**	**£27,073**	**£39,138**	**£60,798**
2021	£21,935	£30,000	£53,321	£23,663	£34,977	£59,399

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

Annual percentage change in remuneration of Directors and employees

The table below shows the percentage change in Director remuneration, comprising salary, taxable benefits and annual bonus, and comparable data for the average of all employees on a full-time equivalent basis within the Company. The data in this table has been calculated based on a combined total of the values paid for both the Chief Executive and Finance Director roles as disclosed in the single total figure table above.

	Base salary/Fee	Benefits	Annual bonus
Executive Directors			
Nick Wiles[1]	N/A	N/A	N/A
Alan Dale[2]	N/A	N/A	N/A
Non-Executive Directors			
Gill Barr	0%	N/A	N/A
Giles Kerr[3]	N/A	N/A	N/A
Rakesh Sharma[4]	N/A	N/A	N/A
Ben Wishart	0%	N/A	N/A
Rosie Shapland[5]	N/A	N/A	N/A
Employee population[6]	6.2%	-3.3%[7]	-0.3%

1. Nick Wiles was appointed Chief Executive in May 2020 so there is no full-year comparison.
2. Alan Dale was appointed Finance Director in November 2020 so there is no full-year comparison.
3. Giles Kerr was appointed Chairman from May 2020 so there is no full-year comparison.
4. Rakesh Sharma was appointed Senior Independent Director in May 2020 and receives an annual fee for this so there is no full-year comparison.
5. Rosie Shapland joined the board in October 2020, there is no full-year comparison for this.
6. The data is based on employees who were employed by PayPoint for the entirety of both financial years but excludes those who were promoted to a new role.
7. There have been no changes to taxable benefits but the cost of providing these benefits has reduced.

Directors' Remuneration Report continued

Relative importance of spend on pay

The table below shows the Company's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 March 2021 and 31 March 2022.

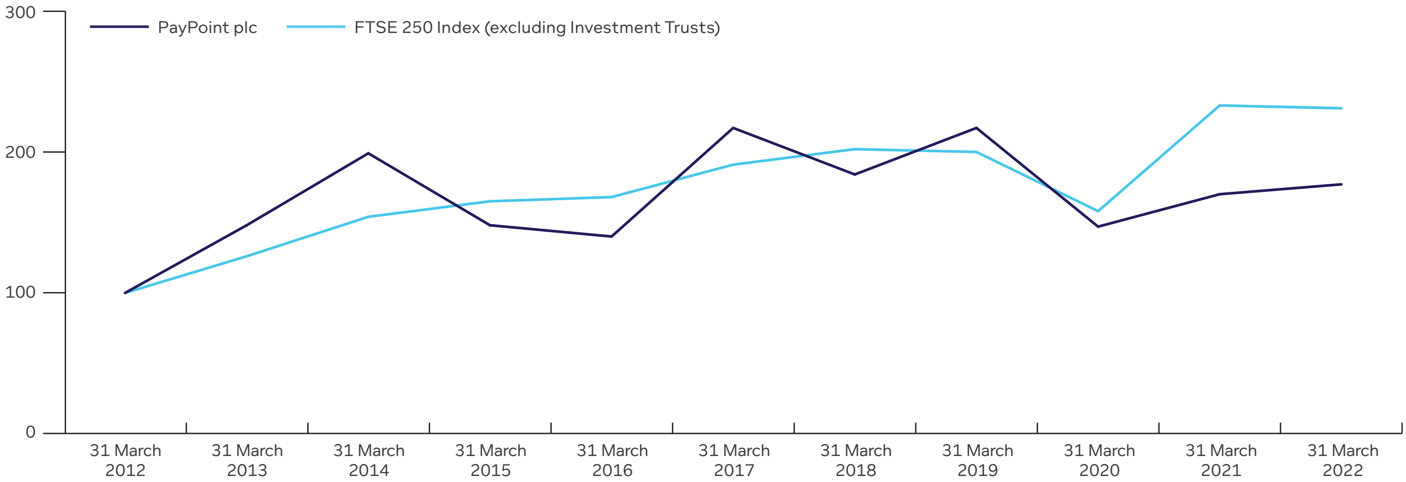
	Total employee pay expenditure £'000	Distributions to shareholders £'000
2022	**34,076**	**23,096**
2021	34,212	21,385
% change	-4.5%	8%

The reduction in expenditure for the year ended 31 March 2022 is driven mainly by a reduction in redundancy and termination costs compared to the prior year.

Pay for performance

The graph below compares the value of £100 invested in PayPoint shares, including reinvested dividends, with the FTSE 250 Index (excluding investment trusts) over the last ten years. This index was selected because it is considered to be the most appropriate index against which the Total Shareholder Return of PayPoint could be measured.

Total Shareholder Return ('TSR') (rebased to 100)



Chief Executive single figure of remuneration (£'000)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Annual bonus payout (as % of maximum)	86%	91%	88%	31%	64%	66%	71%	0%	100%	**76%**
LTIP vesting (as % of maximum)	100%	100%	0%	0%	0%	30%	100%	32%	0%	**0%**

Directors' shareholdings (audited)

The shareholdings of the Directors and their connected persons in the ordinary shares of the Company against their respective shareholding requirement as at 31 March 2022:

	Shares held				Shareholding guidelines			
	Owned outright or vested[1]	Unvested DABS and SIP awards subject to holding period[2]	Unvested LTIP awards subject to holding period and performance conditions[3]	Unvested RSA awards subject to holding period and underpin	Current Shareholding[4]	Guideline % of salary	Guideline number of shares[5]	Met?
Nick Wiles	70,361	20,178		115,306	80,677	200	150,883	No
Alan Dale	9,161	9,207	4,502	38,988	12,948	200	96,308	No
Giles Kerr	7,500							
Gill Barr	2,595							
Rakesh Sharma	4,270							
Ben Wishart	–							
Rosie Shapland	–							

1. Includes SIP shares other than SIP matching shares and SIP dividend shares subject to a holding period.
2. Includes unvested DABS shares, SIP matching shares and SIP dividend shares subject to a holding period.
3. Unvested LTIP awards.
4. Current shareholding includes unvested deferred bonus shares and SIP shares not subject to a holding period, on a net of tax basis.
5. A three-month average share price to 31 March 2022 of £6.23 has been used to calculate the holding relative to this guideline.

The market price of the Company's shares on 31 March 2022 was £5.82 per share (31 March 2021: £6.07 per share) and the low and high share prices during the period were £5.22 and £7.41 respectively.

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

Long-Term Incentive Awards (audited)

	Type of awards	Number of shares at 31 March 2021[1]	Number of shares awarded during the period	Number of shares released during the period	Number of shares lapsed during the period	Number of shares at 31 March 2022	Share price at grant £	Value of shares awarded	Date of grant	Lapse/ Release
Nick Wiles	RSA[1]	59,443	–	–	–	**59,443**	5.93	352,497	27.07.20	27.07.23 -27.07.25
	RSA[1]	–	55,863	–	–	**55,863**	6.31	352,497	13.08.21	13.08.24 -13.08.26
Alan Dale[2]	LTIP[3]	4,566	–	–	4,566	**–**	10.10		04.06.18	04.06.21
	LTIP[3]	4,502	–	–	–	**4,502**	10.50	47,271	10.06.19	10.06.22
	RSA[1]	9,274	–	–	–	**9,274**	5.93	54,995	27.07.20	27.07.23
	RSA[1]	–	29,714	–	–	**29,714**	6.31	187,495	13.08.21	13.08.24 -13.08.26

1. For RSAs to vest the Committee must be satisfied that PayPoint's underlying performance and delivery against its strategy and plans are sufficient to justify the level of vesting having regard to such factors as the Committee considers to be appropriate in the round (including revenue, earnings and share price performance) and the shareholder experience more generally (including the risk of windfall gains).
2. The awards granted to Alan Dale in 2018, 2019 and 2020 were made prior to his appointment to the Board.
3. 50% of LTIP awards will only vest if the Company's comparative TSR performance is equal to or greater than the median level of performance over the three-year performance period, at which point 25% of awards will vest, with full vesting occurring for upper quartile performance with pro rata vesting between points. 50% of LTIP awards will only vest if the Company's EPS grows by 4% p.a., at which point 25% of awards will vest, with full vesting occurring for EPS growth of 10% p.a. with pro rata vesting between points.

Deferred Annual Bonus Scheme[1] (audited)

	Number of shares at 31 March 2021	Number of shares awarded during the period	Number of shares released during the period	Number of shares lapsed during the period	Number of shares at 31 March 2022	Share price at grant £	Value of shares awarded £	Date of grant	Lapse/ Release
Nick Wiles	–	19,785	–	–	**19,785**	6.31	124,843	13.08.21	13.08.24
Alan Dale[2]	709	–	709	–	**–**	10.10	7,161	04.06.18	04.06.21
	1,025	–	–	–	**1,025**	10.50	10,763	10.06.19	10.06.22
	–	7,231	–	–	**7,231**	6.31	45,627	13.08.21	13.08.24

1. The release of shares is dependent upon continuous employment for a period of three years from the date of grant.
2. The awards granted to Alan Dale in 2018 and 2019 were made prior to his appointment to the Board.

Share Incentive Plan (audited)

	Number of partnership shares purchased at 31 March 2021	Number of matching shares awarded at 31 March 2021	Number of dividend Shares[1] acquired at 31 March 2021	Total shares at 31 March 2021	Number of partnership shares[2] purchased during the period	Number of matching Shares[3] awarded during the period	Number of dividend Shares acquired during the period	Dates of release of matching and dividend Shares[4]	Total shares at 31 March 2022
Nick Wiles	126	126	3	255	235	235	29	22.04.2024 -22.03.2025	**754**
Alan Dale	761	761	208	1,730	236	236	112	22.04.2024 -22.03.2025	**2,314**

1. Dividend shares are ordinary shares of the Company purchased with the value of dividends paid in respect of all other shares held in the plan.
2. Partnership shares are ordinary shares of the Company purchased on a monthly basis during the period (at prices from £5.91 to £7.10).
3. Matching shares are ordinary shares of the Company awarded conditionally on a monthly basis during the period (at prices from £5.91 to £7.10).
4. The dates used are based on the earliest allocation of the matching shares.

Directors’ Remuneration Report continued

Service contracts and exit policy

Executive Directors

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. In accordance with general market practice, each of the Executive Directors has a rolling service contract requiring 12 months’ notice of termination on either side. Executive Director service contracts are available to view at the Company’s registered office. Details of the service contracts of the Executive Directors of the Company are as follows:

Name	Company notice period	Contract date
Nick Wiles	12 months	19 May 2020
Alan Dale	12 months	20 November 2020

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

Non-Executive Directors

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

Name	Start of current three-year term	Unexpired term as at 31 March 2022	Date of appointment	Notice period
Gill Barr	2 June 2021	26 months	1 June 2015	One month
Giles Kerr	20 November 2021	32½ months	20 November 2015	One month
Rakesh Sharma	12 May 2020	22½ months	12 May 2017	One month
Ben Wishart	14 November 2019	7½ months	14 November 2019	One month
Rosie Shapland	2 October 2020	18 months	2 October 2020	One month

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

Shareholding guidelines

PayPoint’s shareholding guidelines encourage a long-term focus and align the interests of Executive Directors with Shareholders. Executive Directors are required to build up a shareholding in the Company equal in value to 200% of their base salary. In employment they are required to retain 50% of any share award acquired on vesting (net of tax) until the guideline has been met. Post-employment they are required to retain shares equal to 100% of the shareholding guideline up until the first anniversary of cessation. Between the first and second anniversary of cessation they will need to retain shares equal to 50% of the guideline. Executive Directors leaving the employment of PayPoint would be required to self-certify annually in writing post-cessation that they still hold the required shares as part of their termination agreement.

Implementation of Remuneration Policy for year ending 31 March 2023

Base salary

Current base salary levels, and those from 1 July 2022 (the normal salary review date), are as follows:

	From 1 July 2022	From 1 July 2021	% increase
Nick Wiles	**£484,100**	£470,000	3%
Alan Dale	**£309,000**	£300,000	3%

Benefits

Nick Wiles will continue to receive a £25,000 annual benefits allowance in respect of car allowance, petrol, life assurance, medical insurance and permanent health insurance. Alan Dale’s benefits will continue to comprise a car allowance, petrol, medical insurance, life assurance and permanent health insurance.

Pension

Pension provision for Nick Wiles and Alan Dale, offered in the form of pension and/or a salary supplement, will continue to be 5% of salary, in line with the current workforce pension provision.

Annual bonus

Annual bonus potential will continue to be set at 106% of salary for both the Chief Executive and Finance Director. Full details of the annual bonus targets for the 2022/23 financial year and performance against the targets will be disclosed in next year’s Annual Report on Remuneration.

RSA
RSAs to be granted in 2022 will continue to:
- be set at 75% of salary for the Chief Executive and 62.5% of salary for the Finance Director
- vest 50% after three years from the grant date, 25% after four years from grant and 25% after five years from grant, subject to continued employment, satisfactory individual performance and a positive assessment of performance against the underpin (see below)

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

For RSAs granted to Executive Directors to vest, in addition to continued service, the Committee must be satisfied that PayPoint's underlying performance and delivery against its strategy and plans are sufficient to justify the level of vesting, having regard to such factors as the Committee considers to be appropriate in the round (including revenue, earnings and share price performance) and the shareholder experience more generally (including the risk of windfall gains).

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

	From 1 July 2022[1]	From 1 April 2021
Base fees		
Chairman	**£169,950**	£165,000
Non-Executive Director	**£49,955**	£48,500
Additional fees		
Chairman, Audit Committee	**£9,476**	£9,200
Chairman, Remuneration Committee	**£9,476**	£9,200
Senior Independent Director	**£6,283**	£6,100

1. A 3% increase in Non-Executive Director fees has been agreed in line with the minimum increase being applied to the general workforce. Fees were last increased in April 2019.

This Report covers the remuneration of all Directors who served during the period and was approved by the Board on 17 June 2022.

Rakesh Sharma
Chairman,
Remuneration Committee
17 June 2022

Directors' Report

PayPoint Plc (the 'Company') is a public limited company incorporated in England and Wales, registration number 3581541. The Company is a holding company and its subsidiaries (a complete list of which can be found in note 15 on pages 139 to 140) are engaged in providing innovative services and technology connecting millions of consumers with over 60,000 retailer partner and SME locations across multiple sectors. The Strategic Report on pages 01 to 69 provides a review of the business, the Group's trading for the period ended 31 March 2022, key performance indicators and an indication of future developments.

Directors' Report content

As required by the Companies Act 2006 and the Disclosure Guidance and Transparency Rule ('DTR') 4.1.8.R, the Directors' Report for PayPoint Plc comprises these pages 102 to 103 together with information in the following sections of the annual report and accounts, all of which are incorporated into this Directors' Report by reference:

Information	Location in annual report
Review of the business, principal risks and uncertainties, emerging risks and KPIs	Chief Executive's Review; Our Business Model; Year in Review; Our Strategy; Key Performance Indicators, Financial Review and Principal Risks and Uncertainties (includes emerging risks)
Strategy and business model	Our Strategy; Our Business model
Future business developments	Our Strategy
GHG emissions and non-financial reporting: Environmental matters Anti-corruption and Anti-bribery	Responsible Business and Audit Committee Report
Employment for disabled persons and employee engagement throughout the workforce	Responsible business, Corporate Governance Report S.172(1) Statement
Gender diversity	Responsible Business
Business relationships, stakeholders and their effect on decisions	Engagement with stakeholders and S.172(1) Statement
Use of financial instruments and credit	Financial Review and note 27

This annual report has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisors do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

By their nature, the statements concerning the risks and uncertainties facing the Group in this annual report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this annual report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this annual report should be construed as a profit forecast.

Substantial shareholdings

The Company had been notified of the following disclosable interests in the voting rights of the Company as required by DTR 5 of the FCA's Disclosure Guidance and Transparency Rules.

As at 31 March 2022:

Name of holder	Number of ordinary shares	Percentage of issued capital
Asteriscos Patrimonial and its group	13,751,061	19.95%
Liontrust Asset Management	8,627,139	12.52%
Schroder Investment Management[1]	5,104,448	7.41%
Sanford Deland Asset Management	3,915,000	5.68%
Brown Capital Management	3,831,743	5.56%
Columbia Threadneedle Investments	3,457,150	5.02%
Premier Miton Investors	2,428,926	3.52%

The following notification(s) have been received since 1 April 2022 up to 17 June 2022. Any subsequent notifications can be found on our website: corporate.paypoint.com/investor-centre/announcements.

Name of holder	Number of ordinary shares	Percentage of issued capital
Asteriscos Patrimonial and its group	14,480,095	21.011%
Liontrust Asset Management	8,578,190	12.446%

All notifications made to the Company under DTR 5 are published via a Regulatory Information Service and made available on the Company's website.

Share capital

As at 31 March 2022 68,921,442 ordinary shares of 0.03 pence each have been issued and fully paid up and are quoted on the London Stock Exchange. During the year ended 31 March 2022, 103,193 ordinary shares were issued under the Company's share schemes and 155, 851 shares were issued following the acquisition of i-movo in FY2021. The rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Company's Directors are set out in the Company's Articles of Association, copies of which can be obtained from Companies House or by writing to the Company Secretary.

There are no restrictions on the voting rights attaching to the ordinary shares or on the transfer of securities in the Company. No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. Unless expressly specified to the contrary in the Articles of Association of the Company, the Company's Articles of Association may be amended by a special resolution of the Company's shareholders.

As at 31 March 2022, the PayPoint Network Limited Employee Incentive Trust (the 'Trust') held 769 ordinary shares in the Company for allocation under the Company's share schemes. Any voting or other similar decisions in relation to the shares held by the Trust would be taken by the trustees, who may take account of any recommendations of the Company. The Trustees have waived their right to receive dividends of the shares held in the Company.

At the annual general meeting on 20 July 2021, the Directors were given authority to purchase up to 10% of the Company's issued share capital, allot relevant securities up to an aggregate nominal amount of £152,570 and to disapply pre-emption rights in respect of allotments of relevant securities up to an aggregate nominal amount of £11,443 with a further £11,443 for limited purposes. Resolutions to renew these authorities will be proposed at the 2022 annual general meeting, details of which are set out in the Notice of Annual General Meeting on pages 156 to 162.

Directors

The names of the Directors at the date of this report and their biographical details are on pages 72 to 73. Their interests in the ordinary shares of the Company are on page 98. Directors are appointed and replaced in accordance with the Company's Articles of Association, the Companies Act 2006 and the Code. The powers of the Directors are set out in the Articles of Association and the Companies Act 2006.

1. Holding includes CFD 1,918 shares.

Results for the year

The consolidated statements of profit or loss, comprehensive income, financial position, changes in equity and cash flows for the year ended 31 March 2022 are set out on pages 111 to 116. An analysis of risk is set out on pages 55 to 58, and of risk management on page 54.

Indemnity provisions for the benefits of Directors

In addition to the indemnity provisions in the Articles of Association, the Company has entered into direct indemnity agreements with each of the Directors. These indemnities constitute qualifying indemnities for the purposes of the Companies Act 2006 and remain in force at the date of approval of this report without any payment having been made under them. The Company also maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its Directors.

Change of control

All of the Company's share schemes contain provisions relating to a change of control. Outstanding options and awards would be prorated for time and normally vest on a change of control, subject to the satisfaction of any performance conditions at that time.

The Company has a revolving term credit facility for £70 million, £5 million ancillary facilities; and a £21.7 million term loan, which expire on 11 February 2024, with the option to extend for one year. The terms of the facility (which includes the ancillary facilities and loan) allow for termination on a change of control, subject to certain conditions.

There are no other significant contracts in place that would take effect, alter or terminate on the change of control of the Company, including compensation for loss of office as a result of a takeover bid.

Suppliers' payment policy

Terms of payment are agreed with individual suppliers prior to supply. The Group aims to pay its creditors promptly, in accordance with terms agreed for payment, provided the supplier has provided the goods or services in accordance with the agreed terms and conditions. Further information can be obtained from the government's payment practice reporting portal.

Charitable and political donations

The Group made no political donations during the year (2021: nil). Details of the charitable donations policy can be found within the Responsible Business section of the annual report on page 47.

Related party transactions

Related party transactions that took place during the year can be found in note 30.

Dividends

Dividends are paid quarterly in July, September, December and March.

We have declared a final dividend of 18.0 pence per share (2021: 16.6 pence per share) payable in equal instalments of 9.0 pence per share (2021: 8.3 pence per share) on 25 July 2022 and 30 September 2022 to shareholders on the register on 10 June 2022 and 2 September 2022 respectively. The final dividend is subject to the approval of the shareholders at the annual general meeting on 20 July 2022.

The final dividends will result in £12.4 million (2021: £11.4 million) being paid to shareholders from the standalone statement of financial position of the Company which, as at 31 March 2022, had approximately £67.9 million (2021: £59.7 million) of distributable reserves.

An interim ordinary dividend of 17.0 pence (2021: 15.6 pence) was paid in equal instalments of 8.5 pence on 30 December 2021 and 7 March 2022.

The dividend policy including all the dividends declared during the year is set out in the Financial Review on page 68.

Going concern

As at 31 March 2022 the Group had £43.9 million of net debt. As at 31 March 2022, the Group had cash and cash equivalents of £24.3 million, including £16.6 million of clients' funds and retailer partners' deposits. In addition, following the Group-wide refinancing in the prior year and a subsequent one-year extension which was secured after the end of the current financial year, the Group's borrowing facilities consist of a £21.7 million amortising term loan which is due to be fully repaid over the next two financial years and an unsecured £75.0 million revolving credit facility with a £30.0 million accordion facility (uncommitted) expiring in February 2025. The Company's cash and borrowing capacity is adequate to meet the foreseeable needs of the Group, taking into account any risks (see pages 55 to 58). The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Therefore, the financial statements have been prepared on a going concern basis.

