appreciate
group plc

creating more JOY & opportunity

Appreciate Group plc
Annual report & accounts 2022
Company registration no 01711939

Our Purpose

To create more joy in the world. By being trusted to help our customers with celebrating and rewarding.

How we do it

Our propositions

- Corporate: Appreciate Business Services
- Corporate/Consumer: HighStreetVouchers.com
- Consumer: Christmas Savings

See more on page 4

Our strategic priorities

- Products
- Partnerships
- Platform
- Performance

See more on page 6

Our Trademark Behaviours

- Collaboration
- Respect
- Empathy
- Dynamism

See more on page 25

2022 Highlights

Profit before taxation before exceptional item+ (£m)

£8.4

2022	£8.4
2021	£2.3 (Restated*)
2020	£11.4
2019	£12.5
2018	£12.6

Group billings~ (£m)

£385.8

2022	£385.8
2021	£406.5
2020	£419.9
2019	£426.9
2018	£412.8

Group revenue (£m)

£123.3

2022	£123.3
2021	£106.8
2020	£112.7
2019	£110.4
2018	£111.1

Operating profit (£m)

£5.7

2022	£5.7
2021	£-0.6 (Restated*)
2020	£6.4
2019	£9.7
2018	£11.3

Total basic earnings per share (p)

2.36

2022	2.36
2021	-0.15 (Restated*)
2020	2.96
2019	4.78
2018	5.50

Dividends per share (p)

1.8

2022	1.8
2021	1.00
2020	0.00
2019	3.20
2018	3.05

Profit before taxation (£m)

£5.6

2022	£5.6
2021	-£0.1 (Restated*)
2020	£7.7
2019	£11.3
2018	£12.6

"Revenue is up over 15% as the company bounces back from the impact of the pandemic."

* The FY21 results have been restated as set out in the statement of significant accounting policies
+ See financial review for reconciliation of adjusted to statutory profit measure
~ See page 66 in accounting policies for a reconciliation of billings to revenue

Operational highlights

How we've performed

The Group has delivered a strong financial performance which has been driven by growth in the Corporate segment and within our product mix, in digital billings. The benefits of the investments it has made in recent years are now being realised. It also made good progress in the year on Christmas Savings with an improvement in the historical trend.

Growth in Corporate

Billings up 5.4% to £212.1m

Segmental profit increased from £2.6m in FY21 to £7.8m

Digital rise continues

Digital billings (excluding free school meals) up 20.5% to £54.8m (FY21: £45.5m)

Paper down to 15% (FY21: 23%) in product mix

Leveraging hero brand

First campaigns run specifically promoting Love2shop, which underpins all products

Prompted consumer awareness up from 40% to 43%

Driving efficiencies

Enterprise Resource Planning (ERP) successfully replaced legacy systems that support HighStreetVouchers.com

11% reduction in seasonal temps during peak season

Reinvigorating Christmas Savings

Billings down c.3% for year ahead – significantly better trend than FY22

Mastercard enabled Love2shop Purple Card launched to customers with broad range of online and instore redemption options

Improving our environmental performance

ISO 14001 Environmental Management accreditation received

Seven-fold reduction in energy usage to 0.3m kWh (FY21: 2.3m kWh)

Helping corporates and consumers gift and receive.

Corporate

Our growing Corporate business serves an increasing number of organisations with recognition and rewards for their colleagues and customers. We serve over 40,000 business customers for an estimated two million recipients, providing a choice in how to spend with over 200 redemption partners, whether online or via thousands of outlets.

62.3%

Division share of Group revenue for year ended 31 March 2022

£3.33bn^

6.4% market share

How we do it

We are the name behind many of the nation's most loved gifting solutions. We are experts in helping to create joyful moments for our customers when it comes to giving and receiving. We serve Consumer and Corporate audiences through our range of brands that include Appreciate: The home of Love2shop, HighStreetVouchers.com and Park Christmas Savings. All of these brands are underpinned by Love2shop, the name of our exclusive pre-paid multi-redemption, financial solution.

Hundreds of thousands of customers trust us when it comes to potentially giving and receiving whether for colleagues and customers, or family, friends and loved ones.

Our heritage

We have been helping our customers celebrate moments that matter for more than 50 years.

But we never rest in finding new ways to help our customers' needs. Today we are at the forefront of providing digital gifting solutions alongside more traditional ones which remain in demand. We are there to help our customers however they wish to create those special moments.

Consumer

The Consumer business consists of our leading Christmas Savings offering, which currently helps around 300,000 families budget towards Christmas each year, and HighStreetVouchers.com which offers consumers multi-retailer redemption products directly from our website.