The Group's liquidity review and commentary on the current economic climate are shown on page 59 of the Strategic Report and commentary on financial risk management is shown in note 27.

Independent auditor

KPMG LLP have expressed their willingness to continue as the Company's auditor and a resolution for their reappointment will be proposed at the forthcoming annual general meeting. The Notice of Annual General Meeting can be found on pages 156 to 162.

Corporate governance statement

The information that fulfils the requirements of the Corporate Governance Statement for the purposes of the FCA's Disclosure Guidance and Transparency Rules can be found in this Directors' Report and in the Corporate Governance section on pages 76 to 81 (which is incorporated into this Directors' Report by reference).

Statement as to disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

1. So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware
2. The Director has taken all the steps that he/she ought reasonably to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Annual general meeting

The annual general meeting will be held at PayPoint's head office, 1 The Boulevard, Shire Park, Welwyn Garden City AL7 1EL on 20 July 2022 at 12 noon.

The Notice of Annual General Meeting and explanatory information on the resolutions to be passed at the annual general meeting can be found on pages 156 to 162.

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

Brian McLelland
Company Secretary
17 June 2022

Statement of Directors' responsibilities

in respect of the annual report and the financial statements

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Group financial statements UK-adopted international accounting standards;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

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

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

We confirm that to the best of our knowledge:

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

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Alan Dale
Finance Director
17 June 2022

Independent Auditor's Report

1 Our opinion is unmodified

We have audited the financial statements of PayPoint plc ("the Company") for the year ended 31 March 2022 which comprise the Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity, Company Statement of Cash Flows and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We were first appointed as auditor by the directors on 15 August 2017. The period of total uninterrupted engagement is for the five financial years ended 31 March 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

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

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

	The risk	Our response
Revenue recognition (part of the revenue within a total of £145.1 million; 2021: £127.7 million). *Refer to page 85 (Audit Committee Report), page 121 (accounting policy) and page 127 (financial disclosures).*	**Data capture and processing error:** The risk is that revenue transacted through the groups network of terminals is misstated due to inherent complexities involved in capturing and processing the high volume of low value transactions generated across the Company's off-site terminal network. IT systems may not be configured appropriately such that data does not correctly flow through the IT systems.	Our procedures included: • **Control design and operation:** Testing controls, and mitigating controls over the general IT environment, with the support of our IT specialists to assess whether the transaction recording, billing and general ledger systems are appropriately controlled. These procedures included testing access to programs and data, program change and development to address the risk of unauthorised changes being made to the operation of IT application controls; • **Control operation:** Testing key automated controls (with the support of our IT specialists) and manual controls, including controls that are designed to ensure reconciliations are performed between system reports used to generate invoices and off-site terminal network systems; • **Tests of details:** Using data analytical tools to test that revenue invoiced agrees through to cash received; and • **Tests of details:** On a statistical sample basis, agreeing revenue recorded back to supporting documentation including examination of cash receipts from clients or third-party confirmations. **Our results** The results of our procedures were satisfactory, and we considered the amount of revenue recognised to be acceptable (2021: acceptable).

Independent Auditor's Report continued

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

	The risk	Our response
Acquisition accounting in relation to RSM 2000 (£5.6 million; 2021: nil). *Refer to page 86 (Audit Committee Report), page 124 (accounting policy) and page 140 (financial disclosures).*	**Accounting application:** On 12 April 2021 PayPoint plc acquired the entire share capital of RSM 2000 Limited for consideration of £6.9 million. We identify the valuation of RSM 2000 intangibles at acquisition as a risk because of the inherent complexity, and judgement involved in determining an appropriate valuation methodology, the proportion of goodwill recorded versus acquired intangibles, and because of the size of the acquisition. Auditor judgement is required to assess whether the Group's overall judgement reached is acceptable. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the recorded intangibles had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than that of materiality.	Our procedures included: • **Our valuation expertise:** Engaging our valuation specialists to support the audit team to review the valuation methodology applied and certain key assumptions included within; • **Assessing forecasts:** Assessing the forecasts prepared by management in relation to buyer-specific synergies; • **Management discussions:** Discussing the rationale for the acquisition with relevant members of the management team to corroborate the ongoing value of assets such as the licences, the RSM 2000 brand, and IT systems; and • **Assessing transparency:** Assessing whether the Group's disclosures detailing the sensitivity relating to key assumptions on the valuation of acquired intangibles are adequate. We performed the tests above rather than seeking to rely on any of the Group's controls because the small number of transactions meant that detailed testing is inherently the most effective means of obtaining audit evidence. **Our results** We found the resulting treatment of RSM 2000 acquisition accounting to be acceptable. We found the Group's disclosures to be acceptable in their description of the accounting treatment relating to the acquisition of RSM 2000.
Acquisition accounting in relation to i-movo (£nil; 2021: £5.7 million). *Refer to page 87 (Audit Committee Report), page 126 (accounting policy) and page 144 (financial disclosures).*	**Subjective estimate:** Acquisition-related liabilities include performance based earnouts which are estimated future payments to previous owners of the i-movo business, which was acquired in 2021. The estimated future payments are based on four revenue related targets of the acquired entity. The potential earnout liability is material to the Group financial statements. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the recorded liability had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than that of materiality.	Our procedures included: • **Accounting analysis:** Using our accounting expertise to assess the appropriateness of the approach to valuation; • **Tests of details:** Assessing whether the basis of the calculation of the earnout payment remains appropriate with reference to the terms of the Sale and Purchase Agreement; and • **Assessing transparency:** Assessing the adequacy of the Group's disclosures in relation to the earnout liability. We performed the tests above rather than seeking to rely on any of the Group's controls because the small number of transactions meant that detailed testing is inherently the most effective means of obtaining audit evidence. **Our results** We found the earnout liability balance and related disclosures to be acceptable.

	The risk	Our response
Recoverability of group goodwill in relation to i-movo and of parent's investment in subsidiary in relation to i-movo (Group: £8.8 million; 2021: £9.0 million; Parent: £8.4 million; 2021: £8.4 million). *Refer to page 86 (Audit Committee Report), pages 124 and 125 (accounting policy) and pages 135 and 139 (financial disclosures).*	**Forecast-based assessment:** Goodwill in the group and the carrying amount of the parent Company's investment in subsidiary are significant and at risk of irrecoverability due to the performance of aspects of the i-movo business versus prior forecasts. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of goodwill and the recoverable amount of the cost of investment in subsidiary have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included: • **Our sector experience:** Evaluating the current level of trading, in particular trade relating to a government contract, and the newspaper business by considering our knowledge of the Group and the market; • **Benchmarking assumptions:** Benchmarking the assumptions used in the cash flows included in the budgets based on key inputs such as numbers of newspaper subscribers and government contract users; • **Sensitivity analysis:** Performing sensitivity analysis which considered reasonably possible changes in the key assumptions that had the greatest judgements and their impact on the valuation, including newspaper subscribers and government contract users; • **Historical comparisons:** Assessing the reasonableness of the budgets by considering the historical accuracy of the Group's ability to forecast accurately and comparing to previous assumptions; and • **Assessing transparency:** Assessing the adequacy of the Group's disclosures in respect of goodwill recoverability, and parent Company's disclosures in respect of the investment in subsidiary. We performed the detailed tests above rather than seeking to rely on any of the Group or parent Company's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. **Our results** We found the goodwill balance without any impairment in the period in the group, and the parent Company's investment in subsidiary to be acceptable.

Last year, in response to a material acquisition in the period, we reported the valuation of Handepay and Merchant Rentals intangible assets as a key audit matter. We have not identified the valuation of assets of the business combination – forecast based valuation, arising in the current year as a risk of significant importance.

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

Materiality for the Group financial statements as a whole was set at £2.0m (2021: £2.0m), determined with reference to a benchmark of Group profit before tax from continuing operations normalised to exclude this year's exceptional items as disclosed in note 6 (2021: Group profit before tax from continuing operations normalised to exclude exceptional items as disclosed in note 6 and by averaging over three years to address the volatility due to Covid-19, of £46.1 million) of which it represents 4.4% (2021: 4.4%).

Materiality for the parent company financial statements as a whole was set at £1.0 million (2021: £0.8 million), determined with reference to a benchmark of Company total assets, of which it represents 0.57% (2021: 0.75%).

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

Performance materiality was set at 75% (2021: 75%) of materiality for the financial statements as a whole, which equates to £1.5 million (2021: £1.5 million) for the group and £0.75 million (2021: £0.6 million) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.1 million (2021: £0.1 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 14 (2021: 13) reporting components, we subjected six (2021: five) to full scope audits for group purposes.

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

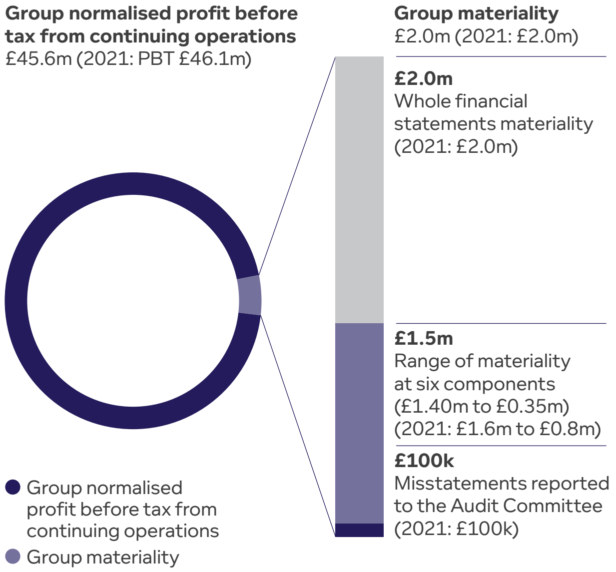
The components within the scope of our work accounted for the percentages illustrated on the following page.

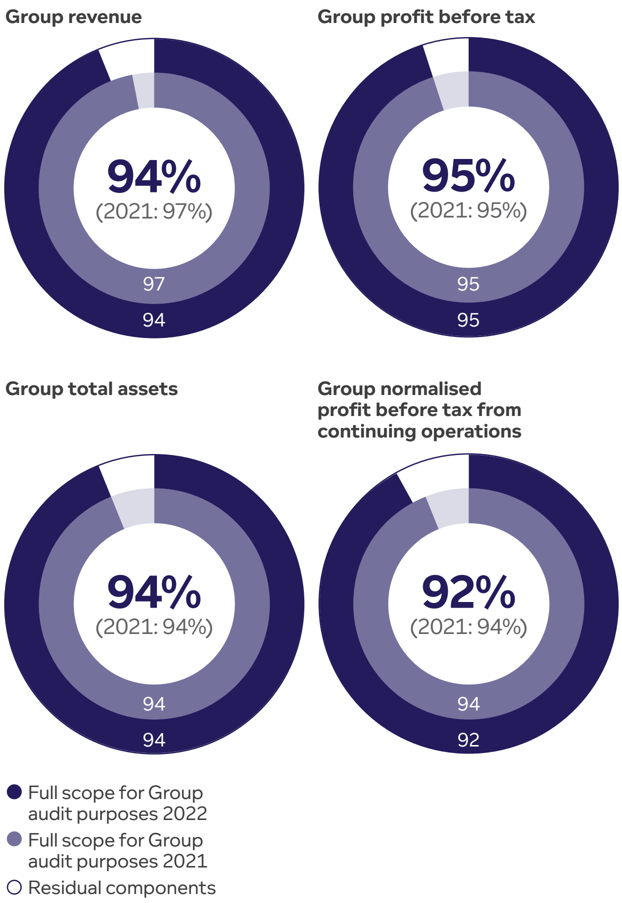
For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team approved the component materialities, which ranged from £0.35 million to £1.40 million (2021: £0.80 million to £1.60 million), having regard to the mix of size and risk profile of the Group across the components. The work on all components, including the audit of the parent Company, was performed by the Group audit team. In the prior year, work on one component was performed by the component auditor.

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

Independent Auditor's Report continued





4 Impact of climate change on our audit

In planning our audit we have considered the potential impacts of climate change on the Group's business and its financial statements. The Group's business model does not include extractive or high pollutive activities that are a significant contributor to climate change. The Group's main exposure to climate risk is the shifting expectations from business stakeholders to transition to low-carbon supply chains and greater emphasis on climate related disclosures in the annual report.

As part of our audit we made enquiries of management and inspected minutes from the Climate Risk Committee meetings held throughout the year, to understand the Group's assessment and preparedness for climate change. We have performed a risk assessment on how the impact of climate change may affect the financial statements and our audit, and taking into account headroom on goodwill and nature of the Group's assets and liabilities, concluded that there was no significant impact on our key audit matters, including impairment forecasts, or key areas of our audit.

We have also read the Group's and Parent Company's disclosure of climate related information in the front half of the annual report as set out on pages 38 to 43 and considered consistency with the financial statements and our audit knowledge.

5 Going concern

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

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

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

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

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

Our conclusions based on this work:

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

- the related statement under the Listing Rules set out on page 103 is materially consistent with the financial statements and our audit knowledge.

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

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

Identifying and responding to risks of material misstatement due to fraud

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

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

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts, and round number adjustments to provisions.
- Evaluated the business purpose of significant unusual transactions.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

We discussed with the Audit Committee matters related to actual or suspected fraud, for which disclosure is not necessary, and considered any implications for our audit.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

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

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

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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

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

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

For the regulatory matter discussed in note 21 we assessed disclosures against our understanding from regulatory correspondence and used our compliance specialists to help us assess the treatment and disclosure.

Context of the ability of the audit to detect fraud or breaches of law or regulation

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

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

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

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

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

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

Independent Auditor's Report continued

Strategic report and directors' report
Based solely on our work on the other information:

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

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

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

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Corporate Governance Report on page 55 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal risks and uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 59 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

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

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

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

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

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

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

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

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

We have nothing to report in these respects.

9 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 104, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

James Tracey
(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
17 June 2022

Chartered Accountants
15 Canada Square
Canary Wharf
E14 5GL

Consolidated statement of profit or loss

	Note	Year ended 31 March 2022 £'000	Restated[1] Year ended 31 March 2021 £'000
Continuing operations			
Revenue	2,3	**145,144**	127,747
Cost of revenue	5	**(48,725)**	(45,485)
Gross profit		**96,419**	82,262
Administrative expenses – excluding exceptional items		**(48,751)**	(44,373)
Operating profit before exceptional items		**47,668**	37,889
Exceptional item – revaluation of deferred, contingent consideration liability	6	**2,880**	–
Exceptional item – administrative expenses	6	**–**	(15,600)
Operating profit		**50,548**	22,289
Finance income		**13**	22
Finance costs – excluding exceptional items		**(2,046)**	(1,409)
Exceptional item – finance costs	6	**–**	(459)
Profit before tax from continuing operations		**48,515**	20,443
Tax on continuing operations	9	**(8,986)**	(4,524)
Profit from continuing operations		**39,529**	15,919
Discontinued operation			
Profit from discontinued operation, net of tax	11	**148**	6,423
Exceptional item – gain on disposal of discontinued operation, net of tax	11	**29,863**	–
Profit for the year attributable to equity holders of the parent		**69,540**	22,342

	Note	Year ended 31 March 2022	Restated[1] Year ended 31 March 2021
Earnings per share			
Basic	10	**101.3p**	32.7p
Diluted	10	**100.2p**	32.4p
Earnings per share – continuing operations			
Basic	10	**57.6p**	23.3p
Diluted	10	**57.0p**	23.1p
Earnings per share – continuing operations before exceptional items			
Basic	10	**53.4p**	43.1p
Diluted	10	**52.8p**	42.9p

Consolidated statement of comprehensive income

	Note	Year ended 31 March 2022 £'000	Restated[1] Year ended 31 March 2021 £'000
Items that may subsequently be reclassified to the consolidated statement of profit or loss:			
Exchange differences on translation of foreign operation		**–**	(912)
Exchange differences on disposal of discontinued operation reclassified to profit or loss	11	**1,645**	–
Other comprehensive income/(loss) for the year		**1,645**	(912)
Profit for the year		**69,540**	22,342
Total comprehensive income for the year attributable to equity holders of the parent		**71,185**	21,430

1. The prior year comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

Consolidated statement of financial position

	Note	31 March 2022 £'000	Restated[1] 31 March 2021 £'000	Restated[1] 31 March 2020 £'000
Non-current assets				
Goodwill	12	**57,668**	52,085	11,853
Other intangible assets	13	**35,990**	35,717	10,293
Investment in associate	17	**6,739**	–	–
Convertible loan note	15	**750**	–	–
Property, plant and equipment	14	**21,782**	21,379	24,840
Net investment in finance lease receivables	29	**4,407**	6,511	–
Deferred tax asset	23	**–**	–	565
Total non-current assets		**127,336**	115,692	47,551
Current assets				
Inventories		**332**	525	214
Trade and other receivables	18	**75,975**	69,576	108,368
Current tax asset		**4,191**	2,832	1,099
Cash and cash equivalents – clients' funds and retailer partners' deposits	19	**16,646**	28,405	35,739
Cash and cash equivalents – corporate cash	19	**7,653**	10,535	58,035
		104,797	111,873	203,455
Assets held for sale	11	**–**	57,353	–
Total current assets		**104,797**	169,226	203,455
Total assets		**232,133**	284,918	251,006
Current liabilities				
Trade and other payables	20	**92,375**	102,504	148,621
Provision	21	**–**	12,500	–
Deferred consideration liability	22	**1,000**	1,462	–
Lease liabilities	29	**200**	194	197
Loans and borrowings	28	**39,643**	63,627	70,000
		133,218	180,287	218,818
Liabilities directly associated with the assets held for sale	11	**–**	40,866	–
Total current liabilities		**133,218**	221,153	218,818
Non-current liabilities				
Trade and other payables		**–**	–	95
Deferred consideration liability	22	**–**	4,285	–
Lease liabilities	29	**60**	253	744
Loans and borrowings	28	**11,891**	22,956	–
Deferred tax liability	23	**3,706**	2,971	–
Total non-current liabilities		**15,657**	30,465	839
Total liabilities		**148,875**	251,618	219,657
Net assets		**83,258**	33,300	31,349
Equity				
Share capital	24	**230**	229	228
Share premium	24	**1,000**	4,975	4,485
Merger reserve	24	**999**	999	–
Share-based payment reserve		**1,570**	2,005	1,875
Translation reserve		**–**	(1,645)	(733)
Retained earnings		**79,459**	26,737	25,494
Total equity attributable to equity holders of the parent		**83,258**	33,300	31,349

1. The prior year comparatives and beginning of the preceding period have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32. The prior year comparatives have also been restated for a retrospective measurement period adjustment to goodwill and inventories. Refer to note 12.

These financial statements were approved by the Board of Directors and authorised for issue on 17 June 2022 and were signed on behalf of the Board of Directors.