37.7%

Division share of Group revenue for year ended 31 March 2022

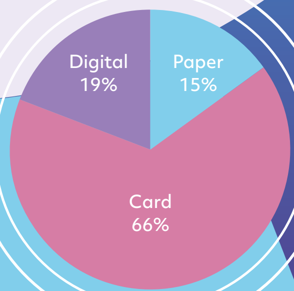
£3.66bn^

4.7% market share

Our business is split into two divisions:

Product Mix FY 2022

Appreciate Group provides products in a range of formats. The product mix is moving towards Card and Digital as customer taste changes and is being driven by strategic initiatives.



^Source: Gift Card and Voucher Association, Valuing the UK Gift Card Industry 2020

Positioned for Growth

Rich heritage
Trusted by customers to help them enjoy moments that matter for more than 50 years.

- **Robust financials** – Profitable with strong visibility of earnings and cash held in trust.
- **Strengthened leadership team** – Management team with track record of delivering growth and expertise to drive business forward.
- **Strong market position** – Strong, growing proposition in the Corporate market and clear leadership position in Christmas savings. Serving more than 400,000 customers and clients across B2C and B2B.
- **Well invested** – Major investment in infrastructure and product development has been delivered and business modernised and digitally led.
- **Attractive proposition** – Multi-partner redemption product offering with over 200 brands led by digital and physical card formats, with paper available where demand exists.
- **Growth in digital** – Growing digital business providing opportunities for efficiencies and enhanced customer experience.

Growth potential
Foundations laid for future growth through a robust and scalable business model.

Market opportunity
Gift card market predicted to grow by a quarter to £8.7bn by 2025^.

^Source: Gift Card and Voucher Association

Helping create joy for organisations and consumers

Our resources

People
- Our people are our organisation and our success is delivered through a purpose-driven and inclusive culture.

Financial resources
- We deploy our financial resources to grow a sustainable business and help our customers and clients with their goals.

Technology
- Our technology helps us deliver a positive experience for customers and provide products which meet their evolving needs.

Infrastructure
- Our infrastructure ensures systems are reliable, scalable, robust and resilient.

Governance
- Our risk management and governance provide controls and drives responsible behaviour, and are designed to help us meet all relevant regulatory requirements.

Our propositions

Corporate
Helping businesses recognise and reward their employees and customers

Corporate/Consumer – HighStreetVouchers.com
Helping Corporate and Consumer customers convert their kind thoughts into joyful gifts

Consumer – Christmas savings
Helping consumers put money aside to ensure they can pay for key future events

Our channels

highstreet vouchers .COM

Park Christmas Savings

appreciate group plc

Format

Digital

Card

Paper

Revenue stream

- Partners benefit from increased footfall and basket value and pay us a commission on the value of spend
- Businesses can also purchase single store redemption products and services to help them manage their engagement programmes
- Some revenue is derived from non-redemption

Value creation

Customers
- We help customers and clients who use our products and services achieve their aims.

Colleagues
- We support colleague wellbeing, enable them to develop their career, and empower and motivate them to fulfil their potential.

Investors
- We build a strong, resilient business that can deliver value for shareholders.

Partners
- We help our partners attain business and strengthen their customer relationships.

Communities
- We seek to have a positive benefit on our communities, and protect the environment.

Our culture drives how we do things and shapes our approach

In December 2018 we introduced a strategic business plan to build a robust and scalable platform on which to drive growth. Following significant progress, the strategic focus shifted in the financial year ended 31 March 2022 to focus on leveraging the investments made and delivering on our growth ambitions.

This growth strategy is outlined under four key areas:

Performance

Focus on understanding our customers better and delivering for them, growing our core products, whilst remaining efficient on costs.

FY22 actions completed

- Reduced use of seasonal temps by 11% over peak season
- 30%+ fall in Customer Care calls
- New ticketing system improved management of Corporate customer enquiries and complaints
- Strengthened data and insight capability to further drive business development
- Concluded and leveraging new ERP system as part of wider focus on optimisation and automation
- Retained Great Place to Work certification, with improved Trust Index score

Impact
Driving efficiencies and improving sales

Products

Providing customers with market-leading products, integrated across channels, with a digital-first focus whilst responding to their needs and demands.

FY22 actions completed

- Love2shop campaigns boosting 40%+ levels of brand awareness, 69% for B2B decision-makers
- New Purple Card (Mastercard) launched to support customer needs and grow offering
- Optimising sale of digital products to prioritise Love2shop over third party codes
- Product roadmap developed, with plan for single redemption channel to enhance customer experience
- Targeted approach to markets to deliver growth opportunities
- Eco-friendly paperboard card being rolled out more widely following successful pilot

Impact
Enhanced product range and profitability, leveraging brand strength and building customer loyalty

Partnerships

Enhancing services to customers through partnerships and brands they value, meeting their needs and enhancing our reach.

FY22 actions completed

- Winner of Best Channel Partner Programme at the 2021 Incentive Awards
- Added further attractive brands such as Primark to redemption range with more in pipeline
- Physical distribution through 28,000 outlets via PayPoint partnership
- Grown payment and processing services to selected partners
- Improved digital marketing, data and insight capability
- Strengthened self-service capabilities to improve service experience

Impact
Broadening markets and increasing customer appeal, to enable growth

Platform

Developing our websites, apps, services and back-office processes to enhance the end-to-end customer experience and be easier to deal with, enabling customers to interact with us at a time and place of their choosing.

FY22 actions completed

- Conversion Rate Optimisation instilled as foundational discipline
- Bulk order capability rolled out for HighStreetVouchers.com eCode orders
- Improving back-office processes and simplification
- Roll-out approach to increase automation in front and back-end processes

Impact
Improved customer experience and loyalty, and simplification

Creating joy for our customers

As a company with a purpose to create more joy in the world for our customers, we are committed to offering products and a customer experience which delights them.

Flexible solutions

Love2shop offers customers a choice of when, where and how to redeem – whether online or in store, in food outlets, gaming and entertainment, along with leading retailers and experiences at many of the UK's favourite attractions.

Helping hospitality bounce back

The hospitality sector was one of the worst affected by the pandemic. We worked with leading food and drink supplier, Brakes, to develop a loyalty programme giving Brakes' customers the opportunity to earn Love2shop rewards. The Help for Hospitality scheme helped our client deliver a major boost in sales and customer engagement just as the embattled sector emerged from the pandemic. The initiative won Best Channel Partner Programme at the Incentive Awards. See more online @ www.appreciategroup.co.uk.

Creative solutions

Love2shop can be delivered by email to a chosen recipient and used to unlock a selection of e-gift cards from many of the UK's most loved brands.

Ideal gift

Gill has been buying Love2shop gift cards for several years. She says they are the 'ideal gift' for her two teenage nieces. She does not have to worry about choosing a present to fit their shopping preferences as Love2shop provides them with the choice of where and how they spend. They save her time and are always appreciated by her nieces.

Digital

Our digital gifting solutions are a popular choice for customers – digital billings have tripled since FY20.

Accelerating growth

Guy Parsons
Chairman

Since joining the business as Chair in April, I have spent time meeting our colleagues and major shareholders to build a full understanding of the challenges we face as well as the many opportunities we have to grow.

It is with pleasure that in my first annual review I am able to report that the Group has delivered a strong performance for the year. As expected, the Group's financial results have bounced back following the pandemic, with a substantial improvement in profits delivered through our range of products and services.

The improvements come as we transition to a new phase in our strategy and I'm excited about the opportunities we have to deliver increased value for our shareholders. Following progress in creating a more focussed organisation, with a robust and scalable business model, we can now build on these strengths to accelerate growth in the markets we've chosen to operate in.

“The Group has emerged from the pandemic in solid shape and enters FY23 from a position of strength with good momentum”

All our colleagues across the organisation have shown tremendous dedication and enthusiasm rising to the challenge of supporting our customers and one another since the onset of the pandemic. I am proud of their resilience and continued commitment and I want to thank them for their outstanding efforts.

The Group has emerged from the pandemic in solid shape and enters FY23 from a position of strength with good momentum. We have a clear strategy and well-articulated customer propositions for growth. We are seeing the benefits of our refocused approach in Corporate, with digital billings excluding free school meals up by a fifth, and an improved trend in Christmas Savings for FY23.

As we prepare for the future, I am confident in our prospects and that our team will continue to help create more joyful moments for a greater number of consumers and organisations in line with our ambitions.

Improved performance

The first quarter of the financial year got off to a slower than anticipated start as UK lockdowns remained in place and corporate clients were prioritising plans for the return of their people to the workplace. Since then, we have experienced three quarters of double-digit growth in billings~ excluding Christmas savers, compared to the same period prior to the pandemic.

At the centre of this improved performance is demand from organisations that have sought our products to reward and recognise their employees and attract and retain their customers, underpinned by the robust and scalable business platform we have been building.

There has been an improvement in the trend of projected billings for the Christmas Savings business for FY23 following this year's recruitment campaign. These are currently down c.3%, a significant improvement on historical trends, giving us confidence that we will be able to grow Christmas Savings billings again in the medium term.

Dividend

The Group is maintaining its progressive dividend policy to reflect the cash-generative nature of the business, the strong balance sheet and growth that has been seen. The Board is recommending a final dividend for FY22 of 1.2p (2021: 0.6p). Combined with the interim dividend of 0.6p (FY21: 0.4p), the resulting total dividend in respect of FY22 is 1.8p (FY21: 1.0p). The dividend will be payable on 3 October 2022 to shareholders on the register on 26 August 2022, subject to shareholder approval.