Nick Wiles
Chief Executive
17 June 2022

Consolidated statement of changes in equity

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Translation reserve £'000	Restated[1] Retained earnings £'000	Restated[1] Total equity £'000
Opening equity at 1 April 2020, previously stated[1]		228	4,485	–	1,875	(733)	32,475	38,330
Reversal of previously capitalised SaaS implementation costs[1]		–	–	–	–	–	(6,981)	(6,981)
Opening equity at 1 April 2020, restated[1]		228	4,485	–	1,875	(733)	25,494	31,349
Profit for the year, restated[1]		–	–	–	–	–	22,342	22,342
Exchange differences on translation of foreign operation		–	–	–	–	(912)	–	(912)
Comprehensive income for the year		–	–	–	–	(912)	22,342	21,430
Issue of shares	24	1	–	999	–	–	–	1,000
Equity-settled share-based payment expense	25	–	–	–	1,066	–	–	1,066
Vesting of share scheme	25	–	490	–	(926)	–	286	(150)
Deferred tax on share-based payments	23	–	–	–	(10)	–	–	(10)
Dividends	26	–	–	–	–	–	(21,385)	(21,385)
Closing equity at 31 March 2021, restated[1]		**229**	**4,975**	**999**	**2,005**	**(1,645)**	**26,737**	**33,300**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**69,540**	**69,540**
Exchange differences on translation of foreign operation	11	**–**	**–**	**–**	**–**	**1,645**	**–**	**1,645**
Comprehensive income for the year		**–**	**–**	**–**	**–**	**1,645**	**69,540**	**71,185**
Issue of shares	24	**1**	**1,000**	**–**	**–**	**–**	**–**	**1,001**
Equity-settled share-based payment expense	25	**–**	**–**	**–**	**868**	**–**	**–**	**868**
Vesting of share scheme	25	**–**	**–**	**–**	**(1,303)**	**–**	**1,303**	**–**
Reclassification of share premium into retained earnings	1	**–**	**(4,975)**	**–**	**–**	**–**	**4,975**	**–**
Dividends	26	**–**	**–**	**–**	**–**	**–**	**(23,096)**	**(23,096)**
Closing equity at 31 March 2022		**230**	**1,000**	**999**	**1,570**	**–**	**79,459**	**83,258**

1. The prior year comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

Consolidated statement of cash flows

	Note	Year ended 31 March 2022 £'000	Restated[1] Year ended 31 March 2021 £'000
Net cash inflow from operating activities	31	**22,552**	54,643
Investing activities			
Investment income		**13**	332
Purchases of property, plant and equipment		**(5,185)**	(3,287)
Purchases of intangible assets		**(5,627)**	(7,950)
Acquisitions of subsidiaries net of cash acquired	16	**(4,543)**	(60,800)
Contingent consideration cash paid	22	**(2,000)**	–
Purchase of investment in associate	17	**(6,739)**	–
Purchase of convertible loan note	15	**(750)**	–
Proceeds from disposal of discontinued operation net of cash disposed	11	**20,159**	21
Net cash used in investing activities		**(4,672)**	(71,684)
Financing activities			
Dividends paid	26	**(23,096)**	(21,385)
Proceeds from issue of share capital		**1**	1
Repayments of loans and borrowings	28	**(61,469)**	(70,000)
Proceeds from loans and borrowings	28	**26,420**	81,259
Payment of lease liabilities	29	**(243)**	(211)
Net cash used in financing activities		**(58,387)**	(10,336)
Net decrease in cash and cash equivalents		**(40,507)**	(27,377)
Cash and cash equivalents at beginning of year		**64,806**	93,774
Effect of foreign exchange rate changes		**–**	(1,591)
Cash and cash equivalents at end of year		**24,299**	64,806

1. The prior year comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

Reconciliation of cash and cash equivalents

	Note	31 March 2022 £'000	31 March 2021 £'000
Continuing operations			
Corporate cash		**7,653**	10,535
Clients' funds and retailer partners' deposits		**16,646**	28,405
Cash and cash equivalents on the consolidated statement of financial position	19	**24,299**	38,940
Discontinued operation			
Corporate cash		**–**	7,814
Clients' funds and retailer partners' deposits		**–**	18,052
Cash and cash equivalents (discontinued operation)		**–**	25,866
Cash and cash equivalents (continuing and discontinued operations)		**24,299**	64,806

Company statement of financial position

	Note	31 March 2022 £'000	31 March 2021 £'000
Non-current assets			
Other intangible assets	13	**–**	**5,539**
Investments in wholly owned subsidiaries	15	**139,105**	**138,539**
Investment in associate	17	**6,739**	**–**
Convertible loan note	15	**750**	**–**
Trade and other receivables	18	**26,155**	**27,517**
Total non-current assets		**172,749**	**171,595**
Current assets			
Trade and other receivables	18	**3,108**	**9,269**
Current tax asset		**–**	**2,378**
Cash and cash equivalents – corporate cash		**301**	**524**
Total current assets		**3,409**	**12,171**
Total assets		**176,158**	**183,766**
Current liabilities			
Trade and other payables	20	**54,765**	**15,625**
Provision	21	**–**	**12,500**
Deferred consideration liability	22	**1,000**	**1,462**
Loans and borrowings	28	**37,833**	**60,333**
Total current liabilities		**93,598**	**89,920**
Non-current liabilities			
Deferred consideration liability	22	**–**	**4,285**
Loans and borrowings	28	**10,833**	**21,667**
Total liabilities		**104,431**	**115,872**
Net assets		**71,727**	**67,894**
Equity			
Share capital	24	**230**	**229**
Share premium	24	**1,000**	**4,975**
Merger reserve	24	**999**	**999**
Share-based payment reserve		**1,570**	**2,005**
Retained earnings		**67,928**	**59,686**
Total equity attributable to equity holders of the parent		**71,727**	**67,894**

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 and consequently the statement of profit or loss of the Company is not presented as part of these financial statements. The profit of the Company for the financial year was £25.1 million (2021: £22.3 million).

These financial statements were approved by the Board of Directors and authorised for issue on 17 June 2022 and were signed on behalf of the Board of Directors.

Nick Wiles
Chief Executive
17 June 2022

Company statement of changes in equity

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
Opening equity at 1 April 2020		**228**	**4,485**	**–**	**1,865**	**58,530**	**65,108**
Profit for the year		–	–	–	–	22,255	22,255
Issue of shares	24	1	–	999	–	–	1,000
Equity-settled share-based payment expense	25	–	–	–	1,066	–	1,066
Vesting of share scheme	25	–	490	–	(926)	286	(150)
Dividends	26	–	–	–	–	(21,385)	(21,385)
Closing equity at 31 March 2021		**229**	**4,975**	**999**	**2,005**	**59,686**	**67,894**
Profit for the year		**–**	**–**	**–**	**–**	**25,060**	**25,060**
Issue of shares	24	**1**	**1,000**	**–**	**–**	**–**	**1,001**
Equity-settled share-based payment expense	25	**–**	**–**	**–**	**868**	**–**	**868**
Vesting of share scheme	25	**–**	**–**	**–**	**(1,303)**	**1,303**	**–**
Reclassification of share premium into retained earnings	1	**–**	**(4,975)**	**–**	**–**	**4,975**	**–**
Dividends	26	**–**	**–**	**–**	**–**	**(23,096)**	**(23,096)**
Closing equity at 31 March 2022		**230**	**1,000**	**999**	**1,570**	**67,928**	**71,727**

Company statement of cash flows

	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Net cash inflow from operating activities	31	**28,575**	5,501
Investing activities			
Dividend income		**–**	38,548
Investment income		**–**	13
Purchases of intangible assets		**–**	(6,042)
Increased capitalisation of existing investments	15	**(5,000)**	(1,001)
Acquisition transaction costs	15	**–**	(2,796)
Acquisitions of subsidiaries	16	**(5,944)**	(67,903)
Contingent consideration cash paid	22	**(2,000)**	–
Purchase of investment in associate	17	**(6,739)**	–
Purchase of convertible loan note	15	**(750)**	–
Proceeds from disposal of discontinued operation	11	**48,063**	21
Net cash from/(used in) investing activities		**27,630**	(39,160)
Financing activities			
Dividends paid	26	**(23,096)**	(21,385)
Proceeds from issue of share capital		**1**	1
Repayments of loans and borrowings	28	**(57,833)**	(70,000)
Proceeds from loans and borrowings	28	**24,500**	82,000
Net cash used in financing activities		**(56,428)**	(9,384)
Net decrease in cash and cash equivalents		**(223)**	(43,043)
Cash and cash equivalents at beginning of year		**524**	43,567
Cash and cash equivalents at end of year		**301**	524

Notes to the consolidated financial statements

1. Accounting policies

Statement of compliance with IFRS and basis of preparation

PayPoint Plc ('PayPoint' or the 'Company') is a public limited company and is incorporated and registered in England in the UK under the Companies Act 2006. The Company's ordinary shares are traded on the London Stock Exchange. The Group and Company financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("UK-adopted IFRS"), and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

These financial statements are presented in Pounds Sterling rounded to thousands (£'000). The Pound Sterling is the currency of the primary economic environment in which the Group operates.

Adoption of standards and policies

The accounting policies adopted by the Group in the financial statements for the year ended 31 March 2022 have been applied consistently to all periods set out in these group financial statements, with the exception of the following policies which are set out below and are applicable for the first time in the year ended 31 March 2022: i) investments in associates and ii) capitalisation of costs incurred in the implementation of cloud computing "Software as a Service" (SaaS) arrangements.

Investments in associates

Investments in associates are accounted for using the equity method and are initially recognised at cost. The carrying amounts of the associates are subsequently adjusted where material to recognise the Group's share of the profit or loss after tax, distributions received and any impairment in value of the associates. Where the Group's share of losses in associates exceeds the value of the investment, the Group ceases to recognise further losses because no obligation exists for the Group to fund the losses. Where a change in net assets has been recognised directly in the associate's equity, the Group recognises its share of those changes in the consolidated statement of changes in equity when applicable. Adjustments are made to align the accounting policies of the associates with the Group and to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its associates.

Prior year restatement for implementation costs of cloud computing SaaS arrangements

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

Under the revised accounting policy, costs incurred in the configuration and customisation of cloud-hosted SaaS arrangements are now expensed where they do not give rise to an identifiable intangible asset which the Group controls. Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term. In limited circumstances, configuration and customisation costs may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the Group. The revision to the accounting policy has been accounted for retrospectively, resulting in a prior year restatement. See note 32 for the impacts of the restatement.

The restatement represents a non-cash adjustment. The Group consolidated prior year comparatives have been restated to derecognise previously capitalised SaaS related costs amounting to £0.8 million in the year ended 31 March 2021 which no longer meet the criteria for recognition as an asset under IAS 38. Also, amortisation on previously capitalised intangible assets of £1.8 million for the prior year ended 31 March 2021 has been reversed and the tax charge for the prior year ended 31 March 2021 has increased by £0.2 million. The impact of the restatements has decreased the restated opening Group retained earnings at 1 April 2020 by £7.0 million, increased the Group's profit for the prior year ended 31 March 2021 by £0.8 million and decreased total Group assets on the prior year balance sheet by £6.2 million.

Reclassification of Company brand intangible asset in relation to Collect+ joint arrangement

During the year ended 31 March 2017, PayPoint restructured an arrangement with Yodel Delivery Network Limited (Yodel) in the form of a 50:50 joint venture becoming a joint operation in Collect+ Group (consisting of Collect+ Holdings Limited and its wholly owned subsidiary Collect+ Brand Limited). The joint operation licensed the use of the Collect+ brand to both Yodel and PayPoint. In the Company statement of financial position, the arrangement was recognised as a £5.9 million investment in Collect+ Group.

At the start of the year ended 31 March 2021, PayPoint acquired the remaining 50% interest in Collect+ that Yodel owned for £6.0 million. In the Company statement of financial position, the remaining 50% interest in Collect+ was recognised as a £6.0 million brand intangible asset and amortised over its useful economic life of 12 years. During the current year, management reviewed the accounting treatment in the Company financial statements in relation to its interest in Collect+ and concluded that it should have presented a brand intangible asset whilst the arrangement was a joint operation, and transferred that asset together with the additional consideration paid into an investment in a wholly owned subsidiary when control was obtained.

Management has decided not to re-present the prior year comparatives relating to the above item, as the adjustment is not considered material to the Company financial statements. In the current year the £6.0 million was reclassified from a brand intangible asset to an investment on the Company statement of financial position and £0.5m of accumulated amortisation was reversed through the Company statement of profit or loss.

The revision has no impact on the Group consolidated financial statements and represents a non-cash adjustment in the Company financial statements.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Reclassification of share premium balance

Management has reviewed the treatment of the share premium balance as at 31 March 2021 and concluded that an amount of £5.0 million should have been presented within retained earnings. This balance was previously presented within share premium on the consolidated and Company statements of financial position and statements of changes in equity, and relates entirely to share awards which have vested and been recycled from the share-based payment reserve.

Management has decided not to re-present the prior year comparatives relating to the above item, as it has no impact on the consolidated statement of profit or loss or the consolidated statement of cash flows for the prior year ended 31 March 2021 and the adjustment is not considered significant compared to the overall amount in the consolidated statement of financial position and/or the captions affected. The revision has not reduced distributable reserves and has not had any impact on operating profit, profit for the year, assets and liabilities or cash flows for the year ended 31 March 2022, where the revised presentation has been adopted, or periods prior to this current year.

New and revised IFRS in issue but not yet effective

Other than the IFRIC agenda decision on the configuration and customisation costs incurred in implementing cloud computing SaaS arrangements, no new standards or interpretations have been adopted in the Group's accounting policies in the year ended 31 March 2022. At the date of authorisation of these financial statements, new and revised standards issued but not yet effective are set out below. It is anticipated the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group. These have not been adopted in the Group's accounting policies:

- IFRS 17 Insurance Contracts (effective date to be confirmed).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective date to be confirmed).
- Amendments to IAS 37: Onerous Contracts—Cost of Fulfilling a Contract (effective date to be confirmed).
- Amendments to References to the Conceptual Framework in IFRS 3 (effective date to be confirmed).
- Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use (effective date to be confirmed).
- Annual Improvements to IFRS Standards 2018-2020 (effective date to be confirmed).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date to be confirmed).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date to be confirmed).
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date to be confirmed).

Going concern

The financial statements have been prepared on a going concern basis. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt to equity balance. The capital structure of the Group consists of debt, cash and cash equivalents 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 31 March 2022, the Group had cash and cash equivalents of £24.3 million, consisting of £7.7 million corporate cash and £16.6 million of clients' funds and retailer partners' deposits. In addition, following the group-wide refinancing in the prior year and a subsequent one-year extension which was secured after the end of the current financial year, the Group's borrowing facilities consist of a £21.7 million amortising term loan which is due to be fully repaid over the next two financial years and an unsecured £75.0 million revolving credit facility with a £30.0 million accordion facility (uncommitted) expiring in February 2025. At 31 March 2022, £27.0 million (2021: £49.5 million) was drawn down from the revolving credit facility. At 31 March 2022 the Group also had £2.9 million (2021: £4.6 million) of block loan balances.

The Group has a strengthened statement of financial position, with net assets of £83.3 million as at 31 March 2022, having made a profit for the year of £69.5 million and delivered net cash flows from operating activities of £22.6 million for the year then ended. During the current year the Group received £48.6 million proceeds from the sale of the Romanian business. The proceeds were used to partly repay the revolving credit facility in April 2021. The Group had net current liabilities of £28.4 million (2021 restated: £51.9 million), with no assets or liabilities held for sale in the current year following the sale of the Romanian business in April 2021, partial repayment of the revolving credit facility using proceeds from the sale of the Romanian business and full utilisation of the £12.5 million Ofgem provision recognised in the prior year.

The Directors have prepared cash flow forecast scenarios for a period of at least 12 months from the date of approval of these financial statements, taking into account the Group's current financial and trading position, the principal risks and uncertainties and the strategic plans that are reviewed at least annually by the Board. Additionally, the Directors have carried out an assessment of the principal risks and uncertainties and applied several severe but plausible scenarios to further test the Group viability, which included a reduction in the volume of transactions, loss of key contracts and under-performance of acquisitions and new products or service lines. As mitigating actions we have assumed achievable reductions in expenditure and a reduction in the level of future dividends following the payment of the final dividend of 18.0 pence per share declared in respect of financial year ended 31 March 2022.

The cash flow forecasts included an analysis and stress test for the above scenarios to ensure working capital movements within a reporting period do not trigger a covenant breach. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of not less than 12 months from the date of approval of these financial statements and therefore have prepared the financial statements on a going concern basis.

Use of judgements and estimates
In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered 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: initial recognition of acquired intangible assets and goodwill at fair value on acquisition of RSM 2000
The goodwill arising on a business combination represents the excess of fair value of consideration paid over the net of the identifiable assets acquired and liabilities assumed at the acquisition date, including the recognition of acquired intangible assets. Those acquired intangible assets are required to be recognised at fair value which reflects the exit price that would be received to sell those assets in an orderly transaction between market participants at the measurement date and excludes buyer-specific intentions. The fair value of acquired intangible assets (acquired customer relationships and acquired regulatory licences) recognised on the acquisition of RSM 2000 amounted to £0.4 million (6.3% of total consideration), resulting in goodwill of £5.6 million (80.4% of total consideration). A critical judgement arises in relation to the fair value measurement of those acquired intangible assets and therefore the residual value of goodwill, as the acquired intangible assets were not purchased in separate transactions but rather as part of the wider RSM 2000 business combination, which makes the 'market participant' perspective hypothetical. Therefore, in measuring the acquired intangible assets at fair value, management considered the types of potential market participants (e.g. competitors and comparable companies) in order to apply assumptions that were consistent with the assumptions that market participants would use when pricing the intangible assets. Given that the acquired intangible assets are not traded on an active market, have no recent market transactions and are unique to RSM 2000, the customer relationships were valued using a multi period excess earnings method (MEEM) income approach and the regulatory licenses were valued using the cost to recreate approach. The MEEM approach reflects market participant fair value by including forecast lifetime earnings which were specifically attributable only to the customer relationships existing at the acquisition date. The discount rate applied to the MEEM incorporates general market rates of return at the acquisition date as well as industry risks and the risks of the asset to a typical market participant, based on an analysis of comparable companies. The cost to recreate approach reflects market participant fair value by assessing the costs which a third party would have incurred to replace the acquired regulatory licences at the acquisition date. The residual £5.6 million goodwill represents the future economic benefits arising from the acquisition that were not individually identified and separately recognised at the acquisition date. The buyer-specific synergies subsumed into goodwill did not exist at the market-participant level at the acquisition date because i) they result from combining the digital operations of PayPoint and RSM 2000 which enables PayPoint to offer new customers the full scope of digital payments capabilities post-acquisition; ii) the new customer relationships and sectors are anticipated to arise post-acquisition but were not identifiable at the acquisition date (including charities, not-for profit organisations, events, housing and SMEs in the UK) and iii) the workforce, operating expertise and detailed knowledge of direct debit processing are not separately identifiable intangible assets.

Critical estimate: Valuation of the goodwill relating to cash generating unit
Accounting for goodwill and other intangible assets with an indefinite useful life, requires an annual impairment review. Paypoint has acquired four subsidiaries I-movo, Handepay, Merchant Rentals and RSM 2000. The first three subsidiaries were acquired in the prior year and are distinct Cash Generating Units (CGU) whilst RSM 2000 was acquired in the current year and is now part of the Digital CGU.

When testing for impairment, the recoverable amount of the CGU is measured at its value in use by discounting future expected cash flows from the assets in that CGU. Impairment models have been built which consider expected future cash flows based on the Board approved plan. The Board approved plan forecasts cash flows for three years and then appropriate assumptions were applied to forecast a further two years, before appropriate long term growth rates were applied to the fifth year to calculate terminal values. The discount rate used is built up from the PayPoint WACC and then adjusted for specific risks associated with the CGU's estimated cash flows, in particular for i-movo and Digital, higher small entity risk. Sensitivity analysis has been applied to determine the impacts of reasonably possible changes in the assumptions used for the value-in-use calculations.

The critical estimates when calculating the value-in-use in these impairment models are the timing of key revenue streams and the impact of revenue growth prospects. For some recently acquired businesses, significant Directors' judgement is required in setting these estimates as there is invariably no relevant external or historic benchmark to suggest how well these businesses will perform once integrated as members of the Group. Consequently, in setting estimates of high single or double digit growth in the early years following acquisition for a number of the newly acquired businesses, the Directors are judging that PayPoint's existing infrastructure and capabilities will facilitate such growth rates alongside those of the acquired entities.

The CGUs are different sizes and at different stages of maturity. i-movo is a CGU with considerable growth forecast as its most significant current contract, with DWP, only commenced in August 2021 and is expected to reach maturity for transaction levels in FY 22/23. The model assumes ongoing continuation of this contract, or replacement by other revenue streams. The newspaper and FMCG revenue streams contribute an insignificant amount of revenue but are forecast to grow strongly in the near term, and the Directors have confidence in the viability of the product offering following successful pilots and other proof of concept activities this year.

Handepay and Merchant Rentals CGUs are both mature businesses in the cards sector, a highly competitive marketplace, with growth forecast to come from increased sales activity and changes in Handepay's acquirer relationship.

Digital CGU forecast growth is a mix of organic growth in existing business, DD and Multipay, and growth in the Housing and Charities sectors for the combined proposition.

Notes to the consolidated financial statements continued

1. Accounting policies continued

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 also retains retailer partners' deposits as security for those collections.

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

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

The Group evaluated the April 2022 IFRIC agenda decision on demand deposits with restrictions on use arising from a contract with a third party and concluded that it did not have any impact on the Group's existing accounting policy for cash and cash equivalents. Where there is a binding agreement specifying that PayPoint holds funds on behalf of the client (i.e. acting in the capacity of a trustee) and those funds have been separately identified as belonging to that beneficiary, the cash and the related liability are not included in the statement of financial position. In all other situations the cash and corresponding liability are recognised on the statement of financial position. Corporate cash and clients' funds and retailer partners' deposits are presented as separate line items within cash and cash equivalents on the statement of financial position.

Prior year critical judgements and estimates

Revenue recognition (agent vs principal) which was a critical judgement in the prior financial year ended 31 March 2021, is no longer considered to be a critical judgement. The Romanian business, which was where most of the Group's revenue as principal was recognised, was disposed of on 8 April 2021. The cost of mobile top-ups and SIM cards as principal was £1.1 million in the current year (2021: £46.9 million), refer to note 4. Therefore, at 31 March 2022, this judgement no longer has a significant risk of resulting in material adjustment to the amount of revenue recognised within the next financial year.

The valuation of the deferred, contingent consideration liability arising from the i-movo acquisition, which was a critical estimate in the prior financial year ended 31 March 2021, is no longer considered to be a critical estimate. The i-movo sale and purchase agreement includes four elements of deferred consideration which are contingent on future performance over the earnout period and are linked to four monthly revenue growth targets on two potential key revenue streams. The £nil valuation of the deferred, contingent consideration liability at 31 March 2022 (31 March 2021: £5.7 million) is based on estimated future performance of the related business over the earnout period using management's latest forecasts and does not have a significant risk of resulting in material adjustment to the carrying amount of the deferred, contingent consideration liability within the next financial year.

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 and have remained consistent with the prior year. These measures are included in these financial statements to provide additional useful information on performance and trends to shareholders.

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

Underlying performance measures (non-IFRS measures)

Underlying performance measures allow shareholders to better understand the underlying operational performance in the year, to facilitate comparison with prior years and to better assess trends in financial performance. They usually exclude the impact of one-off, non-recurring and exceptional items. A reconciliation from profit before tax from continuing operations to underlying profit before tax from continuing operations is included in note 6.

Net revenue (non-IFRS measure)

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

Effective tax rate (non-IFRS measure)

Effective tax rate (note 9) is the tax cost as a percentage of the net profit before tax.

Reported dividends (non-IFRS measure)

Reported dividends are based on a financial year's results from which the dividend is declared and consist of the interim dividend paid and final dividend declared (note 26). This is different to statutory dividends where the final dividend on ordinary shares is recognised in the following year when they are approved by the Company's shareholders.

Cash generation (non-IFRS measure)

Cash generation reflects earnings before tax, depreciation, amortisation and exceptional items adjusted for working capital (excluding movement in clients' funds and retailer partners' deposits) as detailed in note 31 to the financial statements. This measures the cash generated which can be used for tax payments, new investments and financing activities.