Board and governance

The Board invited me to take on the role of Chair from Laura Carstensen following her decision to stand down, having served almost nine years on the Board. I would like to thank Laura on behalf of the Board for her hard work in helping the Group evolve its strategy and growth journey, as well as helping it navigate the unprecedented challenges of the pandemic. The change of Chair comes at an opportune time, with the Group's strategy pivoting to leveraging the progress made in the Group's transformation to drive growth. I am confident I can help the Group as it seeks to achieve these growth ambitions and I look forward to working with the Board to lead the Group in the next successful stage of its journey.

As announced on 28 April 2022, Tim Clancy, will step down from his role as Chief Financial Officer, at the end of July 2022 to take up another opportunity. The Group has started a search process, is encouraged by the quality of the candidates it is seeing, and will provide a further update when it has appointed a replacement. The Board would like to thank Tim for his significant contribution to the launch of the Group's strategic business plan in 2018 and for building a more robust and scalable platform for growth.

The Board takes its responsibilities to all its stakeholders seriously and we are committed to maintaining direct and productive relationships with our shareholders, colleagues and communities, taking a range of perspectives and feedback into account in our decision-making and stewardship.

Preparing for the future

I am pleased to confirm that the Group has bolstered its technology plans by completing the acquisition of MBL Holdco Ltd post year end, a gift card technology provider to UK businesses and consumers. The move provides us with access to MBL's market-leading technology platform and accelerates our technology plans by approximately 18 months, thus bringing forward our ability to leverage further growth for the Group. As well as offering immediate commercial opportunities, it strengthens our ability to deliver SaaS solutions, outsourced gift card programmes and bespoke white labelling of gift card websites for Corporate clients.

Our team is determined to build on the success in Corporate and has weighted resources accordingly to support efforts in this market, supported by enhancements to the proposition and strengthened data and insight capability to target B2B customer retention and acquisition. We also see opportunities to support Corporate customers with the challenges around staff retention and assisting employees through the cost of living crisis.

We are focused on capitalising on the increased capability of the business while refining our product range and customer experience to help drive customer appeal and loyalty.

Responsible business

People

The wellbeing of our colleagues remained a priority throughout the year. A new hybrid working model was introduced, combining the benefits of being together in the workplace with the flexibility that comes from remote working. We have listened to our colleagues' views through regular engagement surveys and we were delighted to receive a Great Place to Work accreditation for the second year in succession. This was achieved with an improved Trust Index and reflects the success of our cultural transformation. We also achieved a Best Workplace for Women Status, with fair treatment regardless of gender scoring 90%, underlining our commitment to diversity. We are committed to making further enhancements to make the Group an even better place to work using the feedback provided by our colleagues.

We also recognise that current rises in the cost of living are impacting our people. With this in mind, we are providing all colleagues with a one-off payment of £500 to help them with these challenges. While those not in a bonus scheme, will also receive a gift card of £250 as a thank you for their support.

Environment

In FY22, we achieved an ISO 14001 Environmental Management certification and now meet the highest international standards for environmental management, demonstrating our strong commitment to sustainability and protection. However, we recognise that this is only the start of the journey and that there is more we must do, which is why we are developing a Climate Transition Plan to fulfil our aim of becoming a future net zero organisation.

We also successfully completed an exercise using eco-friendly, non plastic cards with one of our large Corporate clients and are now rolling this out to other customers.

Communities

We are committed to helping create a positive impact in our communities; our ground-breaking programme with Everton in the Community is helping children in the Liverpool City Region learn technology skills that could help them in their future careers. Our support for the charity has now generated almost £750,000 of societal value.

Looking ahead

As we enter FY23, we remain cautious about the pressures on our customers, through increases in the cost of living, the terrible events taking place in Ukraine, the impacts of the UK's exit from the EU and the potential future paths of Covid-19. The team is focused on ensuring we remain well placed to support with the challenges faced by our customers, whether it be spreading the costs of major events such as Christmas, or helping Corporate clients with attracting and retaining their customers and employees.

We have good momentum and a clear focus on continuing to deliver our strategy to drive future years of growth. We are well positioned to capitalise on opportunities whilst remaining true to our purpose and values.

I am excited about the next phase in our journey with the Group and look forward to helping it deliver further progress and the success that is to come.

Guy Parsons
Chair
27 June 2022

* The FY21 results have been restated as set out in the statement of significant accounting policies

~See page 66 in accounting policies for a reconciliation of billings to revenue

Positioned for growth

Ian O'Doherty
Chief Executive Officer

Introduction

This is a year in which we have made significant progress as a Group, despite continued impacts from the pandemic on our customers, colleagues and business – particularly in the first half.

The commitment and consistent hard work of the team has delivered a strong financial performance. This demonstrates that our strategy to create a more modern organisation remains appropriate and is starting to deliver positive results. We are now in an improved position to exploit future opportunities. The benefits of the investments we have made in recent years are clearly coming through.

I am extremely proud to lead an organisation with people who display huge talent, passion, and commitment to help drive our business forward. This gives me confidence about what we can achieve over the next year and beyond to fully leverage the benefits of the changes we have made to accelerate our growth.

Corporate revenue
£76.7m

Consumer revenue
£46.5m

> "I remain excited about the future opportunities for the Group and the undeniable potential we now have"

Results for the year

The Group has delivered a significantly improved financial performance, with profits rising on last year as trading returned to more normal patterns following the lifting of the UK's lockdown restrictions after Covid. This has been driven by strong demand in Corporate and an increase in digital billings (excluding billings from free school meals) of almost a fifth.

Profit before tax and exceptional items⁺ was £8.4m (Restated*FY21: £2.3m) excluding the main exceptional costs arising from IFRS guidance on how cloud-based technology costs are presented. This result reflects a strong second half, especially in our peak Q3 Christmas trading period. Profit before tax was £5.6m (Restated FY21*: -£0.1m).

Total Group billings˜ of £385.8m were down on the previous year (FY21: £406.5m), largely due to a reduction in billings˜ through the Government's free school meals scheme and an impact on Christmas Savings during the pandemic, when Agent collections were restricted by social distancing measures preventing face to face contact during the key customer recruitment period.

Billings˜ excluding Christmas Savings were £222.0m, up 3.6% (FY21: £214.3m) following a strong performance in our Corporate business. Whilst the first quarter was initially slower than anticipated as lockdown restrictions began to be eased, these billings˜ saw three consecutive quarters of double-digit growth from Q2 onwards.

Full-year digital billings˜ increased 20.5% to £54.8m (FY21: £45.5m) excluding billings˜ from free school meals.

Total Group revenue went up 15.4% to £123.3m (FY21: £106.8m) driven by an improvement in the Corporate business.

Operating profit before exceptional items⁺ for the year was £8.5m (Restated* FY21: £1.9m). Statutory Operating Profit was £5.7m (Restated* FY21: loss of £0.6m).

As outlined in our year end trading statement on 28 April 2022, the lockdowns in FY21 caused a delay in the redemption of the Group's products for which income is recognised at the point of redemption. The financial impact of this in FY21 was to reduce profits by £3.9m and, as expected, part of this has reversed in FY22 increasing profits in the year by £3.4m.

We previously stated that we expected to confirm a charge following changes to guidance on accounting for cloud computing arrangements from the International Financial Reporting Interpretations Committee (IFRIC). Following the finalisation of the adjustment, we can confirm that there was a total exceptional charge of £2.7m recorded in FY22 in relation to the Group's intangible assets. Of this charge, £0.8m was associated with the change in accounting policy driven by the IFRIC agenda decision. Further, the FY21 results have been restated to reflect an exceptional charge of £1.4m and an opening reserves adjustment of £0.9m in relation to this change. Taken together, this reduces the total asset value, as at 31 March 2022, by 5.0m.

Underlying basic earnings per share went up from -0.15p (Restated*) in FY21 to 2.36p, and following the improvement in performance we are pleased to be in a position to declare a final dividend of 1.2p (FY21: 0.6p).

Year-end free cash and cash equivalents of £20.2m (FY21: £31.4m) as at 31 March 2022 – excluding funds required to be held in trust – reflected a catch up in customer spending patterns and continued growth in regulatory billings which require increased customer monies to be held in trust until redemption. Average funds held (including cash held in trust) were £178.6m (FY21: £181.2m).

~ See accounting policies for a reconciliation of billings to revenue

* The FY21 results have been restated as set out in the statement of significant accounting policies

\+ See financial review for reconciliation of adjusted to statutory profit measure

Divisional Review

Our business is split into two segments of Corporate – serving our B2B customers – and Consumer which supports retail customers through Park Christmas Savings and HighStreetVouchers.com.

Corporate (62.3% (2021: 50.2%) of Group revenue in the year ended 31 March 2022)

Appreciate Group's Corporate business provides around 40,000 business customers with market-leading incentive, recognition and rewards options for an estimated two million recipients to use with over 200 redemption partners online or across thousands of physical outlets.

Our Corporate business delivered strong growth with revenue increasing by £23.0m to £76.7m (FY21: £53.7m), benefiting from normalisation of customer spending patterns, net of a reduction in (lower margin) free school meals as a share of Corporate billings. Billings rose 5.4% to £212.1m versus £201.3m in FY21. As a result, segmental profit for Corporate increased from £2.6m in FY21 to £7.8m.