Total costs (non-IFRS measure)

Total costs comprise other cost of revenue (note 5), administrative expenses, finance income and finance costs. Total costs excludes exceptional costs.

Underlying earnings per share from continuing operations (non-IFRS measure)
Underlying earnings per share from continuing operations (note 10) is calculated by dividing the net profit from continuing operations before exceptional items attributable to equity holders of the parent by the basic or diluted weighted average number of ordinary shares in issue.

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

	Year ended 31 March 2022 £'000	Restated[1] Year ended 31 March 2021 £'000
Operating profit from continuing operations	**50,548**	22,289
Adjust for:		
Exceptional items – (administrative income)/expenses	**(2,880)**	15,600
Operating profit from continuing operations before exceptional items	**47,668**	37,889
Net revenue from continuing operations (note 4)	**115,112**	97,138
Underlying operating margin	**41.4%**	39.0%

1. The prior year comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

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 amounts borrowed under financing facilities (excluding IFRS 16 liabilities). The reconciliation of cash and cash equivalents to net corporate debt is as follows:

	31 March 2022 £'000	31 March 2021 £'000
Cash and cash equivalents – corporate cash from continuing operations	**7,653**	10,535
Cash and cash equivalents – corporate cash from discontinued operation	**–**	7,814
Less:		
Loans and borrowings (note 28)	**(51,534)**	(86,583)
Net corporate debt	**(43,881)**	(68,234)

Significant accounting policies
Basis of consolidation
PayPoint Plc (the 'Company') acts as a holding company. The accounts of the Company and its investments in entities controlled by the Company (its subsidiaries) are consolidated in the Group accounts. Control is achieved when the Company has power over an entity, exposure to variable returns and the ability to use that power to affect its returns from the entity. The Company reassesses its control over an entity if facts and circumstances indicate that there is a change to any of the three elements of control listed above. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control exists. All intergroup transactions, balances, income and expenses are eliminated on consolidation. All the subsidiaries in the Group, a list of which are presented in note 15 of the financial statements, apply accounting policies which are consistent with those of the Group.

The Company has an investment in an associate over which it has significant influence but not control. The results of the associate are not consolidated but instead accounted for using the equity method as disclosed in the accounting policy for investments in associates.

Revenue
Revenue represents the value of services and goods delivered or sold to clients, retailer partners and SME partners which is measured using the fair value of the consideration received or receivable, net of value added tax. Performance obligations are identified at contract inception and the revenue is recognised once the performance obligations are satisfied. Upfront payments for management fees and set-up and development fees in respect of contracts with clients, retailer partners and SME partners are deferred and recognised on a straight-line basis over the contracted period, which appropriately reflects that the clients, retailer partners and SME partners receive and consume the benefits of those performance obligations evenly throughout the contract.

PayPoint provides shopping and e-commerce services to retailer partners, which form part of PayPoint's network, and SME partners. Shopping (retail services) revenue comprises:
- Service fees from retailers that use PayPoint One, legacy terminals and EPoS, all of which are charged for on a weekly or monthly basis, and recognised on a straight-line basis over the period of the contract. Retailers simultaneously receive and consume the benefits related to the services fee; therefore, a straight-line approach appropriately reflects the transfer of the service.
- ATM and Counter Cash transaction fees which are recognised when each transaction is processed.
- Home delivery revenue from PayPoint's partnership with Snappy Shopper which enables local store to door delivery and click and collect for retailer partners. PayPoint earns a commission on the turnover which is recognised when the corresponding transactions are processed.
- Fees for receipt advertising and FMCG revenue from digital vouchering, digital screen advertising, sales data, and PayPoint's retailer engagement channels which is recognised over the period of the campaign on a straight-line basis.
- Operating lease income from ATMs which is recognised on a straight-line basis over the expected lease term.
- Other retail services revenue including failed Direct Debits which are recognised at the time the transaction occurs.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Shopping (card payments) revenue comprises:
- Commissions and fees from card payments which are recognised when each transaction is processed.
- Finance lease income from card terminals is recognised over the expected lease term using the sum of digits method.
- Operating lease income from card terminals which is recognised on a straight-line basis over the expected lease term.
- Commissions from PayPoint's Business Finance products in partnership with YouLend which is earned on the loan amounts outstanding from card payment retailers and recognised when the commission is processed.

e-commerce revenue comprises:
- Fees earned for processing parcels which are recognised when each parcel has been delivered or returned through the PayPoint network.
- Royalty income from the Collect+ brand which is recognised as the parcels are processed.

Payments and banking revenue is recognised as performance obligations are satisfied which is usually at the point in time each transaction is processed. Other than for the sale of SIM cards as principal, PayPoint is contracted as agent in the supply of payments and banking services and accordingly the commission earned from clients for processing transactions is recognised as revenue when each transaction is processed. Payments and banking revenue comprises:
- Cash bill payments: customers of PayPoint's clients can pay their bills (due to the client) over-the-counter at any of PayPoint's retailer partners. PayPoint provides the technology for recording the payment of bills and transmission of that payment data to the client. PayPoint then collects bill payment funds from retailer partners and remits those funds to clients.
- Cash top-ups: customers of PayPoint's clients can top up their mobiles over-the-counter at any of PayPoint's retailer partners. This category also includes revenue from the sale of SIM cards which is primarily earned from the mobile operators based on the value of top-ups after the initial activation. This revenue is contingent on the customer actions and is recognised at the point in time when the consumer tops up the SIM card. PayPoint contracts as principal for SIM card sales as it obtains control of the SIM cards before transferring control to the customer, therefore revenue is recognised at the gross sale price and cost of revenue includes the related cost.
- Digital payments: MultiPay is an integrated solution offering a full suite of digital payments. It enables transactions online and through smartphone apps and text messages, as well as event payments, over the counter, over the phone and via interactive voice response (IVR) systems. It also supports a full range of Direct Debit options, including scheduling collections, as well as new product developments such as PayByLink, recurring payments and Event Streamer. CashOut enables the rapid dispersal of funds through secure digital channels, including the Payment Exception Service which is run for the Department for Work and Pensions by i-movo, delivering payments to those without access to a standard bank account. i-movo also issues digital newspaper vouchers which enable newspaper publishers to digitise consumer subscription services and home news delivery in local convenience stores.
- Cash through to digital: PayPoint provides the physical network of retail locations for consumers to convert cash into electronic funds with online organisations. Consumers pay for a 'pin on receipt' code in any of PayPoint's retail locations and then can use that value online with their chosen digital brand or service across a comprehensive portfolio of banking, e-commerce, gaming and loyalty card partners.

Cost of revenue

Cost of revenue primarily consists of expenses related to delivering our services and products. These include retailer commissions, cost of SIM cards (where PayPoint is principal), depreciation and amortisation of assets used to deliver services, field sales costs, transaction costs, terminal and ATM maintenance costs and telecommunications costs.

Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currency are translated at the rates prevailing at the date when fair value was determined. Gains and losses arising on translation are included in net profit or loss for the year.

The Group does not have any overseas operations at 31 March 2022, following the disposal of the Romanian business on 8 April 2021, which was classified as held for sale at 31 March 2021. The assets and liabilities of that foreign discontinued operation were translated at exchange rates prevailing on the statement of financial position date. Cash flows and income statement items were translated at the average exchange rates for the year. Exchange differences arising on consolidation were recorded in a separate component of equity titled the translation reserve.

Goodwill and fair value adjustments arising on the acquisition of the foreign operation were historically treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising were recognised in other comprehensive income.

Exchange rates used for translation	31 March 2021 £'000
Romania Leu – average	5.44
Romania Leu – year end	5.77
Euro – average	1.12
Euro – year end	1.17

Financial instruments

The financial asset or liability is initially recognised when the Group becomes party to the contractual instrument. The Group classifies derivative financial instruments, which consist of foreign exchange contracts, as held for trading and measures the financial instruments at fair value through profit or loss. The Group's derivative financial instruments are valued using forward exchange rates at the balance sheet date.

The Group discloses the fair value measurements of financial assets and liabilities using three levels as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Pension costs

The Group makes payments to a number of defined contribution pension schemes. Pension costs are recognised as an expense when employees have rendered services entitling them to the contributions. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Share-based payments

Share-based payment arrangements are equity settled. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period and adjusted for non-market-based conditions where they will not vest (i.e. leavers). For equity-settled share-based payment arrangements with market-based vesting conditions, fair value is measured by use of a Monte Carlo simulation. The fair value of other equity-settled share-based payment arrangements where no market-based vesting conditions exist is based on the share price at the date of the grant.

Finance income

Finance income comprises bank deposit interest received on cash and cash equivalents held at financial institutions. Interest is recognised as earned which reflects the effective interest rate method.

Finance costs

Finance costs comprises interest costs on loans and borrowings and bank overdrafts. Finance costs are recognised as an expense in the period in which they are incurred.

Retailer partner commission costs

Retailer partner commission costs represent the fees due to PayPoint's retailer partners for providing PayPoint's services in their store. These costs are recognised as an expense within cost of revenue when the transaction or parcel is processed. PayPoint owns the relationship with the retailer and accordingly recognises the cost as a principal, rather than as a pass-through cost for clients.

Exceptional items

The Group presents on the face of the consolidated statement of profit or loss those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, to facilitate comparison with prior years and to better assess trends in financial performance.

Exceptional items are non-recurring or intermittent, and because of their nature and expected infrequency of the events giving rise to them, do not reflect current operational performance. Examples of exceptional items include, but are not limited to:

- costs incurred as part of the acquisition and integration of acquired businesses as these are non-operational, non-recurring and material (mainly legal, due diligence, valuation and IT integration costs and stamp duty)
- revaluation of the deferred, contingent consideration liability to fair value, as this is material and not a reflection of overall underlying operational performance of the Group
- profit or loss items arising from changes to the Group's capital structure, including significant refinancing, which are non-operational and material (legal and advisory fees and write-off of unamortised arrangement fees on the old facility)
- other one-off profit or loss items which are non-recurring, material and do not reflect underlying operational performance, such as the profit from disposal of the discontinued operation

Taxation

Until disposal of the discontinued foreign operation the Group operated in two different tax jurisdictions which led to some complexity in tax matters. The Group's policy is to pay tax when due but to minimise tax payments where practically possible, without engaging in aggressive tax schemes.

The tax expense represents the amount payable in respect of the year under review based on the taxable profit for the year and the provision for deferred tax. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are not taxable or deductible.

The Group's liability for current tax is calculated using tax rates that are applicable to the current year.

Deferred tax is provided in full on taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is calculated using tax rates that have been substantively enacted by the balance sheet date. Deferred tax assets are recognised on deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the tax asset will be realised. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is charged or credited in the statement of profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, in which case the deferred tax is recorded in other comprehensive income or equity.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. Acquisition-related costs are recognised in profit or loss as incurred. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquired identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date.

When the initial accounting for a business combination is determined, it is done so on a provisional basis. Measurement period adjustments to these provisional values may be made within 12 months of the acquisition date and are effective as at the acquisition date, if new information about facts and circumstances that existed at the acquisition date is obtained and, if known, would have resulted in the recognition of those assets and liabilities at that date.

Non-current assets held for sale and discontinued

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. The post-tax profit or loss of the discontinued operations is shown as a single line on the face of the consolidated income statement, separate from the continuing operating results of the Group. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is not amortised and is measured at the amount initially recognised less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units. The cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication of impairment. This is done by determining the recoverable amount. If the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised by first allocating the impairment to goodwill and then to the other assets on a pro-rata basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised immediately in profit or loss and is not reversed in subsequent years.

On disposal of a cash-generating unit, the related goodwill is included in the determination of the profit or loss on disposal.

Impairment of property, plant and equipment and other intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

The reversal of any impairment loss is limited by the net book value to which the relevant asset would have been reduced, had no impairment occurred. A reversal of an impairment loss is recognised as income.

Intangible assets

Recognition on acquisition

The Group has recognised acquired brands, customer relationships and developed technology intangible assets at fair value in accordance with IAS 38 Intangible Assets, which are amortised over their estimated useful economic lives as follows:
Brands – eleven to fifteen years
Customer relationships – four to thirteen years
Developed technology – one to seven years

Acquired brands are valued using the relief-from-royalty method using an estimation of future revenues and a market-based royalty rate that an acquirer would pay in an arm's length licensing arrangement to secure access to the same rights. The theoretical royalty payments are discounted to obtain the cash flows to determine the present asset value. A tax amortisation benefit is applied to reflect the present value of the expected benefits of amortising the value of the intangible asset over its useful tax life.

Acquired customer relationships are valued using the multi-period excess earnings method ('MEEM approach') by estimating the total expected income streams from customer relationships and deducting portions of the cash flow that can be attributed to supporting or contributory assets (including workforce). The residual income streams are discounted. No tax amortisation benefit is applied.

Acquired developed technology is valued using a depreciated replacement cost method, which requires an estimate of all the costs a typical market participant would incur to generate an exact replica of the intangible asset in the context of the acquired business. The depreciated replacement cost method takes into account factors including economic and technological obsolescence.

The useful life of acquired intangible assets is based on factors including the expected usage of the asset, typical product lifecycles for the asset (reflecting the ability to generate the expected future economic benefits with reasonably low levels of required maintenance expenditure), technical, technological, commercial or other types of obsolescence, expected actions by competitors and the period of the contractual or other legal rights over which the entity expects to use the asset including renewal, which determines future amortisation charges.

Development expenditure

The Group develops software and other intangible assets including EPoS services and the digital payments platform which generate future economic benefits through revenue from clients, retailer partners and SME partners or internal use. Development expenditure on large projects is recognised as an intangible asset if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The costs that are capitalised are the directly attributable costs necessary to create and prepare the asset for operations. Development costs recognised as an intangible asset are amortised on a straight-line basis over its useful life, which is between five and seven years. Other software costs are recognised in administrative expenses when incurred.

Costs incurred in the configuration and customisation of cloud-hosted SaaS arrangements are expensed where they do not give rise to an identifiable intangible asset which the Group controls. Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term. In limited circumstances, configuration and customisation costs may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the Group.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life. The estimated useful lives are as follows and are reviewed on an annual basis:

Freehold building	fifty years
Leasehold improvements	over the life of the lease
PayPoint One terminals	seven years
Card terminals	three to seven years
Other terminals	five years
ATMs	five years
Other classes of assets	three to five years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investments

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

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

Investments in convertible debt instruments (embedded derivatives) in the Group and Company accounts are stated at fair value.

Inventories

Inventories comprises stocks of SIM cards and card terminals. These are stated at the lower of cost or net realisable value.

Where PayPoint trades as principal for the sale of SIM cards, the cost of these is included in inventories. Where PayPoint acts as an agent, the cost of these is not included in inventories.

Trade and other receivables

Trade receivables are initially recorded at fair value and represent the amount of commission due from clients or fees from retailers for which payment has not been received, less an allowance for doubtful accounts that is estimated based on factors such as the credit rating of the customer, historical trends, the current economic environment and other information.

PayPoint has used the expected credit loss ('ECL') model and has adopted an allowance matrix for trade receivables, whereby these are segmented according to number of days outstanding and an appropriate probability of impairment is applied to each category based on historical loss experience and adjusted for information about current and reasonable supportable future conditions.

Items in the course of collection represent gross transaction values received by retailer partners for clients which have not yet been collected by PayPoint. PayPoint bears the credit risk for these amounts.

Notes to the consolidated financial statements continued

1. Accounting policies continued

Accrued income

Unbilled revenue is a receivable and is presented as accrued income on the balance sheet.

Cash and cash equivalents

For the purpose of the statement of cash flows and statement of financial position, cash and cash equivalents comprise cash at bank and in hand and short-term deposits with original maturity of less than three months and are subject to insignificant risk of changes in value. Cash consists of both corporate cash and clients' funds and retailer partners' deposits.

Corporate cash consists of cash available to PayPoint for its daily operations. Clients' funds consists of cash collected on behalf of clients from retailer partners, but not yet transferred to clients and is held in PayPoint's bank accounts. Retailer partners' deposits consists of retailer partners' funds held as security against default, except if held in trust which is disclosed off balance sheet.

Trade and other payables

Trade payables are initially recorded at fair value and represent the value of invoices received from suppliers for purchases of goods and services for which payment has not been made.

Settlement payables represent gross transaction values received by retail agents that have not yet been settled to clients.

Deferred consideration

Where a business combination agreement provides for an adjustment to the consideration, the Group accrues the fair value, based on the estimated additional consideration payable as a liability at the acquisition date. To the extent that the consideration is payable after more than one year from the acquisition date, the consideration is discounted at an appropriate interest rate and carried at net present value in the consolidated statement of financial position. The discount component is then unwound as a finance cost in the consolidated statement of profit or loss over the life of the earnout. Where the deferred consideration is contingent on future performance over the contractual earnout period, the liability is measured against the contractually agreed performance targets at each subsequent reporting date with any adjustments recognised in the consolidated statement of profit or loss. Where the contingent consideration is contractually linked to ongoing employment of the founders over the contractual period it is treated as an expense and recognised in the consolidated statement of profit or loss.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Leases

The Group assesses whether a contract is a lease at inception of the contract. Where the Group is lessee, it recognises a right-of-use asset and a corresponding lease liability, except for short-term leases and leases of low value assets. For these leases, the Group recognises the lease payment as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. The lease liability is subsequently increased by the interest cost on the lease and decreased by payments made. The lease liability is presented as a separate line in the consolidated statement of financial position. The Group remeasures the lease liability and makes a corresponding adjustment to the right-of-use asset whenever there has been a lease payment change, the lease contract is modified or any other significant event.

The right-of-use asset is initially measured at cost and subsequently recognised at cost less accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the shorter of the period of the expected lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use asset is presented within property, plant and equipment. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified loss as described in the 'Property, plant and equipment' policy.

Where the Group leases assets to a third party as a lessor, the Group assesses whether the contract is a finance lease or operating lease, depending on whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset.

Where the lease is a finance lease, the Group recognises as a receivable an amount equal to the net investment in the finance lease i.e. the minimum lease payments receivable under the lease discounted at the interest rate implicit in the lease. Incremental initial direct costs of obtaining the lease are included in the initial measurement of the net investment in the lease. This receivable is reduced as the lessee makes capital payments over the term of the lease. The terminal lease income is recognised over the expected lease term.

Where the lease is an operating lease, lease payments are recognised as income on a straight-line basis which reflects the pattern in which economic benefits from leasing the underlying asset are derived. The underlying asset is capitalised as property, plant and equipment and costs, including depreciation, incurred in earning the lease income are recognised as an expense. Initial direct costs incurred in obtaining the operating lease are added to the carrying amount of the underlying asset and recognised as an expense over the expected lease term on the same basis as the lease income.

Loans and borrowings

Loans and borrowings are initially measured at fair value, net of any attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

Dividends

Final dividends on ordinary shares are recognised in equity in the year in which they are approved by the Company's shareholders. Interim ordinary dividends are recognised when paid.

In the Company accounts, dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Merger reserve

Merger reserve represents consideration in excess of the nominal value of shares issued on certain acquisitions.

2. Segment reporting

Segment information

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

Geographic information

Revenue	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Continuing operations – UK	**145,144**	127,747
Discontinued operation[1] – Romania (note 9)	**1,258**	67,742
Total	**146,402**	195,489

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

The total £127.3 million (2021 restated: £115.7 million) non-current assets at 31 March 2022 are geographically located within the UK.

3. Revenue

Disaggregation of revenue

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Continuing operations		
Shopping		
Service fees	**16,575**	14,649
Card payments	**24,951**	14,058
Card terminal leases	**5,566**	974
ATMs	**13,858**	13,956
Other shopping	**1,936**	1,219
Shopping total	**62,886**	44,856
e-commerce total	**13,600**	11,074
Payments and banking		
Cash – bill payments	**36,660**	39,889
Cash – top-ups	**12,898**	14,166
Digital	**8,224**	6,050
Cash through to digital	**9,411**	9,983
Other payments and banking	**1,465**	1,729
Payments and banking total	**68,658**	71,817
Total continuing operations	**145,144**	127,747
Discontinued operation – Romania[1]	**1,258**	67,742
Total	**146,402**	195,489

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

Service fee revenue of £16.6 million (2021: £14.6 million) and management fees, set-up fees and upfront lump sum payments of £1.2 million (2021: £1.2 million) are recognised on a straight-line basis over the period of the contract. Card terminal leasing revenue of £5.6 million (2021: £1.0 million for the 2 months since the acquisition of Merchant Rentals) is recognised over the expected lease term using the sum of digits method for finance leases and on a straight-line basis for operating leases. The remainder of revenue is recognised at the point in time when each transaction is processed. The usual timing of payment by customers is on fourteen-day terms.

Revenue subject to variable consideration of £10.7 million (2021: £10.3 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.

Notes to the consolidated financial statements continued

3. Revenue continued

Contract balances

	Notes	31 March 2022 £'000	31 March 2021 £'000
Trade receivables	18	**10,316**	10,772
Net investment in finance lease receivables	29	**6,221**	10,575
Accrued income	18	**4,315**	3,320
Contract assets – capitalisation of fulfilment costs	18	**2,057**	1,889
Contract liabilities – deferral of set-up and development fees	20	**(788)**	(1,472)
Deferred income	20	**(401)**	(565)

PayPoint's contract balances arise from differences between timing of cash flow and revenue recognition, which is usually at the point in time each transaction is processed or on a straight-line basis over the contracted period for management fees, set-up fees or upfront lump sum payments.