The division has historically had a successful track record in capturing repeat business from existing clients. Business retained from existing clients has returned to over 90%, in line with pre-pandemic levels. We continue to focus on increasing and diversifying the client base while maintaining high levels of repeat business which will drive further growth.

The division had seen a growth of new business during Q3 in the prior year because organisations bought our products to reward employees during lockdowns as an alternative to Christmas parties. We were pleased to be able to maintain a significant proportion of this business in the financial year 2022. We will be targeting further opportunities to support Corporate customers with the challenges they currently face around employee retention and in helping them support staff during the cost of living crisis, in addition to developing innovative approaches to customer retention and acquisition.

Corporate billings include billings of £26.0m (FY21: £22.0m) bought by organisations via our ecommerce site HighStreetVouchers.com. These are provided at a low cost to serve, with little administration required and without any negotiated discount.

Billings from the free school meals reduced to £16.2m (FY21: £23.0m), as use of the Government scheme, introduced to ensure vulnerable children did not go hungry during the pandemic when schools were closed, wound down.

We have continued to focus on broadening our client base by attracting new Corporate customers through greater use of insight, automation of onboarding, and sector-specific targeting. We served over 960 organisations for the first time, including well-known brands such as Brewdog, British Airways IAG Cargo and Go Outdoors who became partners.

Consumer (37.7% (2021: 49.8%) of Group revenue in the year ended 31 March 2022)

Consumers can access Appreciate Group's multi-retailer redemption product directly from our website HighStreetVouchers.com or via our leading Christmas savings offering, which currently helps approximately 300,000 families budget for Christmas.

Consumer billings were £173.7m – down on the prior year (FY21: £205.3m). Consumer revenue was £46.5m (FY21: £53.1m) with a segmental profit of £3.3m versus £0.5m in FY21, which had been impacted by the increase in deferred revenue due to reduced redemption options during lockdowns.

Billings for the Christmas Savings business were £164.0m, down from £193.3m in the previous financial year. These were particularly impacted by social distancing measures that restricted face-to- face contact during the key recruitment period for our agents. However, projected billings for the Christmas Savings business for FY23 are currently down c.3%, a significant improvement on the 15% decline seen in FY22. This follows a major focus on driving its performance, as described in more detail below.

Consumer billings via HighStreetVouchers.com were slightly lower at £10.1m (FY21: £10.2m). This included another strong December, traditionally the key trading month in the year, with billings of £3.1m (FY21: £3.3m).

We continue to focus on driving traffic to our website and optimising conversion, with rates holding firm at 4.4%.

Clear strategy for growth

The Group's has undergone a transformation as part of its strategy to create a robust and scalable business model to support future growth. Following the progress made in delivering these initiatives, the strategy has now evolved to focus on leveraging the benefits of its investments to accelerate growth. Progress has been made in a number of key areas during the year:

Strong growth in Corporate

Our Corporate business has now seen three quarters of consecutive double-digit growth. This encouraging performance follows a repositioning of the business to the Corporate market in FY21 to better place us as experts in supporting organisations with reward and recognition.

Our Corporate business continues to deliver high levels of customer satisfaction. It is rated 'Excellent' overall based on customer reviews via Trustpilot with an average of 4.3 out of 5 and 94% of reviews rating it as 'excellent' or 'good'. Our Net Promoter Score (NPS) of 54% compares favourably – ahead of a benchmark for financial services of 44%.

Digital growth continues

Digital billings (excluding free school meals) continue to rise and now account for 19% of the product mix. Digital demand is particularly prevalent in e-gift codes which provide customers with the opportunity to exchange for a range of spending products online.

Working to reinvigorate Christmas Savings
During the year we delivered a significant change in our marketing, utilising a fully integrated campaign spanning digital, social media and TV channels to help drive customer acquisition for FY23. This was supported with enhancements to improve user experience, customer onboarding and digital journeys, which helped boost the number of customers commencing payment plans after initially signing up, with first-time direct debit payment rates up 32% year on year.

A new Mastercard enabled Love2shop products – the "Purple Card" – was launched to Christmas Savings customers which has also proven popular. Redeemable with 125 brands, the product currently accounts for orders of over £18m for FY23. We have also delivered an 'always on' campaign to strengthen relationships and engagement with our Agents to support the key customer recruitment period and to maintain regular dialogue to help focus on maintaining payment collections. Given the seasonal nature of the business, this campaign will determine the outcome for FY23, but early indications show a significant improvement in the level of decline seen in recent years.

Redemption range enhanced
We have continued to explore opportunities to strengthen the number and quality of our redemption partners to increase the attractiveness of our products for customers. We maintained our focus on broadening the appeal through leisure, hospitality and food options, alongside leading retailers. We were delighted to add attractive new brands to our redemption range during the year such as Pizza Express, Merlin attractions and Primark. We firmly believe each of these will prove attractive for our customers, with Primark of particular appeal to our Christmas Savers.

Strengthened leadership team
As part of the evolution of our strategy towards growth, and with much of the transformation work complete, we reshaped our leadership team to a smaller number. Jonathan Biggin joined us as Chief Operating Officer with responsibility to deliver our operational and technology plans. He has a key role to play in delivering our focus on back-office simplification and digitising customer journeys.

Enhanced digital marketing approach
Our marketing function has also been structured to support the focus on greater use of insight, digital marketing and commercial planning of campaigns. This includes a new Digital Acquisitions team with expertise in digital marketing. We also took the opportunity to align the Marketing and Product functions with our Commercial division, led by Chief Commercial Officer, Julian Coghlan, to underpin the focus on growth.

Leveraging our hero brand
In November, we launched our first-ever campaign specifically promoting Love2shop, the brand which underpins all our products. This was designed to boost existing high levels of awareness whilst promoting Love2shop during the Q3 peak trading period helping to boost prompted consumer awareness from 40% to 43% as at 31 March 2022.

PayPoint partnership
Our partnership with PayPoint – providing access to a physical distribution network of 28,000 UK outlets – got off to a slow start when it launched in May 2021. However, we have since gained significant insight to assist us in how we promote the products to the network's retailers and customers which will help us going forward. We have been supporting PayPoint in delivering promotional activity and are in discussions about potential ways to broaden the service which we believe would enhance the opportunities of the partnership.

Delivering efficiencies

ERP Progress
Through our Enterprise Resource Planning (ERP) programme we successfully replaced the legacy systems that support the HighStreetVouchers.com website. This is supporting scalability and resilience.

Operational improvements
We made a number of enhancements in productivity and operational efficiencies that led to improvements. Use of seasonal temps reduced by 11% during the peak trading period and Customer Care calls are down by almost a third. A ticketing system was introduced to help improve management of incoming enquiries for Corporate customers and is helping strengthen the customer experience.

Continued focus on costs
With significant investments in transformation over the last two years, the one off costs incurred for major initiatives such as the head office relocation, company rebranding, IT upgrades and consultancy costs are largely complete. We therefore expect administration costs to reduce to c.£19.0m next year, a significant reduction as a percentage of growing revenues.

Safeguarding customers' money

As an e-money provider, we are now required to undertake an annual audit of safeguarding practices. As expected, and referenced in our FY21 Annual Report – and in line with many providers across the industry – last year's review identified several areas for improvement. We have made substantial progress over the last 12 months and this year's annual audit has significantly improved. We welcome any measures that are designed to provide increased protection for customers and we are committed to the relevant regulation in this area.

Looking ahead

Our long-term strategy has been to enable growth by creating a more robust and scalable business model. With the work required to deliver this transformation now complete, the business is making clear progress and in better shape.

As the cost of living rises sharply and with inflation predicted to hit double-digit in the year ahead, the macroeconomic outlook remains challenging. However, I remain excited about the future opportunities for the Group and the undeniable potential we now have to continue to drive strong demand in Corporate, increase our digital billings, and reinvigorate Christmas Savings.

We will continue to evolve so that we are best positioned to respond and thrive in an increasingly competitive and dynamic environment. We are ready to take advantage of the strong propositions in our markets and differentiated product and service offerings.

I am confident we will deliver success with the same commitment and determination that has been shown over the last 50 years.

Ian O'Doherty
Chief Executive
27 June 2022

Chief Executive's Q&A

Ian O'Doherty
Chief Executive Officer

Q. What opportunities do you see for the Group to drive growth going forward?

A. Our financial results show clear momentum and we are determined to build on this progress to create further growth. Our strategy to create a robust and scalable business model on which to drive growth has put the business in a strong position. We have now transitioned to a new phase in our plans to leverage the Group's enhanced capability and well-articulated customer propositions. The benefits are particularly tangible in our Corporate business, which has now enjoyed three consecutive quarters of double-digit growth in billings excluding Christmas Savings. Our digital billings have continued to rise – up by a fifth in the year – and this brings operational benefits. Following the improvement in projected orders of Christmas Savings for FY23, we have increased confidence. I am excited about the opportunities we have as we look ahead.

Q. How has the return to more normal times following the pandemic been for colleagues?

A. The last 12 months have remained an uncertain period for our colleagues and they are certainly happy to have returned to more normal times. They have continued to maintain the same level of resilience and determination that they have shown since the pandemic struck. Following the successful implementation of remote working during Covid, we introduced a hybrid working model which allows colleagues to split their working week between home and office, combining the benefits of being together in the workplace, with the flexibility that comes from remote working. Having moved to a new head office prior to the start of the pandemic, it now means we can make full use of the benefits of these facilities in our award-winning workplace.