- The trade receivables represent PayPoint's entitlement to consideration from clients and SME and retailer partners for services and goods delivered and invoiced at the reporting date, where the right to payment is unconditional except for the passage of time.
- The net investment in finance lease receivables balance represents the total minimum lease payments receivable to PayPoint as lessor under finance leases, adjusted for the incremental initial direct costs of obtaining that lease, discounted at the interest rate implicit in those leases, with corresponding card terminal finance leasing revenue recognised over the expected lease term using the sum of digits method.
- The accrued income is a receivable which represents PayPoint's entitlement to consideration from clients and SME and retailer partners for services and goods delivered but not yet invoiced at the reporting date.
- The contract assets are mainly capitalised employee costs directly relating to the implementation services which are expected to be recovered from the customer and are amortised on a straight-line basis over the period of the contract.
- The contract liabilities represent set-up and development fees which are released on a straight-line basis over the period of the contract.
- The deferred income is a contract liability which represents advance consideration received from clients and SME and retailer partners at the reporting date, which is released with revenue recognised upon delivery of the performance obligations.

4. Net revenue (alternative performance measure)

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Continuing operations		
Service revenue	**141,310**	123,886
Sale of goods	**1,183**	1,343
Royalties	**2,651**	2,518
Total revenue from continuing operations	**145,144**	127,747
Less:		
Retailer partners' commissions	**(29,827)**	(30,272)
Cost of SIM card sales as principal	**(205)**	(337)
Net revenue from continuing operations	**115,112**	97,138
Discontinued operation[1]		
Service revenue	**366**	17,842
Sale of goods	**892**	49,900
Total revenue from discontinued operation	**1,258**	67,742
Less:		
Retailer partners' commissions	**(101)**	(5,847)
Cost of mobile top-ups and SIM card sales as principal	**(897)**	(46,567)
Net revenue from discontinued operation	**260**	15,328
Total net revenue	**115,372**	112,466

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

5. Cost of revenue

	Year ended 31 March 2022 £'000	Restated[1] Year ended 31 March 2021 £'000
Continuing operations		
Retailer partners' commissions	**29,827**	30,272
Cost of mobile top-ups and SIM cards as principal	**205**	337
Total cost of revenue deducted for net revenue	**30,032**	30,609
Depreciation and amortisation	**7,626**	7,860
Field sales costs	**7,548**	3,174
Other	**3,519**	3,842
Total other costs of revenue	**18,693**	14,876
Total cost of revenue from continuing operations	**48,725**	45,485
Discontinued operation[2]		
Retailer partners' commissions	**101**	5,847
Cost of mobile top-ups and SIM cards as principal	**897**	46,567
Total cost of revenue deducted for net revenue	**998**	52,414
Depreciation and amortisation	**10**	381
Other	**(10)**	331
Total other costs of revenue	**–**	712
Total cost of revenue from discontinued operation	**998**	53,126
Total cost of revenue	**49,723**	98,611

1. The prior year comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.
2. The current year cost of revenue from the discontinued operation represents the cost of revenue from Romania between 1 and 8 April 2021 prior to disposal.

6. Exceptional items

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Revaluation of deferred, contingent consideration liability – administrative expenses	**2,880**	–
Acquisition costs expensed – administrative expenses	**–**	(2,796)
Provision in relation to Ofgem Statement of Objections – administrative expenses	**–**	(12,500)
Refinancing costs expensed – administrative expenses	**–**	(304)
Total exceptional items included in operating profit	**2,880**	(15,600)
Gain on disposal of discontinued operation, net of tax	**29,863**	–
Refinancing costs expensed – finance costs	**–**	(459)
Total exceptional items included in profit or loss	**32,743**	(16,059)

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

	Year ended 31 March 2022 £'000	Restated[1] Year ended 31 March 2021 £'000
Profit before tax from continuing operations	**48,515**	20,443
Exceptional items	**(2,880)**	16,059
Underlying profit before tax from continuing operations	**45,635**	36,502

1. The prior year comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

Notes to the consolidated financial statements continued

6. Exceptional items continued

Reconciliation of earnings from continuing operations to underlying earnings from continuing operations

	Year ended 31 March 2022 £'000	Restated[1] Year ended 31 March 2021 £'000
Earnings from continuing operations	**39,529**	15,919
Exceptional items	**(2,880)**	16,059
Tax on exceptional items	**–**	(2,462)
Underlying earnings from continuing operations	**36,649**	29,516

1. The prior year comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

7. Employee information

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Average number of employees		
Sales, distribution and marketing	**201**	206
Operations and administration	**469**	503
Total	**670**	709
Employee costs during the year (including Directors)		
Wages and salaries	**28,682**	28,500
Social security costs	**2,902**	2,411
Pension costs	**2,365**	2,005
Redundancy and termination costs	**127**	1,296
Total	**34,076**	34,212

Directors' emoluments, pension contributions and share options are disclosed in the Remuneration Committee Report on pages 90 to 101.

Included within wages and salaries is a share-based payment charge of £0.9 million (2021: £1.1 million). Refer to note 25 for disclosure of share awards made in the year.

Pension arrangements

The Group administers a number of non-contributory defined contribution schemes for employees. The amount charged in the consolidated statement of profit or loss for the year for pension costs of the Group under the schemes was £2.4 million (2021: £2.0 million). There was no accrual for pension contributions at the statement of financial position date (2021: £nil).

8. Profit for the year

	Year ended 31 March 2022 £'000	Restated[1] Year ended 31 March 2021 £'000
Profit from continuing operations is after (charging)/crediting:		
Inventory expensed – cost of mobile top-ups and SIM cards as principal	**(205)**	(337)
Inventory expensed – Merchant Rentals card terminals	**316**	25
Depreciation on property, plant and equipment – cost of revenue	**(4,221)**	(4,116)
Amortisation of intangible assets – cost of revenue	**(3,405)**	(3,744)
Depreciation of property, plant and equipment – administrative expenses	**(547)**	(478)
Amortisation of intangible assets – administrative expenses	**(2,396)**	(379)
Loss on disposal of property, plant and equipment – administrative expenses	**(59)**	(57)
Government grant income (HMRC furlough scheme for Handepay and Merchant Rentals) – administrative expenses	**–**	189
Research and development costs – administrative expenses	**(808)**	(1,093)

1. The prior year comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**100**	103
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	**347**	367
Total audit fees	**447**	470
Fees payable to the Group's auditor for the review of the interim results	**38**	38
Audit-related assurance services	**38**	38
Total auditor's remuneration	**485**	508

There were no other audit-related services or fees provided in the current and prior years.

A description of the work of the Audit Committee is set out on pages 84 to 85 and includes an explanation of how auditor independence is safeguarded by limitation of non-audit services.

Group profit before tax from continuing and discontinued operations

	Year ended 31 March 2022 £'000	Restated[1] Year ended 31 March 2021 £'000
Profit before tax from continuing operations	**48,515**	20,443
Gain on disposal after tax from discontinued operation (note 11)	**148**	7,551
Profit up to date of disposal from discontinued operation (note 11)	**29,863**	–
Group profit before tax from continuing and discontinued operations	**78,526**	27,994

1. The prior year comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

9. Tax

	Year ended 31 March 2022 £'000	Restated[1] Year ended 31 March 2021 £'000
Continuing operations		
Current tax		
Charge for current year	**8,254**	4,911
Adjustment in respect of prior years	**86**	(146)
Current tax charge	**8,340**	4,765
Deferred tax		
Charge/(credit) for current year	**577**	(444)
Adjustment in respect of prior years	**69**	203
Deferred tax charge/(credit)	**646**	(241)
Total income tax charge on continuing operations	**8,986**	4,524
Discontinued operation		
Current tax		
Charge for current year	**–**	1,107
Current tax charge	**–**	1,107
Deferred tax		
Charge for current year	**–**	21
Deferred tax charge	**–**	21
Total income tax charge on discontinued operation	**–**	1,128
Total income tax charge	**8,986**	5,652

1. The prior year comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

Notes to the consolidated financial statements continued

9. Tax continued

The income tax charge on continuing operations is based on the UK statutory rate of corporation tax for the year of 19% (2021: 19%). Temporary differences have been measured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised. During the financial year, an increase in the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023 was enacted. Deferred tax has been calculated based on the rate applicable at the date timing differences are expected to reverse.

The income tax charge on continuing operations of £9.0 million (2021: £4.5 million) on profit before tax of £48.5 million (2021: £20.4 million) represents an effective tax rate[1] of 18.5% (2021: 22.1%). This is lower than the UK statutory rate of 19% due to expenditure qualifying for the capital allowances super deduction, research and development credits and the non-taxable exceptional item in the current year, partially offset by the impact of revaluing the deferred tax liability following the enactment of the increased main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. The effective tax rate is lower than the prior year due to the disallowable acquisition and disposal costs in the prior year together with the super deduction, research and development credits and the non-taxable exceptional item in the current year, partially offset by the impact of revaluing the deferred tax liability following the enactment of the increased main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023.

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

	Year ended 31 March 2022 £'000	Restated[1] Year ended 31 March 2021 £'000
Profit before tax from continuing operations	**48,515**	20,443
Tax at the UK corporation tax rate of 19% (2021: 19%)	**9,218**	3,884
Tax effects of:		
(Non-taxable income)/disallowable expenses	**(726)**	508
Adjustments in respect of prior years	**155**	57
Tax impact of share-based payments	**(3)**	75
Revaluation of deferred tax liability	**889**	–
Non-taxable exceptional item	**(547)**	–
Actual amount of tax charge on continuing operations	**8,986**	4,524

1. The prior year comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

The effective tax rate on the discontinued operation was 0.0% (2021: 14.9%) because the gain on disposal of the discontinued operation was exempt from UK corporation tax under the substantial shareholding exemption.

10. Earnings per share

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

	Year ended 31 March 2022 £'000	Restated[1] Year ended 31 March 2021 £'000
Total profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**69,540**	22,342
Continuing operations		
Profit for basic and diluted earnings per share is the net profit from continuing operations attributable to equity holders of the parent	**39,529**	15,919
Continuing operations – underlying		
Profit for basic and diluted earnings per share is the net profit from continuing operations before exceptional items attributable to equity holders of the parent	**36,649**	29,516
Discontinued operation		
Profit for basic and diluted earnings per share is the net profit from discontinued operation attributable to equity holders of the parent	**30,011**	6,423

	31 March 2022 Number of shares Thousands	31 March 2021 Number of shares Thousands
Weighted average number of ordinary shares in issue (for basic earnings per share)	**68,631**	68,406
Potential dilutive ordinary shares:		
Long-term incentive plan	**164**	164
Restricted share awards	**408**	197
Deferred annual bonus scheme	**108**	62
SIP and other	**58**	50
Weighted average number of ordinary shares in issue (for diluted earnings per share)	**69,369**	68,879

Earnings per share (pence)	Year ended 31 March 2022	Restated[1] Year ended 31 March 2021
Basic	**101.3**	32.7
Diluted	**100.2**	32.4

1. The prior year comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

Earnings per share – continuing operations (pence)	Year ended 31 March 2022	Restated[1] Year ended 31 March 2021
Basic	**57.6**	23.3
Diluted	**57.0**	23.1

Underlying earnings per share – continuing operations before exceptional items (pence)	Year ended 31 March 2022	Restated[1] Year ended 31 March 2021
Basic	**53.4**	43.1
Diluted	**52.8**	42.9

Earnings per share – discontinued operation (pence)	Year ended 31 March 2022	Year ended 31 March 2021
Basic	**43.7**	9.4
Diluted	**43.2**	9.3

1. The prior year comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

11. Discontinued operation

The sale of the Romanian business, PayPoint Services SRL, to Innova Capital completed on 8 April 2021 following regulatory and other customary approvals. The sale was consistent with PayPoint's focus on its key strategic priorities and the delivery of enhanced growth and value in its core UK markets.

Cash proceeds of £48.3 million were received in April 2021 and were used to partly repay the revolving credit facility and reduce net corporate debt. A further £0.3m working capital adjustment was received on 2 November 2021. The Group profit from the discontinued operation was £30.0 million:

Group	Year ended 31 March 2022 £'000
Total disposal proceeds received	**48,585**
Costs of disposal	**(1,010)**
Carrying amount of net assets sold	**(16,067)**
Gain on sale before income tax and reclassification of foreign currency translation reserve	**31,508**
Reclassification of foreign currency translation reserve to profit or loss	**(1,645)**
Tax charge on discontinued operation	**–**
Gain on disposal after tax	**29,863**
Profit up to date of disposal	**148**
Profit from discontinued operation (attributable to owners of the Company)	**30,011**

Notes to the consolidated financial statements continued

11. Discontinued operation continued

Company	Year ended 31 March 2022 £'000
Total disposal proceeds received	**48,585**
Costs of disposal	**(522)**
Carrying value of investment in discontinued operation in Company statement of financial position (note 15)	**(17,420)**
Profit from discontinued operation (attributable to owners of the Company)	**30,643**

The gain on disposal of the discontinued operation was exempt from UK corporation tax under the substantial shareholding exemption.

The major classes of assets and liabilities comprising the carrying amount of net assets sold (and classified as held for sale in the prior year) were as follows:

	8 April 2021 £'000	31 March 2021 £'000
Assets		
Goodwill	11,149	11,149
Other intangible assets	455	455
Property, plant and equipment	2,242	2,242
Deferred tax asset	–	–
Inventories	124	124
Trade and other receivables	20,033	17,517
Corporate cash	7,814	7,814
Clients' funds and retailer partners' deposits	20,090	18,052
Total assets of discontinued operation	61,907	57,353
Liabilities		
Trade and other payables	44,928	39,954
Lease liabilities	707	707
Current tax liability	201	201
Deferred tax liability	4	4
Total liabilities of discontinued operation	45,840	40,866
Net assets of discontinued operation	16,067	16,487

The net assets of the discontinued operation were assessed to ensure their fair value less costs to sell were greater than their carrying value. The proceeds of the disposal substantially exceeded the carrying amount of the related net assets and accordingly no impairment loss was recognised prior to disposal.

The current period results of the discontinued operation up to the date of disposal and the gain on disposal after tax have been included in the total Group profit for the year as follows:

	Period from 1 to 8 April 2021 £'000	Year ended 31 March 2021 £'000
Revenue	1,258	67,742
Cost of revenue	(998)	(53,126)
Gross profit	260	14,616
Expenses	(112)	(7,188)
Operating profit	148	7,428
Finance income	–	311
Finance costs	–	(188)
Profit before tax	148	7,551
Tax	–	(1,128)
Gain on disposal	29,863	–
Post-tax profit from discontinued operation attributable to equity holders of the parent	30,011	6,423

Cash flows from discontinued operation

	Period from 1 to 8 April 2021 £'000	Year ended 31 March 2021 £'000
Net cash from operations	2,038	11,018
Net cash used in investing activities	–	(689)
Net cash used in financing activities – dividends paid to the Company	–	(7,146)
Net cash disposed as part of discontinued operation	(27,904)	–
Net (decrease)/increase in cash and cash equivalents	(25,866)	3,183
Cash and cash equivalents at beginning of year	25,866	24,328
Effect of foreign exchange rate changes	–	(1,645)
Cash and cash equivalents at end of year	–	25,866

The Group proceeds from the disposal of the discontinued operation net of cash disposed were £20.2 million:

Group	Year ended 31 March 2022 £'000
Total disposal proceeds received	**48,585**
Costs of disposal	**(522)**
Corporate cash held for sale in the discontinued operation	**(7,814)**
Clients' funds and retailer partners' deposits held for sale in the discontinued operation	**(20,090)**
Proceeds from disposal of the discontinued operation net of cash disposed	**20,159**

Company	Year ended 31 March 2022 £'000
Total disposal proceeds received	**48,585**
Costs of disposal	**(522)**
Proceeds from disposal of the discontinued operation	**48,063**

12. Goodwill

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

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

All CGUs assessed generate value-in-use in excess of their carrying values. Sensitivity analysis applied to WACC and gross margin demonstrated that no reasonably possible change in any of the above assumptions would cause the carrying values of the CGUs to exceed their recoverable amounts.

Group – goodwill values	Romania CGU £'000	i-movo CGU £'000	Handepay CGU £'000	Restated Merchant Rentals CGU £'000	Digital payments CGU £'000	Total CGUs £'000
At 31 March 2020	11,853	–	–	–	–	11,853
Acquisitions of businesses	–	6,867	35,632	9,052	–	51,551
Exchange rate adjustment	(704)	–	–	–	–	(704)
Balance reclassified as held for sale	(11,149)	–	–	–	–	(11,149)
At 31 March 2021, previously reported	–	6,867	35,632	9,052	–	51,551
Measurement period adjustment – Merchant Rentals	–	–	–	534	–	534
At 31 March 2021, restated	–	6,867	35,632	9,586	–	52,085
Acquisition of business	–	–	–	–	5,583	5,583
At 31 March 2022	**–**	**6,867**	**35,632**	**9,586**	**5,583**	**57,668**

Notes to the consolidated financial statements continued

12. Goodwill continued

The prior year comparatives have been restated for a retrospective measurement period adjustment which resulted in an increase in the goodwill attributable to the Merchant Rentals acquisition by £0.5 million. New information about facts and circumstances that existed at the acquisition date was obtained within the measurement period which, if known, would have resulted in an adjustment to reduce the fair value of inventories purchased at the acquisition date. There were no other measurement period adjustments to the fair values of the identifiable assets purchased and liabilities assumed as presented for the Handepay and i-movo acquisitions in the financial statements for the year ended 31 March 2021.

Assumptions used for annual impairment tests

	i-movo CGU	Handepay CGU	Merchant Rentals CGU	Digital payments CGU
At 31 March 2022				
Carrying value of cash generating unit	**£8.8m**	**£46.8m**	**£22.6m**	**£10.5m**
Pre-tax risk adjusted discount rate	**15.0%**	**11.8%**	**11.8%**	**15.6%**
Terminal growth rate	**0.0%**	**2.0%**	**(5.0)%-2.0%**	**2.0%**
At 31 March 2021				
Carrying value of cash generating unit	£9.0m	£48.1m	£27.9m	–
Pre-tax risk adjusted discount rate	12.0%	15.1%	15.1%	–
Terminal growth rate	2.0%	2.0%	2.0%	2.0%

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

13. Other intangible assets

Group	Development costs £'000	Customer relationships £'000	Brands and trademarks £'000	Regulatory licences £'000	Developed technology £'000	Total £'000
Cost						
At 31 March 2021, restated[1]	**26,512**	**18,404**	**8,951**	**–**	**306**	**54,173**
Acquisitions of businesses	7	204	–	236	–	447
Additions	5,627	–	–	–	–	5,627
Disposals	–	–	–	–	–	–
At 31 March 2022	**32,146**	**18,608**	**8,951**	**236**	**306**	**60,247**
Accumulated amortisation						
At 31 March 2021, restated[1]	**17,574**	**293**	**538**	**–**	**51**	**18,456**
Charge for the year	2,903	1,905	714	24	255	5,801
Disposals	–	–	–	–	–	–
At 31 March 2022	**20,477**	**2,198**	**1,252**	**24**	**306**	**24,257**
Carrying amount						
At 31 March 2022	**11,669**	**16,410**	**7,699**	**212**	**–**	**35,990**
At 31 March 2021, restated[1]	8,938	18,111	8,413	–	255	35,717

1. The prior year comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

Included within development costs at 31 March 2022 are £3.6 million (2021: £nil) of assets under construction which were not being amortised at 31 March 2022.

At 31 March 2022, the Group had entered into contractual commitments for development cost additions amounting to £1.0 million (2021: £nil).

Group	Restated[1] Development costs £'000	Customer relationships £'000	Brands and trademarks £'000	Developed technology £'000	Restated[1] Total £'000
Cost					
At 31 March 2020, previously reported	31,938	–	259	–	32,197
Reversal of previously capitalised SaaS implementation costs	(7,401)	–	–	–	(7,401)
At 31 March 2020, restated[1]	24,537	–	259	–	24,796
Acquisitions of businesses	626	18,404	2,909	306	22,245
Additions, restated[1]	1,805	–	6,042	–	7,847
Disposals	(169)	–	–	–	(169)
Exchange rate adjustment	(40)	–	(15)	–	(55)
Balance reclassified as held for sale	(247)	–	(244)	–	(491)
At 31 March 2021, restated[1]	26,512	18,404	8,951	306	54,173
Accumulated amortisation					
At 31 March 2020, previously reported	14,793	–	130	–	14,923
Reversal of accumulated amortisation on previously capitalised SaaS implementation costs	(420)	–	–	–	(420)
At 31 March 2020, restated[1]	14,373	–	130	–	14,503
Charge for the year, restated[1]	3,251	293	590	51	4,185
Disposals	(169)	–	–	–	(169)
Exchange rate adjustment	(16)	–	(11)	–	(27)
Balance reclassified as held for sale	135	–	(171)	–	(36)
At 31 March 2021, restated[1]	17,574	293	538	51	18,456
Carrying amount					
At 31 March 2021, restated[1]	8,938	18,111	8,413	255	35,717
At 31 March 2020, restated[1]	10,164	–	129	–	10,293

1. The prior year comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.

Company	Brand £'000
Cost	
At 31 March 2021	**6,042**
Reclassification of Collect+ arrangement from brand intangible asset to investment	**(6,042)**
Additions	–
Disposals	–
At 31 March 2022	**–**
Accumulated amortisation	
At 31 March 2021	**503**
Reversal of accumulated amortisation on previously recognised Collect+ brand intangible asset	**(503)**
Disposals	–
At 31 March 2022	**–**
Carrying amount	
At 31 March 2022	**–**
At 31 March 2021	5,539

In the current year on the Company statement of financial position, the £6.0 million Collect+ arrangement was reclassified from a brand intangible asset to a wholly owned investment in subsidiary. The £6.0 million investment relates to the Company's acquisition of the remaining 50% interest in Collect+ that Yodel owned in the prior year, which resulted in Collect+ becoming a fully owned subsidiary controlled by the Company. Refer to note 1.

Notes to the consolidated financial statements continued

13. Other intangible assets continued

Company	Brand £'000
Cost	
At 31 March 2020	–
Additions	6,042
Disposals	–
At 31 March 2021	6,042
Accumulated amortisation	
At 31 March 2020	–
Charge for the year	503
Disposals	–
At 31 March 2021	503
Carrying amount	
At 31 March 2021	5,539
At 31 March 2020	–

14. Property, plant and equipment

	Terminals and ATMs £'000	Fixtures, fittings and equipment £'000	Land and buildings £'000	Right-of-use assets £'000	Total £'000
Cost					
At 31 March 2021	**37,473**	**3,479**	**11,081**	**428**	**52,461**
Acquisitions of businesses	12	–	–	34	46
Additions	4,982	202	–	–	5,184
Disposals	(1,129)	(8)	–	–	(1,137)
At 31 March 2022	**41,338**	**3,673**	**11,081**	**462**	**56,554**
Accumulated depreciation					
At 31 March 2021	**27,495**	**1,737**	**1,827**	**23**	**31,082**
Charge for the year	4,118	185	274	191	4,768
Disposals	(1,078)	–	–	–	(1,078)
At 31 March 2022	**30,535**	**1,922**	**2,101**	**214**	**34,772**
Carrying amount					
At 31 March 2022	**10,803**	**1,751**	**8,980**	**248**	**21,782**
At 31 March 2021	9,978	1,742	9,254	405	21,379

At 31 March 2022, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £2.1 million (2021: £0.5 million).

	Terminals and ATMs £'000	Fixtures, fittings and equipment £'000	Land and buildings £'000	Right-of-use assets £'000	Total £'000
Cost					
At 31 March 2020	40,618	4,666	10,974	1,549	57,807
Acquisitions of businesses	5	75	50	298	428
Additions	3,141	175	57	86	3,459
Disposals	(2,279)	(23)	–	–	(2,302)
Exchange rate adjustment	(276)	(90)	–	(89)	(455)
Balance reclassified as held for sale	(3,736)	(1,324)	–	(1,416)	(6,476)
At 31 March 2021	37,473	3,479	11,081	428	52,461
Accumulated depreciation					
At 31 March 2020	28,469	2,261	1,573	664	32,967
Charge for the year	4,218	308	254	133	4,913
Disposals	(2,209)	(23)	–	–	(2,232)
Exchange rate adjustment	(232)	(54)	–	(46)	(332)
Balance reclassified as held for sale	(2,751)	(755)	–	(728)	(4,234)
At 31 March 2021	27,495	1,737	1,827	23	31,082
Carrying amount					
At 31 March 2021	9,978	1,742	9,254	405	21,379
At 31 March 2020	12,149	2,405	9,401	885	24,840

15. Investments

The Company, a holding company, has investments (directly or indirectly) in the following undertakings which are wholly owned subsidiaries, other than Snappy Shopper Limited (investment in associate) and Optus Homes Limited (purchase of convertible loan note):

Investments in wholly owned subsidiaries

Company name	Direct or indirect investment	Principal activity (registered address)	Country of registration
PayPoint Network Limited	Direct	Management of an electronic payment service (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
PayPoint Collections Limited	Direct	Provision of a payment collection service (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
PayPoint Retail Solutions Limited	Direct	Provision of retail services (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
PayPoint Payment Services Limited	Direct	Provision of regulated payments services (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
i-movo Holdings Limited	Direct	Holding company (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
i-movo Limited	Indirect	Provision of digital voucher service (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
Handepay Limited	Direct	Sales business in merchant acquiring industry (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
Merchant Rentals Limited	Direct	Provision of asset finance and leasing solutions to merchant acquiring industry (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
Collect+ Holdings Limited	Direct	Holding company (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
Collect+ Brand Limited	Indirect	Holder of Collect+ brand (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
RSM 2000 Limited	Direct	Provision of regulated payments services (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
Event Payment Services Limited	Indirect	Provision of business support services (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales
PayPoint Trust Managers Limited	Indirect	Dormant company (1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL)	England and Wales

Notes to the consolidated financial statements continued

15. Investments continued

Investment in associate

Company name	Direct or indirect investment	Principal activity (registered address)	Country of registration
Snappy Shopper Limited	Direct	Associate of PayPoint Plc, 9.35% holding in ordinary share capital (29 Commercial Street, Dundee, Scotland, DD1 3DG)	Scotland

The Group acquired 100% interest in RSM 2000 Limited on 12 April 2021.

PayPoint Plc subscribed to 9.35% of the ordinary share capital (conferring 13.04% of voting rights) in Snappy Shopper Ltd on 7 July 2021.

PayPoint Plc purchased a convertible loan note of nominal amount £750,000 from Optus Homes Ltd on 25 March 2022, which is classified as an embedded derivative convertible debt instrument.

The Group's previously held interests in the Romanian businesses PayPoint Services SRL, Payzone SA and SC P.P. Network Progresimo SRL were disposed on 8 April 2021.

PayPoint Collections Ireland Limited was liquidated on 17 May 2021. PayPoint Network Ireland Limited was liquidated on 9 June 2021. PayPoint Ireland Limited was liquidated on 16 June 2021.

Movement in investments in wholly owned subsidiaries

Company	31 March 2022 £'000	31 March 2021 £'000
Balance at the beginning of the year	**138,539**	60,170
Reclassification of Collect+ arrangement from brand intangible asset to investment (note 1)	**6,042**	–
Acquisitions of wholly owned subsidiaries (note 16)	**6,944**	74,593
Acquisition transaction costs capitalised	**–**	2,796
Increased capitalisation of existing investments in wholly owned subsidiaries	**5,000**	1,001
Disposal of investments in wholly owned subsidiaries (note 11)	**(17,420)**	–
Liquidation of investments in wholly owned subsidiaries	**–**	(21)
Balance at the end of the year	**139,105**	138,539

In the current year on the Company statement of financial position, the £6.0 million Collect+ arrangement was reclassified from a brand intangible asset to a wholly owned investment in subsidiary. The £6.0 million investment relates to the Company's acquisition of the remaining 50% interest in Collect+ that Yodel owned in the prior year, which resulted in Collect+ becoming a fully owned subsidiary controlled by the Company. Refer to note 1.

In the current year the Company increased its investment in RSM 2000 by £5.0 million. RSM 2000 allotted and issued £5.0 million of additional shares (5.0 million additional shares at nominal value of £1 each) in satisfaction of the increased investment.

The Company's investments in the Romanian businesses PayPoint Services SRL, Payzone SA and SC P.P. Network Progresimo SRL were disposed on 8 April 2021 at their carrying value of £17.4 million, with proceeds received of £48.6 million.

An impairment test was performed on the Company's investments in subsidiaries which indicated that no impairment was required. Recoverable amounts for the Company's investments are measured at their value-in-use by discounting the future expected cash flows, derived from the most recent financial budgets approved by the Board which are extended to perpetuity. The estimates of future cash flows are based on past experience adjusted for management's expectations of future performance.

16. Acquisition of RSM 2000

On 12 April 2021, PayPoint acquired 100% of the share capital of RSM 2000 Limited for initial cash consideration of £5.9 million and deferred consideration of £1.0 million payable in cash on the first anniversary of completion. The deferred consideration is not contingent on future performance. The acquisition resulted in a net £4.5 million cash outflow (net of cash acquired) in the current year.

The primary reasons for the acquisition were to enhance PayPoint's digital payments capability and enable reach into new sectors, including charities, housing, not-for-profit organisations, events and SMEs in the UK.

An RSM 2000 regulatory licences intangible asset of £0.2 million has been recognised and is being amortised over a useful life of 10 years. An RSM 2000 customer relationship intangible asset of £0.2 million has been recognised and is being amortised over a useful life of 12 years.

In the period since acquisition, RSM 2000 earned revenue of £2.1 million and reported profit before tax of £0.1 million. The result for the period from 1 to 12 April 2021 is not considered material so RSM 2000 has been consolidated from 1 April 2021. Therefore, had the acquisition taken place on the first day of the financial year, there would be no change to the revenue and reported profit before tax included in these consolidated financial statements.

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

	12 April 2021 £'000
Acquired customer relationship asset	204
Acquired regulatory licence asset	236
Intangible assets – development costs	7
Property, plant and equipment	12
Right-of-use assets	34
Trade and other receivables	168
Cash and cash equivalents	1,401
Trade and other payables	(564)
Lease liabilities	(34)
Current tax liabilities	(18)
Deferred tax liabilities	(85)
Total identifiable net assets acquired at fair value	1,361
Initial cash consideration	5,944
Deferred consideration	1,000
Total consideration	6,944
Goodwill recognised on acquisition	5,583
Acquisition of subsidiary net of cash acquired (Group)	(4,543)
Acquisition of subsidiary (Company)	(5,944)

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

- The acquired customer relationships have been valued using the multi-period excess earnings method ("MEEM approach") by estimating the total expected income streams from the customer relationship and deducting portions of the cash flow that can be attributed to supporting, or contributory, assets (including workforce). The residual income streams are discounted. No tax amortisation benefit is applied. The key inputs to this method are the customer churn rate, revenue growth rate and discount rate applied to future forecasts of the businesses.
- The acquired licences have been valued using the cost-to-recreate method, representing the cost of the process to attain the licenses. This requires an estimate of all the costs a typical market participant would incur to generate an exact replica of the intangible asset in the context of the acquired business. The cost-to-recreate method takes into account factors including economic and technological obsolescence.
- Trade receivables and trade payables have been assessed at fair value on the basis of the contractual terms and economic conditions existing at the acquisition date, reflecting the best estimate at the acquisition date of contractual cash flows not expected to be collected.

The values presented above other than cash and cash equivalents represent the best estimate based on information available at the acquisition date and are therefore subject to adjustment within the measurement period if new information about facts and circumstances that existed at the acquisition date is obtained and, if known, would have resulted in the recognition of those assets and liabilities at that date.

The £5.6 million goodwill acquired, which was previously fully allocated to the RSM 2000 CGU at the time of acquisition, is now fully allocated to the digital payments CGU. The CGU to which the goodwill is allocated changed during the current year following the continued integration of PayPoint's combined digital payments capability which means that the goodwill allocated to the digital payments CGU cannot be non-arbitrarily identified or associated with an asset group at a lower level than the digital payments CGU. The digital payments CGU represents the CGU which is expected to benefit from the synergies of the acquisition and represents the lowest level at which the goodwill is monitored for internal management purposes. The goodwill is attributable to workforce in place, know-how within the business (operating expertise and detailed knowledge of direct debit processing facilitating enhanced potential to grow digital payments capabilities), new customer relationships and the growth in new sectors that is anticipated to arise post-acquisition (including charities, not-for profit organisations, events, housing and SMEs in the UK), as well as the fair value of expected synergies from combining the digital operations of PayPoint and RSM 2000 (the ability of PayPoint to offer new customers the full scope of digital payments capabilities post-acquisition). Of the £5.6 million goodwill acquired, no goodwill is expected to be deductible for tax purposes.

17. Investment in associate

On 7 July 2021, PayPoint Plc subscribed to 9.35% of the ordinary share capital (conferring 13.04% of voting rights) in Snappy Shopper Ltd for total cash consideration of £6.7 million. The investment will enable PayPoint to take advantage of the growth in consumer demand for local home delivery and its convenience retailer partners to remain at the forefront of retail and consumer trends.

An investment is treated as an associate where the investor has significant influence over the investment. Under IAS 28 significant influence may be evidenced by a number of factors, including representation on the Board of Directors of the investee. PayPoint is considered to have significant influence over Snappy Shopper as the Chief Executive of PayPoint, Nick Wiles, joined their Board as a Non-Executive Director. The investment has therefore been treated as an associate and recognised at its cost of £6.7 million under the equity method. PayPoint's share of Snappy Shopper's result was immaterial for the year ended 31 March 2022 and has therefore not been recognised in the consolidated statement of profit or loss or in the consolidated statement of financial position against the carrying value of the investment. The principal place of business for Snappy Shopper Limited is in the United Kingdom.

Notes to the consolidated financial statements continued

18. Trade and other receivables

Group	31 March 2022 £'000	31 March 2021 £'000
Trade receivables	**10,316**	10,772
Items in the course of collection[1]	**55,449**	47,512
Revenue allowance for expected credit losses	**(1,058)**	(949)
	64,707	57,335
Other receivables	**134**	152
Net investment in finance lease receivables (note 29)	**1,814**	4,064
Contract assets – capitalisation of fulfilment costs	**2,057**	1,889
Accrued income	**4,315**	3,320
Prepayments	**2,948**	2,816
Total	**75,975**	69,576

1. Items in the course of collection represent amounts collected for clients by retailer partners. An equivalent balance is included within trade and other payables (settlement payables). Refer to note 20.

The Group's exposure to the credit risk inherent in its trade and other receivables is discussed in note 27. The Group reviews trade receivables past due but not impaired on a regular basis and in determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date.

Included in trade receivables are past due debtors with a carrying amount of £1.7 million (2021: £2.4 million). There has been a decrease compared to prior year due to the timing of billing at the year end. The ageing of the trade receivables past due is as follows:

	Less than 1 month £'000	1-2 months £'000	2-3 months £'000	More than 3 months £'000	Total £'000
Carrying value at 31 March 2022	**907**	**455**	**44**	**290**	**1, 696**
Carrying value at 31 March 2021	1,238	421	107	659	2,425

The expected credit losses associated with accrued income balances are immaterial, based on historical loss experience for those customers, adjusted for information about current and reasonable supportable future conditions.

Movement in the revenue allowance

	31 March 2022 £'000	31 March 2021 £'000
Balance at the beginning of the year	**949**	1,379
Amounts utilised in the year	**(654)**	(802)
Increase in allowance	**763**	767
Foreign exchange	**–**	(23)
Balance reclassified as held for sale	**–**	(372)
Balance at end of the year	**1,058**	949

Age of revenue allowance

	Less than 1 month £'000	1-2 months £'000	2-3 months £'000	More than 3 months £'000	Total £'000
Carrying value at 31 March 2022	**195**	**84**	**79**	**700**	**1,058**
Carrying value at 31 March 2021	126	98	50	675	949

The expected credit losses associated with items in the course of collection are immaterial.

Company	31 March 2022 £'000	31 March 2021 £'000
Amounts owed by Group companies (non-current)	**26,155**	27,517
Trade and other receivables (non-current)	**26,155**	27,517
Amounts owed by Group companies (current)	**2,353**	8,143
Other receivables	**11**	8
Accrued income	**12**	12
Prepayments	**732**	1,106
Trade and other receivables (current)	**3,108**	9,269
Total	**29,263**	36,786

Amounts owned by subsidiaries are unsecured, have no fixed date of repayment and are repayable on demand. Expected credit losses are immaterial.

19. Cash and cash equivalents

Total cash and cash equivalents from continuing operations of £24.3 million (2021: £38.9 million) consists of £7.7 million (2021: £10.5 million) corporate cash and £16.6 million (2021: £28.4 million) relating to funds collected on behalf of clients where PayPoint has title to the funds (clients' funds) and where retailer partners have provided security deposits (retailer partners' deposits). A balance equivalent to the latter amount is included within trade payables. Clients' funds held in trust which are not included in cash and cash equivalents amounted to £58.9 million (2021: £50.3 million).

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

20. Trade and other payables

Group	31 March 2022 £'000	31 March 2021 £'000
Amounts owed in respect of clients' funds and retailer partners' deposits[1]	**16,646**	28,405
Settlement payables[2]	**55,449**	47,512
Client payables	**72,095**	75,917
Trade payables	**4,789**	5,925
Other taxes and social security	**3,314**	6,439
Other payables	**901**	692
Accruals	**10,087**	11,494
Deferred income	**401**	565
Contract liabilities – deferral of set-up and development fees	**788**	1,472
Total	**92,375**	102,504
Disclosed as:		
Current	**92,375**	102,504
Non-current	**–**	–
Total	**92,375**	102,504

1. Relates to monies collected on behalf of clients where the Group has title to the funds (clients' funds and retailer partners' deposits). An equivalent balance is included within cash and cash equivalents (note 19).
2. Payable in respect of amounts collected for clients by retailer partners. An equivalent balance is included within trade and other receivables (items in the course of collection). Refer to note 18.

Company (Current)	31 March 2022 £'000	31 March 2021 £'000
Amounts owed by Group companies	**52,160**	13,039
Other payables	**240**	774
Accruals	**2,365**	1,812
Total	**54,765**	15,625

Notes to the consolidated financial statements continued

21. Provision

Group and Company	31 March 2022 £'000	31 March 2021 £'000
At beginning of year	**12,500**	–
Provision utilised	**(12,500)**	–
Provision recognised in relation to the Ofgem Statement of Objections (current liability)	**–**	12,500
At end of year	**–**	12,500

A £12.5 million donation was made to the Energy Industry Voluntary Redress Scheme as part of the commitments in resolution of the concerns raised in Ofgem's Statement of Objections received on 29 September 2020, resulting in full utilisation of the £12.5 million provision which was previously recognised in the prior year ended 31 March 2021.

22. Deferred consideration liability

	£'000
At 31 March 2020	–
Recognition of discounted deferred, contingent consideration liability on acquisition of i-movo	5,690
Discount unwind on deferred consideration	57
At 31 March 2021	5,747
Recognition of deferred consideration liability on acquisition of RSM 2000	1,000
Revaluation of i-movo deferred, contingent consideration liability	(2,880)
Discount unwind on i-movo deferred, contingent consideration	133
Settlement of i-movo deferred, contingent consideration liability – cash consideration paid in the year	(2,000)
Settlement of i-movo deferred, contingent consideration liability – shares consideration paid in the year	(1,000)
At 31 March 2022	**1,000**

Disclosed as:

	31 March 2022 £'000	31 March 2021 £'000
Current	**1,000**	1,462
Non-current	**–**	4,285
Total	**1,000**	5,747

Of the total £1.0 million deferred consideration liability at 31 March 2022, £nil relates to the acquisition of i-movo (2021: £5.7 million) and £1.0 million relates to the acquisition of RSM 2000 (2021: £nil).

i-movo

The £nil (2021: £5.7 million) deferred, contingent consideration liability in relation to the i-movo acquisition represents the discounted fair value of the estimated additional consideration payable at the reporting date. The £nil i-movo deferred, contingent consideration liability was contingent on future performance over the earnout period and was linked to four monthly revenue growth targets on two potential key revenue streams.

The £nil (2021: £5.7 million) carrying amount of the deferred, contingent consideration liability is considered to approximate to its fair value. The fair value of the liability is categorised as Level 3 in the fair value hierarchy. The £2.9 million (2021: £nil) fair value gain recognised in the current year consolidated statement of profit or loss was due to the revaluation of part of the previously recognised liability based on the latest forecasts. The total contingent consideration was capped at £6.0 million (£4.0 million cash and £2.0 million shares), of which £3.0 million (£2.0 million cash and £1.0 million shares) was settled in the current financial year.

The fair value of the expected earnout is measured against the contractually agreed performance targets at each reporting date, determined using a probability-weighted average best estimate of discrete scenarios based on the latest revenue forecasts which are discounted to present value. The fair value of the discounted deferred, contingent consideration liability is determined using an estimate regarding the future results. Any subsequent revaluations to deferred, contingent consideration as a result of changes in such estimations are recognised in the consolidated statement of profit or loss. The estimation of the liability requires an estimate of future performance of the related business over the earnout period, based on management's latest forecasts. The significant unobservable inputs used in the fair value measurement are the discount rate and the forecast future revenue of the acquired business. Also, the Board have discretion to extend one or more of the earnout periods and also to make the earnout payments (or part of them) should the relevant earnout targets not be met by the target dates.

RSM 2000

The £1.0 million (2021: £nil) RSM 2000 deferred consideration liability was paid out on the first anniversary of completion, after the end of the financial year (refer to note 22). It therefore has not been discounted to present value at 31 March 2022 as the discounting impact would be immaterial. The deferred consideration is not contingent on any factors. It is measured at amortised cost. Refer to note 16 for details of the acquisition of RSM 2000.

23. Deferred tax liability

	31 March 2021 £'000	Acquisitions/ disposals of businesses £'000	Credit/ (debit) to consolidated statement of profit or loss £'000	Charge to equity £'000	31 March 2022 £'000
Property, plant and equipment	1,634	(2)	(410)	–	1,222
Intangible assets	(4,790)	(83)	(433)	–	(5,306)
Share-based payments	142	–	48	–	190
Short-term temporary differences	39	–	149	–	188
	(2,975)	(85)	(646)	–	(3,706)
Balance reclassified as held for sale	4	(4)	–	–	–
Total	(2,971)	(89)	(646)	–	(3,706)

	31 March 2020 £'000	Acquisitions/ disposals of businesses £'000	Credit/ (debit) to consolidated statement of profit or loss £'000	Charge to equity £'000	31 March 2021 £'000
Property, plant and equipment	943	467	224	–	1,634
Intangible assets	(609)	(4,237)	56	–	(4,790)
Share-based payments	160	–	(8)	(10)	142
Short-term temporary differences	71	19	(51)	–	39
	565	(3,751)	221	(10)	(2,975)
Balance reclassified as held for sale	–	4	–	–	4
Total	565	(3,747)	221	(10)	(2,971)

At the statement of financial position date, the Group had recognised unused tax losses of £257k (2021: £nil).

No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries because the Group is able to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of these differences is not material at the statement of financial position date.

24. Share capital, share premium and merger reserve

	31 March 2022 £'000	31 March 2021 £'000
Called up, allotted and fully paid share capital		
68,915,949 (2021: 68,656,907) ordinary shares of 1/3p each	230	229

The increase in share capital in the current year resulted from 155,851 shares issued (of 1/3p each) for the payment of deferred, contingent share consideration in relation to the i-movo acquisition, 81,177 shares issued (of 1/3p each) for share awards which vested in the year and 22,014 matching shares issued (of 1/3p each) under the Employee Share Incentive Plan.

The share premium of £1.0 million (2021: £5.0 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 £1.0 million (2021: £1.0 million) represents initial share consideration in excess of the nominal value of shares issued on the initial acquisition of i-movo.

25. Share-based payments

The Group's share schemes are described in the Directors' Remuneration Report on pages 90 to 101 and consist of the LTIP, DABS and RSA equity-settled share schemes.

No share awards were issued under the LTIP scheme in the current year (2021: nil). The LTIP scheme was closed and replaced with the RSA scheme in the prior year. For LTIP share awards which were granted prior to 31 March 2020 and are yet to vest or lapse, 50% of the vesting is based on TSR and 50% on EPS growth. The performance condition for the TSR element is the same as the vesting period. The performance period for the EPS element is for three financial years from the grant date.

209,293 share awards were issued under the RSA scheme in the year (2021: 200,013), vesting over two to five years, between 30 June 2023 and 13 August 2026 subject to continued employment. The RSAs do not contain any performance conditions other than to complete the required period of service.

45,594 share awards were issued under the DABS scheme in the year (2020: 2,532), vesting over three years to 13 August 2024 subject to continued employment. The DABS do not contain any performance conditions other than to complete the required period of service.

Notes to the consolidated financial statements continued

25. Share-based payments continued

The share-based payments charge in the statement of profit or loss in the year was £0.9 million (2021: £1.1 million). Of this, £0.2 million (2021: £0.2 million) related to the Employee Share Incentive Plan. For each share purchased by the employee under the Employee Share Incentive Plan, the Company issues a free matching share which will vest subject to the employee remaining employed with the Group for three years from the date each share was purchased by the employee.

A total charge of £1.3 million (2021: £0.9 million), which was previously recognised directly in equity, for schemes which have now lapsed or vested, was transferred from the share-based payments reserve to retained earnings during the year. Of this, £0.2 million (2021: £0.1 million) related to shares which vested under the Employee Share Incentive Plan.

Share awards movement during the year

	Number of shares 31 March 2022	Number of shares 31 March 2021
Outstanding at the beginning of the year	**432,725**	535,371
Granted	**254,887**	202,545
Lapsed	**–**	–
Exercised	**(112,556)**	(233,456)
Forfeited	**(72,889)**	(71,735)
Outstanding at end of the year	**502,167**	432,725

Remaining vesting period of outstanding share awards	Number of shares 31 March 2022	Number of shares 31 March 2021
Within one year	**141,344**	165,317
One to two years	**121,808**	108,254
Two to three years	**181,365**	129,432
Three years or more	**57,650**	29,722
Outstanding at end of the year	**502,167**	432,725

The fair value of the equity instruments granted during the year was determined based on the share price on the date of the grant. All awards granted and in issue are for free shares and therefore the weighted average exercise price for all outstanding schemes is £nil.

Awards	Grant date	Number of shares	Fair value (£)	Vesting date
RSA – 2 years	30 June 2021	21,616	5.80	30 June 2023
RSA – 3 years	30 June 2021	58,309	5.80	30 June 2024
RSA – 3 years	13 August 2021	80,068	6.31	13 August 2024
RSA – 3 years	20 January 2022	6,512	6.91	3 January 2025
RSA – 4 years	13 August 2021	21,394	6.31	13 August 2025
RSA – 5 years	13 August 2021	21,394	6.31	13 August 2026
DABS	13 August 2021	45,594	6.31	13 August 2024

26. Dividends

	Year ended 31 March 2022		Year ended 31 March 2021	
	£'000	pence per share	£'000	pence per share
Reported dividends on ordinary shares:				
Interim ordinary dividend	**11,687**	**17.0**	10,708	15.6
Proposed final ordinary dividend	**12,405**	**18.0**	11,397	16.6
Total ordinary reported dividends (non-IFRS measure)	**24,092**	**35.0**	22,105	32.2
Dividends paid on ordinary shares:				
Final ordinary dividend for the prior year	**11,409**	**16.6**	10,676	15.6
Interim dividend for the current year	**11,687**	**17.0**	10,709	15.6
Total ordinary dividends paid (financing cash flows)	**23,096**	**33.6**	21,385	31.2
Number of shares in issue used for proposed final ordinary dividend per share calculation	**68,915,949**		68,656,907	

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

27. Financial instruments and risk

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables, net investment in finance lease receivables, trade and other payables, loans and borrowings and accruals, which arise directly from the Group's operations. The Group's policy is not to undertake speculative trading in financial instruments.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign exchange. The Directors review and agree policies for managing each of these risks which are summarised below. These policies have remained unchanged during the year. The Group uses hedges to manage the foreign exchange risk of purchasing PayPoint One terminals and card terminals.

(a) Credit risk

The Group's financial assets are cash and cash equivalents, trade and other receivables and net investment in finance lease receivables. The Group's credit risk is primarily attributable to its trade and other receivables and net investment in finance lease receivables. The Group has treasury policies in place which manage the concentration of risk with individual bank counterparties. Each counterparty has an individual limit determined by their credit ratings. In accordance with the Group's treasury policies and exposure management practices, counterparty credit exposure limits are monitored and no individual exposure is considered significant in the ordinary course of treasury management activity. The Company does not expect any significant losses from non-performance by these counterparties.

To mitigate against credit risk, PayPoint credit checks clients, SME and retailer partners, holds retailer security deposits, operates terminal limits, monitors clients and retailer partners for changes in payment profiles and in certain circumstances, has the right to set-off monies due against funds collected. The Group's maximum exposure, at 31 March 2022, was £34.7 million (2021: £50.6 million).

The Company, PayPoint Plc, has issued parental guarantees in favour of clients of its subsidiaries under which it has guaranteed amounts due to clients, by the subsidiaries, for settlement of funds collected by retailer partners.

(b) Liquidity risk

The Group's policy throughout the year ended 31 March 2022 regarding liquidity has been to maximise the return on funds placed on deposit whilst minimising the associated risk.

Refer to part (e) of this note for details of the Group's borrowing facilities. The following shows the exposure to liquidity risk for continuing operations. The amounts are gross and undiscounted, and include contractual interest payments:

31 March 2022 £'000	Carrying amount	Contractual cash flows Total	2 months or less	2-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Revolving credit facility	**27,000**	**(27,054)**	**(27,054)**	**–**	**–**	**–**
Amortising term loan	**21,667**	**(21,797)**	**(2,839)**	**(8,125)**	**(10,833)**	**–**
Block loans	**2,867**	**(2,867)**	**(395)**	**(1,299)**	**(924)**	**(249)**
Lease liabilities	**260**	**(271)**	**(41)**	**(160)**	**(70)**	**–**
Trade payables	**94,147**	**(94,147)**	**(94,147)**	**–**	**–**	**–**
Deferred consideration liability	**1,000**	**(1,000)**	**(1,000)**	**–**	**–**	**–**

31 March 2021 £'000	Carrying amount	Contractual cash flows Total	2 months or less	2-12 months	1-2 years	2-5 years
Non-derivative financial liabilities						
Revolving credit facility	49,500	(49,505)	(49,505)	–	–	–
Amortising term loan	32,500	(32,682)	(2,891)	(8,125)	(10,833)	(10,833)
Block loans	4,583	(4,791)	(664)	(2,794)	(1,091)	(243)
Lease liabilities	447	(479)	(36)	(179)	(194)	(70)
Trade payables	102,504	(102,504)	(102,504)	–	–	–
Provision	12,500	(12,500)	–	(12,500)	–	–
Deferred consideration liability	5,747	(4,000)	–	(1,000)	(2,000)	(1,000)

(c) Foreign exchange risk

The Group's currency exposures comprise those transactional exposures that give rise to the net currency gains and losses recognised in the statement of profit or loss. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or functional) currency of the operating unit involved. At 31 March 2022, these exposures were £nil (2021: £nil).

The Group uses hedges to manage the foreign exchange risk related to PayPoint One terminal and card terminal purchases.

Notes to the consolidated financial statements continued

27. Financial instruments and risk continued

(d) Interest rate risk

The Group had no interest-bearing financial assets at 31 March 2022 other than cash and cash equivalents which totalled £24.3 million (2021: £38.9 million from continuing operations). The Group is also exposed to interest rate risk through use of its financing facility which incurs interest charges based on SONIA plus 1.75% (2021: LIBOR plus 2.25%).

All funds earn interest at the prevailing rate. The funds are deposited on short-term deposits (normally weekly or monthly) or held in current accounts. The Group seeks to maximise interest receipts within these parameters. The Group also minimises interest cost by effective central management of cash resources to minimise the need for utilisation of the financing facility.

(e) Borrowing facilities

Following the group-wide refinancing in the prior year and a subsequent one-year extension which was secured after the end of the current financial year, the Group's borrowing facilities consist of a £21.7 million amortising term loan which is due to be fully repaid over the next two financial years and an unsecured £75.0 million revolving credit facility with a £30.0 million accordion facility (uncommitted) expiring in February 2025.

At 31 March 2022, £27.0 million (2021: £49.5 million) was drawn down from the revolving credit facility and the outstanding balance of the amortising term loan was £21.7 million (2021: £32.5 million). The Group also had £2.9 million (2021: £4.6 million) of outstanding block loan balances from the Merchant Rentals acquisition. The cash proceeds received from the sale of the Romanian business in April 2021 were used to partly repay the revolving credit facility and reduce net corporate debt.

Interest is payable at SONIA plus 1.75% (2021: LIBOR plus 2.25%). PayPoint has the ability to roll over the drawdown for an additional period between one and six months.

The Group is required to adhere to a net debt leverage of no more than three times EBITDA and an interest cover of no less than four times. The Group operated within these limits during the financial year ended 31 March 2022.

(f) Fair value of financial assets and liabilities

All derivatives are held with an A rated bank and mature within one year. All financial assets/liabilities are measured at fair value through the profit or loss, comprising derivative financial instruments in the form of foreign exchange contracts (classified as Level 2), the deferred consideration liability recognised in the current year relating to the RSM 2000 acquisition (classified as Level 1), the deferred, contingent consideration liability recognised in the prior year relating to the i-movo acquisition (classified as Level 3) and the convertible loan note instrument purchased from Optus Homes (classified as Level 3). The fair value of the convertible loan note instrument purchased from Optus Homes was measured using the income approach (discounted cash flow) with the significant unobservable inputs being the board-approved forecast of Optus Homes and the weighted average cost of capital. There have been no transfers between Level 1, 2 or 3 in the current year or prior year.

The Directors consider there to be no material difference between the book value and the fair value of the Group's financial instruments at 31 March 2022, or 31 March 2021.

(g) Market price risk

The Group's exposure to market price risk comprises interest rate exposure. Group funds are invested in money market cash deposits with the objective of maintaining a balance between accessibility of funds and competitive rates of return.

(h) Capital risk management

The Group's objectives when managing capital (the definition of which is consistent with prior year and is the Group's assets and liabilities including cash) are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders. The Group manages its capital by continued focus on free cash flow generation and managing the level of capital investment in the business. The final dividend for the year ensures a prudent level of earnings coverage for the dividend and that leverage is not substantially increased.

(i) Financial instrument sensitivities

Financial instruments affected by market risk include deposits, hedges, trade receivables and trade payables. Any changes in market variables (exchange rates and interest rates) will have an immaterial effect on these instruments.

28. Loans and borrowings

Group	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Balance at beginning of year	**86,583**	70,000
Changes in financing cash flows		
Repayment of old revolving credit facility	**(47,000)**	(70,000)
Drawdown of new revolving credit facility	**24,500**	82,000
Repayment of amortising term loan	**(10,833)**	–
Repayment of block loans	**(3,636)**	(741)
Funding from block loans	**1,920**	–
Total changes in financing cash flows	**(35,049)**	11,259
Other liability related changes		
Block loans acquired	**–**	5,274
Interest charge expensed	**1,913**	1,590
Cash interest paid	**(1,913)**	(1,540)
Balance at end of year	**51,534**	86,583
Disclosed as:		
Current	**39,643**	63,627
Non-current	**11,891**	22,956
Total loans and borrowings	**51,534**	86,583

Company	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Balance at beginning of year	**82,000**	70,000
Changes in financing cash flows		
Repayment of old revolving credit facility	**(47,000)**	(70,000)
Drawdown of new revolving credit facility	**24,500**	82,000
Repayment of amortising term loan	**(10,833)**	–
Total changes in financing cash flows	**(33,333)**	12,000
Other liability related changes		
Interest charge expensed	**1,654**	1,259
Cash interest paid	**(1,655)**	(1,259)
Balance at end of year	**48,666**	82,000
Disclosed as:		
Current	**37,833**	60,333
Non-current	**10,833**	21,667
Total loans and borrowings	**48,666**	82,000

29. Leases
(a) Finance lease liabilities

	Property £'000	Vehicles £'000	Total £'000
At 31 March 2022			
Current balance	**164**	**27**	**191**
Non-current balance	**57**	**12**	**69**
Total lease liabilities	**221**	**39**	**260**
Interest charge for the year	**25**	**(3)**	**22**
At 31 March 2021			
Current balance	156	38	194
Non-current balance	214	39	253
Total lease liabilities	370	77	447
Interest charge for the year	–	(2)	(2)

Notes to the consolidated financial statements continued

29. Leases continued

Changes in liabilities	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Balance at beginning of year	**447**	941
Lease liabilities acquired in year	**34**	370
Lease liability additions	**–**	77
Payment of lease liabilities (financing cash flows)	**(243)**	(211)
Interest on unwind of lease liabilities	**22**	(37)
Exchange rate adjustment	**–**	14
Balance reclassified as held for sale	**–**	(707)
Balance at end of year	**260**	447
Disclosed as:		
Current	**200**	194
Non-current	**60**	253
Total lease liabilities	**260**	447

(b) Finance lease right of use assets

	Property £'000	Vehicles £'000	Total £'000
At 31 March 2022	**184**	**64**	**248**
Depreciation charge for the year ended 31 March 2022	**(151)**	**(40)**	**(191)**
At 31 March 2021	298	107	405
Depreciation charge for the year ended 31 March 2021	(109)	(24)	(133)

(c) Net investment in finance lease receivables

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Current balance	**1,814**	4,064
Non-current balance	**4,407**	6,511
Total net investment in finance lease receivables	**6,221**	10,575
Interest income (revenue) on net investment in finance lease receivables	**1,701**	312

The increase in the interest income on net investment in finance lease receivables in the current year is due to Merchant Rentals (acquired on 4 February 2021) being included for the full year.

Age of allowance for net investment in finance lease receivables

	Less than 1 month £'000	1-3 months £'000	3-6 months £'000	More than 6 months £'000	Total £'000
Carrying value at 31 March 2022	**7**	**19**	**16**	**1,006**	**1,048**
Carrying value at 31 March 2021	11	57	213	983	1,264

Contractual undiscounted cash flows for net investment in finance lease receivables

		Undiscounted lease receivables							
	Unearned finance income £'000	Less than 1 month £'000	1-3 months £'000	3-6 months £'000	6 months-1 year £'000	1 year-3 years £'000	3 years-5 years £'000	More than 5 years £'000	Total £'000
31 March 2022	**(1,669)**	**428**	**790**	**1,063**	**1,703**	**3,528**	**378**	**–**	**6,221**
31 March 2021	(1,995)	634	1,216	1,695	2,956	5,576	493	–	10,575

The Group earned £0.2 million (2021: £nil) income from operating leases in the year.

30. Related party transactions

Remuneration of the Executive Directors, who are the key management of the Group, was as follows during the year:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Short-term benefits and bonus[1]	**1,443**	1,380
Pension costs[2]	**38**	37
Long-term incentives[3]	**–**	–
Other[4]	**4**	2
Total	**1,485**	1,419

1. Includes salary, taxable benefits and annual bonus award.
2. Pension contributions.
3. Long-term incentives: for the years ended 31 March 2022 and 31 March 2021 no values have been included for the 2019 and 2018 LTIP award vesting as, based on performance for the relevant three-year performance periods, these awards are unlikely to vest.
4. SIP matching and dividend shares awarded in the year.

The share-based payment charge to the statement of profit or loss for the year in relation to key management of the Group was £0.9 million (2021: £1.1 million). Directors' remuneration is disclosed in the Directors' Remuneration Report on pages 90 to 101.

Company-related party transactions

The following transactions occurred between the Company and its wholly owned subsidiaries:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Amounts owed by subsidiaries	**28,508**	35,660
Amounts owed to subsidiaries	**(52,160)**	(13,039)
Interest paid to subsidiaries	**(885)**	(343)
Interest received from subsidiaries	**826**	694
Dividends received from subsidiaries	**–**	38,548

Snappy Shopper is a related party as an associate of PayPoint Plc. In the period since the investment in the associate was made, related party transactions consisted of £47,198 revenue, with £23,868 of accrued income at 31 March 2022.

Notes to the consolidated financial statements continued

31. Notes to the cash flow statement

Group	Note	Year ended 31 March 2022 £'000	Restated[1] Year ended 31 March 2021 £'000
Profit before tax from continuing operations		**48,515**	20,443
Profit before tax from discontinued operation		**30,011**	7,551
Adjustments for:			
Depreciation of property, plant and equipment	14	**4,768**	4,913
Amortisation of intangible assets	13	**5,801**	4,185
Profit from discontinued operation	11	**(30,011)**	–
R&D and VAT credits		**(15)**	(54)
Exceptional item – revaluation of deferred, contingent consideration liability	22	**(2,880)**	–
Exceptional item – non-cash provision	21	**–**	12,500
Loss on disposal of fixed assets		**59**	54
Net finance costs		**2,033**	1,265
Share-based payment charge	25	**868**	1,066
Cash-settled share-based remuneration		**–**	(151)
Operating cash flows before movements in working capital		**59,149**	51,772
Movement in inventories		**70**	(11)
Movement in trade and other receivables		**(526)**	699
Movement in finance lease receivables		**4,354**	593
Movement in contract assets		**(24)**	972
Movement in contract liabilities		**(684)**	(529)
Movement in provision in relation to Ofgem Statement of Objections	21	**(12,500)**	–
Movement in payables		**(6,488)**	(765)
Movement in lease liabilities		**(7)**	22
Cash generated by operations		**43,344**	52,753
Corporation tax paid		**(9,161)**	(8,422)
Financial costs paid	28	**(1,913)**	(1,540)
Net cash from operating activities (corporate)		**32,270**	42,791
Movement in clients' funds and retailer partners' deposits		**(9,718)**	11,852
Net cash inflow from operating activities[2]		**22,552**	54,643

1. The prior year comparatives have been restated for the retrospective application of the Group's change in accounting policy on intangible assets. Refer to note 1 and note 32.
2. Items in the course of collection and settlement payables are included in this reconciliation on a net basis through the client cash line. The Directors have included these items on a net basis to best reflect the operating cash flows of the business.

Company	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Profit before tax		**27,439**	19,879
Adjustments for:			
Amortisation of intangible assets[1]	13	**(503)**	503
Exceptional item – revaluation of deferred, contingent consideration liability	22	**(2,880)**	–
Exceptional item – non-cash provision	21	**–**	12,500
Dividends from subsidiaries		**–**	(38,548)
Profit from discontinued operation	11	**(30,643)**	–
Net finance cost		**1,843**	954
Cash-settled share-based remuneration		**392**	16
Operating cash movement before movements in working capital		**(4,352)**	(4,698)
Movement in receivables		**8,827**	8,578
Movement in payables		**25,755**	2,880
Cash generated by operations		**30,230**	6,760
Interest and bank charges paid		**(1,655)**	(1,259)
Net cash inflow from operating activities		**28,575**	5,501

1. In the current year on the Company statement of financial position, the £6.0 million Collect+ arrangement was reclassified from a brand intangible asset to a wholly owned investment in subsidiary and £0.5m of accumulated amortisation was reversed through the Company statement of profit or loss. The £6.0 million investment relates to the Company's acquisition of the remaining 50% interest in Collect+ that Yodel owned in the prior year, which resulted in Collect+ becoming a fully owned subsidiary controlled by the Company. Refer to note 1.

32. Prior year restatements for implementation costs of cloud computing SaaS arrangements

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

Prior year consolidated statement of profit or loss

	Previously reported Year ended 31 March 2021 £'000	Restatement £'000	Restated Year ended 31 March 2021 £'000
Continuing operations			
Revenue	127,747	–	127,747
Cost of revenue	(47,280)	1,795	(45,485)
Gross profit	80,467	1,795	82,262
Administrative expenses – excluding exceptional items	(43,578)	(795)	(44,373)
Operating profit before exceptional items	36,889	1,000	37,889
Exceptional item – revaluation of deferred, contingent consideration liability	–	–	–
Exceptional item – administrative expenses	(15,600)	–	(15,600)
Operating profit	21,289	1,000	22,289
Finance income	22	–	22
Finance costs – excluding exceptional items	(1,409)	–	(1,409)
Exceptional item – finance costs	(459)	–	(459)
Profit before tax from continuing operations	19,443	1,000	20,443
Tax on continuing operations	(4,335)	(189)	(4,524)
Profit from continuing operations	15,108	811	15,919
Discontinued operation			
Profit from discontinued operation, net of tax	6,423	–	6,423
Exceptional item – gain on disposal of discontinued operation, net of tax	–	–	–
Profit for the year attributable to equity holders of the parent	21,531	811	22,342

Notes to the consolidated financial statements continued

32. Prior year restatements for implementation costs of cloud computing SaaS arrangements continued

	Previously reported Year ended 31 March 2021 £'000	Restated Year ended 31 March 2021 £'000
Earnings per share		
Basic	31.5p	**32.7p**
Diluted	31.3p	**32.4p**
Earnings per share – continuing operations		
Basic	22.1p	**23.3p**
Diluted	21.9p	**23.1p**

Selected extracts from the consolidated statement of financial position for the prior year ended 31 March 2021

	Previously reported 31 March 2021 £'000	Restatement £'000	Restated[1] 31 March 2021 £'000
Inventories[1]	1,059	(534)	**525**
Current tax asset	3,021	(189)	**2,832**
Total current assets	169,949	(723)	**169,226**
Goodwill[1]	51,551	534	**52,085**
Other intangible assets	41,698	(5,981)	**35,717**
Total non-current assets	121,139	(5,447)	**115,692**
Total assets	291,088	(6,170)	**284,918**
Net assets	39,470	(6,170)	**33,300**
Retained earnings	32,907	(6,170)	**26,737**
Total equity attributable to equity holders of the parent	39,470	(6,170)	**33,300**

1. The prior year comparatives have been restated for a retrospective measurement period adjustment to goodwill and inventories. Refer to note 12.

Selected extracts from the consolidated statement of financial position for the year ended 31 March 2020

	Previously reported 31 March 2020 £'000	Restatement £'000	Restated 31 March 2020 £'000
Other intangible assets	17,274	(6,981)	10,293
Total non-current assets	54,532	(6,981)	47,551
Total assets	257,987	(6,981)	251,006
Net assets	38,330	(6,981)	31,349
Retained earnings	32,475	(6,981)	25 494
Total equity attributable to equity holders of the parent	38,330	(6,981)	31,349

Selected extracts from the prior year consolidated statement of cash flows and notes to the cash flow statement

	Previously reported 31 March 2020 £'000	Restatement £'000	Restated Year ended 31 March 2021 £'000
Profit before tax from continuing operations	19,443	1,000	20,443
Amortisation of intangible assets	5,980	(1,795)	4,185
Operating cash flows before movements in working capital	52,567	(795)	51,772
Cash generated by operations	53,548	(795)	52,753
Net cash from operating activities (corporate)	43,586	(795)	42,791
Net cash inflow from operating activities	55,438	(795)	54,643
Purchases of intangible assets	(8,745)	795	(7,950)
Net cash used in investing activities	(72,479)	795	(71,684)

33. Subsequent events

The £1.0 million (31 March 2021: £nil) deferred consideration liability recognised on the acquisition of RSM 2000 was paid on 12 April 2022, the first anniversary of completion. On payment the corresponding liability was released which resulted in a £1.0 million financing cash outflow. The deferred consideration was neither contingent on future performance nor remuneration linked i.e. linked to continuing employment of the sellers.

Notice of Annual General Meeting

This notice of meeting is important and requires your immediate attention.

If you are in any doubt as to any aspect of the proposals referred to in this notice of meeting or as to the action you should take, you should seek your own advice from a stockbroker, bank manager, solicitor, tax advisor, accountant or other independent professional advisor.

If you have recently sold or otherwise transferred all of your ordinary shares in PayPoint Plc, please pass this notice of meeting, together with the accompanying documents, to the purchaser or transferee, or to the person who arranged the sale or transfer, so that they can pass these documents to the person who now holds the shares as soon as possible.

In line with the UK Government's removal of restrictions on face-to-face meetings (correct as at the date of this Notice), PayPoint Plc's annual general meeting ('AGM') is set to be held at PayPoint's registered office address. In the event that new guidance or restrictions on public gatherings are issued or imposed changes to the format of the AGM will be communicated to shareholders on the investors section of our website: https://corporate.paypoint.com/investor-centre/meeting and, where appropriate, by a stock exchange announcement in advance of the AGM. All appropriate COVID-19 related safety measures will be in place at our AGM venue, however attendees should carefully consider their own circumstances before choosing to attend in person. We remain committed to engaging with our shareholders so please do send any questions you may have for the Board, relating to the business of the meeting, to our Company Secretary at brianmclelland@paypoint.com by Monday 18 July 2022 at 12.00 noon.

Meantime, we encourage you to submit your proxy votes to the Company's registrars, Equiniti, as early as possible. Further information on how you can submit your proxy votes can be found on page 159. The deadline for submitting proxy votes is 12.00 noon on Monday 18 July 2022.

Notice is hereby given that the 2022 Annual General Meeting of PayPoint Plc (the 'Company') will be held at the Company's head office, 1 The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire AL7 1EL on Wednesday 20 July 2022 at 12.00 noon. You will be asked to consider and pass the following resolutions. Resolutions 1 to 13 (inclusive) will be proposed as ordinary resolutions, and Resolutions 14 to 17 (inclusive) will be proposed as special resolutions.

Routine business

1. **Directors' Report and Accounts**
   To receive the accounts for the financial year ended 31 March 2022 together with the Directors' report and the auditors' report on those accounts.

2. **Directors' Remuneration Report**
   To approve the Directors' Remuneration Report for the financial year ended 31 March 2022 as set out on pages 90 to 101 of the annual report 2022.

3. **Declaration of final dividend**
   To declare a final dividend of 18.0 pence per ordinary share of the Company for the year ended 31 March 2022.

4. **Re-election of Director – Alan Dale**
   To re-elect Alan Dale as a Director.

5. **Re-election of Director – Rosie Shapland**
   To elect Rosie Shapland as a Director.

6. **Re-election of Director – Gill Barr**
   To re-elect Gill Barr as a Director.

7. **Re-election of Director – Giles Kerr**
   To re-elect Giles Kerr as a Director.

8. **Re-election of Director – Rakesh Sharma**
   To re-elect Rakesh Sharma as a Director.

9. **Re-election of Director – Nick Wiles**
   To re-elect Nick Wiles as a Director.

10. **Re-election of Director – Ben Wishart**
    To re-elect Ben Wishart as a Director.

11. **Appointment of Auditor**
    To reappoint KPMG LLP as auditor of the Company until the conclusion of the next AGM of the Company at which the accounts are laid.

12. **Auditor's remuneration**
    To authorise the Directors to determine the auditor's remuneration.

Special business

13. Directors' authority to allot shares

That the Board be generally and unconditionally authorised under section 551 of the Companies Act 2006 to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

(A) up to a nominal amount of £68,927 (such amount to be reduced by any allotments or grants made under paragraph (B) below in excess of such sum); and

(B) comprising equity securities (as defined in section 560(1) of the Companies Act 2006) up to a nominal amount of £137,854 (such amount to be reduced by any allotments or grants made under paragraph (A) above) in connection with an offer by way of a rights issue:

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, such authorities to apply until the close of business on 20 October 2023 or, if earlier, the AGM in 2023 but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

14. Disapplication of pre-emption rights

That if resolution 13 is passed, the Board be given power to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be limited:

(A) to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (B) of resolution 13, by way of a rights issue only):

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities, as required by the rights of those securities or, as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;

(B) in the case of the authority granted under paragraph (A) of resolution 13 and/or in the case of any sale of treasury shares for cash, to the allotment (otherwise than under paragraphs (A) and (B) above) of equity securities or sale of treasury shares up to a nominal amount of £10,339, such power to apply until the close of business on 20 October 2023 or if earlier, the AGM in 2023 but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

15. Additional disapplication of pre-emption rights

That if resolution 13 is passed, the Board be given power in addition to any power granted under resolution 14 to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:

(A) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £10,339; and

(B) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice, such power to apply until to apply until the close of business on 20 October 2023 or, if earlier, the AGM in 2023 but, in each case, during this period the Company may make offers, and enter into agreements which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

Notice of Annual General Meeting continued

16. Company's authority to purchase its own shares

That the Company be authorised for the purposes of section 701 of the Companies Act 2006 to make one or more market purchases (as defined in section 693(4) of the Companies Act 2006) of its ordinary shares of 1/3 pence each, provided that:

(A) the maximum number of ordinary shares hereby authorised to be purchased is 6,892,704;

(B) the minimum price which may be paid for an ordinary share is 5 pence and the maximum price which may be paid for an ordinary share is the highest of:

(i) an amount equal to 5% above the average market value of an ordinary share for the five business days immediately preceding the day on which that ordinary share is contracted to be purchased; and

(ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venues where the purchase is carried out at the relevant time, in each case, exclusive of expenses;

such authority to apply to apply until the close of business on 20 October 2023 or, if earlier, the AGM in 2023 but in each case so that during this period the Company may enter into a contract to purchase ordinary shares which would, or might be, completed or executed wholly or partly after the authority ends and the Company may purchase ordinary shares pursuant to any such contract as if the authority had not ended.

17. Calling of general meetings on 14 days' notice.

That any general meeting of the Company that is not an AGM may be called on not less than 14 clear days' notice.

Recommendation

With respect to resolutions 4 to 10 (inclusive), the Chairman confirms that, based on the performance evaluation undertaken during the period, each of the retiring Directors' performance continues to be effective and to demonstrate commitment to the role. The Board has considered this and recommends that each Director who wishes to serve again be proposed for election/re-election. This opinion is based on an assessment of each Director's relevant knowledge and experience and the conclusion that, in each case, their informed opinions are of significant value and contribute greatly to Board discussions. Biographies of the Directors including their areas of expertise relevant to their role as a Director are given on pages 72 to 73 of the 2022 annual report.

The Directors believe that the proposals described in this Notice of Meeting are in the best interests of the Company and its shareholders as a whole and recommend shareholders to support them by voting in favour of all the resolutions, as they intend to in respect of their own beneficial shareholders.

By order of the Board

Brian McLelland
Company Secretary
17 June 2022

Registered office:
1 The Boulevard
Shire Park
Welwyn Garden City
Hertfordshire AL7 1EL
United Kingdom

Registered in England and Wales
Company No. 03581541

Notes to the Notice of Annual General Meeting

1. Shareholders should submit their proxy vote not less than 48 hours before the time of the AGM. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. To appoint a proxy or proxies shareholders must: (a) submit a proxy appointment electronically at www.sharevote.co.uk; or (b) complete a Form of Proxy, sign it and return it, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, to the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA; or (c) complete a CREST Proxy Instruction (as set out in paragraph 5 below), in each case so that it is received no later than 12.00 noon on 18 July 2022. To appoint more than one proxy, you will need to complete a separate Form of Proxy in relation to each appointment. A Form of Proxy for use in connection with the AGM is enclosed with this document. Full details of the procedure to submit a proxy electronically are given on the website www.sharevote.co.uk. To use this service, you will need your Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy. If you do not have a Form of Proxy and believe that you should, please contact the Company's registrars, Equiniti Limited, on 0371 384 2030 (or +44 121 415 7047 if calling from outside the United Kingdom) or at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Lines are open from 8.30am to 5.30pm, Monday to Friday (except public holidays in England and Wales).

2. A member entitled to attend, speak and vote at the AGM may appoint a proxy (who need not be a member of the Company) to exercise all or any of his or her rights to attend and to speak and vote on his or her behalf. A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her. To appoint more than one proxy please contact the Company's registrar using the details provided above. CREST members should utilise the CREST electronic proxy appointment service in accordance with the procedures set out below, and in each case must be received by the Company not less than 48 hours before the time of the meeting. You must inform the Company's registrar in writing of any termination of the authorities of a proxy.

3. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

4. The statement of the rights of shareholders to appoint a proxy in paragraphs one and two above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company. Nominated Persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investments in the Company.

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a CREST proxy instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

   If you are an institutional investor you may be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12.00 noon on 18 July 2022 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

7. To be entitled to attend and vote at the AGM or any adjournment thereof (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the Company by 6:30pm on 18 July 2022 (or by close of business on the date being two days before any adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

8. Biographical details of the Directors of the Company are shown on pages 72 to 73 of the 2022 annual report.

9. Each member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting which, in accordance with section 319A of the Companies Act 2006 and subject to some exceptions, the Company must cause such questions to be answered. However, no such answer need be given if:
   (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
   (b) the answer has already been given on a website in the form of an answer to a question; or
   (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Notes to the Notice of Annual General Meeting continued

10. Information relating to the meeting which the Company is required by section 311A of the Companies Act 2006 to publish on a website in advance of the meeting may be viewed at www.paypoint.com. A member may not use any electronic address provided by the Company in this document or with any proxy appointment form or in any website for communicating with the Company for any purpose in relation to the meeting other than as expressly stated in it.

11. It is possible that, pursuant to members' requests made in accordance with section 527 of the Companies Act 2006, the Company will be required to publish on a website a statement in accordance with section 528 of that Act setting out any matter that the members concerned propose to raise at the meeting relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company cannot require the members concerned to pay its expenses in complying with those sections. The Company must forward any such statement to its auditor by the time it makes the statement available on the website. The business which may be dealt with at the meeting includes any such statement.

12. The issued share capital of the Company as at 26 May 2022, the latest practicable date before publication of this notice, was 68,927,036 ordinary shares of 0.03 pence each, carrying one vote each. The Company holds no treasury shares. The total number of voting rights in the Company on 26 May 2022 is 68,927,036.

13. The Directors' service agreements, Directors' letters of appointment and Directors' deeds of indemnity are available for inspection at the registered office of the Company. Email: brianmclelland@paypoint.com during normal business hours on any weekday (excluding public holidays). Copies of these documents will also be available at the place of the AGM from 15 minutes before the meeting until it ends.

Explanatory notes to certain of the resolutions to be proposed at the Annual General Meeting

Resolution 1: To receive the Directors' report and accounts
The Board asks that shareholders receive the Strategic Report, Directors' Report and the financial statements for the year ended 31 March 2022, together with the report of the auditor.

Resolution 2: Directors' Remuneration Report
Shareholders are asked to approve the Directors' Remuneration Report that appears on pages 90 to 101 of the 2022 annual report. This vote is advisory, and the Directors' entitlement to remuneration is not conditional on it.

Resolution 3: Declaration of final dividend
Shareholders are being asked to approve a final dividend of 18.0 pence per ordinary share for the year ended 31 March 2022. Subject to approval, the dividend will be paid in equal instalments of 9.0 pence per share on 25 July 2022 and 30 September 2022 to the holders of ordinary shares whose names are recorded on the register of members at the close of business on 10 June 2022 and 2 September 2022 respectively.

Resolutions 4 – 10: Directors
The Directors believe that the Board continues to maintain an appropriate balance of knowledge and skills and that all the Non-Executive Directors are independent in character and judgement. This follows a process of formal evaluation, which confirms that each Director makes an effective and valuable contribution to the Board and demonstrates commitment to the role (including making sufficient time available for Board and Committee meetings and other duties as required). In accordance with the UK Corporate Governance Code and in line with previous years, all Directors will again stand for re-election, as relevant, at the AGM this year. Biographies are available on pages 72 to 73 of the annual report. It is the Board's view that the Directors' biographies illustrate why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success.

Resolutions 11 and 12: Appointment and remuneration of auditor
The Company is required to appoint or reappoint an auditor at each general meeting at which accounts are presented to shareholders. Following an evaluation of the effectiveness and independence of KPMG LLP, the Directors recommend KPMG LLP be reappointed as auditor. Resolution 12 grants authority to the Company to determine the auditor's remuneration.

Resolution 13: Directors' authority to allot shares
Paragraph (A) of this resolution would give the Directors the authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £68,927 (representing 22,975,6379 ordinary shares of 0.03 pence each). This amount represents approximately one-third of the issued ordinary share capital of the Company as at 26 May 2022, the latest practicable date prior to publication of this notice. In line with guidance issued by the Investment Association, paragraph (B) of this resolution would give the Directors authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £137,854 (representing 45,951,357 ordinary shares of 0.03 pence each), as reduced by the nominal amount of any shares issued under paragraph (A) of this resolution. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the Company as at 26 May 2022, being the latest practicable date prior to publication of this notice. The authorities sought under paragraphs (A) and (B) of this resolution will expire at the close of business on 20 October 2023 or, if earlier, the AGM in 2023. The Directors have no present intention to exercise either of the authorities sought under this resolution, other than to allot ordinary shares as following the exercise of options and awards under the Company's share schemes. However, if they do exercise the authorities, the Directors intend to follow Investment Association recommendations concerning their use. As at the date of this Notice, the Company does not hold any shares in treasury.

Resolutions 14 and 15: Authority to disapply pre-emption rights
Resolutions 14 and 15 are proposed as special resolutions. If the Directors wish to allot new shares and other equity securities, or sell treasury shares, for cash (other than in connection with an employee share scheme), company law requires that these shares are first offered to shareholders in proportion to their existing holdings.

At last year's AGM, a special resolution was passed, in line with institutional shareholder guidelines, empowering the Directors to allot equity securities for cash without first offering them to existing shareholders in proportion to their existing holdings. It is proposed, under resolution 14, that this authority be renewed. If approved, the resolution will authorise Directors to issue shares in connection with pre-emptive offers, or otherwise to issue shares for cash up to an aggregate nominal amount of £10,339 (representing 3,432,845 ordinary shares of 0.03 pence each) which includes the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash.

The Pre-Emption Group's Statement of Principles also support the annual disapplication of pre-emption rights in respect of allotments of shares and other equity securities and sales of treasury shares for cash where these represent no more than an additional 5% of issued ordinary share capital (exclusive of treasury shares) and are used only in connection with an acquisition or specified capital investment. The Pre-Emption Group's Statement of Principles defines 'specified capital investment' as meaning one or more specific capital investment related uses for the proceeds of an issue of equity securities, in respect of which sufficient information regarding the effect of the transaction on the Company, the assets the subject of the transaction and (where appropriate) the profits attributable to them is made available to shareholders to enable them to reach an assessment of the potential return.

Accordingly, the purpose of resolution 15 is to authorise the Directors to allot new shares and other equity securities pursuant to the allotment authority given by resolution 13, or sell treasury shares for cash, without first being required to offer such securities to existing shareholders, up to a further nominal amount of £10,339 (representing 3,432,845 ordinary shares of 0.03 pence each). The authority granted by this resolution, if passed, will only be used in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue. If the authority given in resolution 15 is used, the Company will publish details of its use in its next annual report. The authority granted by resolution 15 would be in addition to the general authority to disapply pre-emption rights under resolution 14. The maximum nominal value of equity securities which could be allotted if both authorities were used would be £20,678. The Directors intend to adhere to the provisions in the Pre-emption Group's Statement of Principles and not to allot shares or other equity securities or sell treasury shares for cash on a non pre-emptive basis pursuant to the authority in resolution 15 in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company, excluding treasury shares, within a rolling three-year period, other than: (i) With prior consultation with shareholders; or (ii) In connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. The Directors have no present intention of using the power under these authorities but they will have the flexibility to act in the best interests of the Company when opportunities arise.

Explanatory notes to certain of the resolutions to be proposed at the Annual General Meeting continued

Resolution 16: Authority to make market purchases of ordinary shares

Resolution 16 is another special resolution and renews the Directors' authority granted by the shareholders at previous AGMs to make market purchases of up to 10% of the Company's issued ordinary shares (excluding any treasury shares). The Company may make purchases of its own shares if, having taken account of all major factors such as the effect on earnings and net asset value per share, gearing levels and alternative investment opportunities, such purchases are considered to be in the Company's and shareholders' best interests while maintaining an efficient capital structure.

If the Company purchases any of its ordinary shares pursuant to resolution 16, the Company may cancel these shares or hold them in treasury. Such decision will be made by the Directors at the time of purchase. The minimum price, exclusive of expenses, which may be paid for an ordinary share is 5 pence. The maximum price, exclusive of expenses, which may be paid for an ordinary share is the highest of: (i) an amount equal to 5% above the average market value for an ordinary share for the five business days immediately preceding the date of the purchase; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out at the relevant time. At last year's AGM, the Company was given authority to make market purchases of up to 6,838,184 shares. No shares have been purchased by the Company in the market since then. Options to subscribe for a total of 429,738 shares, being 0.6% of the issued ordinary share capital, were outstanding at 26 May 2022 (being the latest practicable date prior to the publication of this notice). If the existing authority given at the 2021 AGM and the authority being sought under resolution 16 were to be fully used, these would represent 10.5% of the Company's issued ordinary share capital at that date. The Directors do not have any current plans to exercise the authority to be granted pursuant to resolution 16. The Directors will exercise this authority only when to do so would be in the best interests of the Company, and of its shareholders generally. The authority will expire at the earlier of 22 October 2022 and the conclusion of the AGM of the Company held in 2023.

Resolution 17: Authority to allow any general meeting of the Company that is not an annual general meeting to be called on not less than 14 clear days' notice

The minimum notice period for general meetings of listed companies is 21 days, but companies may reduce this period to 14 days (other than for annual general meetings) provided that:

(a) the Company offers a facility for shareholders to vote by electronic means. This condition is met if the Company has a facility enabling all shareholders to appoint a proxy by means of a website; and

(b) on an annual basis, a shareholders' resolution approving the reduction of the minimum notice period from 21 days to 14 days is passed.

The Board is therefore proposing this resolution as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than AGMs. The approval of this resolution will be effective until the end of the 2023 AGM of the Company, when it is intended that the approval will be renewed. The Board intends that the shorter notice period will only be used in limited exceptional circumstances which are time-sensitive, rather than as a matter of routine, and only where the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole. The Directors do not have any current intention to exercise this authority but consider it appropriate to ensure that the Company has the necessary flexibility to respond to all eventualities.

Officers and professional advisors

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G Kerr[1] (Chairman)
R Shapland[1]
R Sharma[1]
N Wiles
B Wishart[1]

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1. Non-Executive Directors.

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