Q. What are the Group's priorities?

A. Our plans and priorities are shaped to accelerate growth in our markets. We are continuing to develop our technology to strengthen the digital proposition, deliver an enhanced customer experience and simplify back-office processes. We believe this will help us drive higher levels of customer acquisition and retention, and we are determined to build on the success seen in Corporate and improvements with Christmas Savings. We will continue to focus on our cost base, with the significant investments in transformation made in recent years the costs incurred for major initiatives are complete, and administration costs will reduce. Lastly, we want to continue to ensure the Group remains a leading employer and will again act on the feedback collected from colleagues to help make Appreciate Group an even better place to work.

Bounce back after Covid

Tim Clancy
Chief Financial Officer

“The Board is pleased to recommend a final dividend of 1.20p (2021: 0.60p)

The Group's financial performance was significantly impacted by Covid-19 and the associated lockdowns in FY21. With these restrictions now coming to an end, the Group saw a return to growth in its core Corporate business and an overall return to greater profitability.

Billings~ and revenue

The Group's products are split into the following categories:

- Multi-retailer redemption products – Love2shop vouchers, flexecash® cards, Mastercards and e-codes
- Single retailer redemption products – third party retailer vouchers, cards and e-codes
- Other – Consultancy fees, SaaS fees and handling fees

Multi-retailer redemption product billings are the gross value of goods and services shipped and invoiced to customers during the year. Revenue for multi-retailer redemption products is the net service fee received on redemption, cardholder fees and non-redemption income which are recognised when multi-retailer redemption products are redeemed.

For single retailer redemption products and other, both billings and revenue are the gross value of goods and services shipped and invoiced to customers during the year.

Billings	2022 £m	2021 £m	Change %
Multi-retailer redemption products	**337.5**	351.8	(4.1)
Single retailer redemption products	**46.6**	50.8	(8.4)
Other	**1.7**	3.9	(56.4)
Total	**385.8**	406.5	(5.1)

Multi-retailer redemption product billings include billings in respect of e-codes which are capable of being converted into either multi-retailer redemption products or single retailer redemption products. Revenue figures below reflect the product into which the e-code is converted by the cardholder.

Revenue	2022 £m	2021 £m	Change %
Multi-retailer redemption products	**38.1**	24.7	54.3
Single retailer redemption products	**83.4**	78.2	6.7
Other	**1.8**	3.9	(53.8)
Total	**123.3**	106.8	15.4

Total Group billings~ of £385.8m were down on the previous year (FY21: £406.5m), largely due to a reduction in billings through the Government's free school meals scheme and the impact on Christmas Savings during the pandemic, when Agent collections were restricted by social distancing measures preventing face to face contact during the key customer recruitment period.

Total billings excluding Christmas Savings, were £222.0m, up 3.6% (FY21: £214.3m) following a strong performance in our Corporate business. Whilst the first quarter was initially slower than anticipated as lockdown restrictions began to be eased, these billings saw three consecutive quarters of double-digit growth from Q2 onwards.

The mix of in-house, multi-retailer products remains high within billings, in line with the strategy of promoting our own products (Love2shop). The mix of multi-retailer redemption products was 87.4% of total billings, marginally higher than last year's 86.5%.

~See page 66 in accounting policies for a reconciliation of billings to revenue

Chief Financial Officer Review continued

Revenue increased by 15.4%, significantly there was an increase in multi-retailer redemption product revenue of 54.3%, driven by a return to the high street following the ending of Covid-19 restrictions, this benefited products that can be spent online and physically.

As referenced last year, Q4 FY2021 saw the start of another national lockdown, non-essential retail businesses were temporarily closed again, which limited the opportunity for our customers to use their products. This meant that redemption levels during Q4 FY2021 were lower than expected, leading to higher unspent balances. Whilst this preserved cash relating to unregulated products, it created a much higher level of deferred revenue in FY21. We had expected this deferred revenue to come through this financial year, as all lockdowns eased, and this was the case. The level of deferred revenue moved back to pre-pandemic levels (£7.8m in 2022 v £11.2m in 2021). Some of this comprised of additional non-redemption noted in the year in relation to vouchers where the Group in FY21 had extended the redemption period for our customers.

Profit from operations

The Group's operations are divided into two principal operating segments:

- **Consumer** – which represents sales to consumers, utilising the Group's Christmas Savings offering and our website, highstreetvouchers.com; and
- **Corporate** – comprising sales to businesses, offering primarily sales of the Love2shop voucher, flexecash® cards, Mastercards and e-codes in addition to other retailer vouchers.

All other segments comprise central costs, property costs and impairment charges which are shown separately in order to give a more meaningful view of divisional performance.

	2022 £'000	2021 Restated* £'000	Change £'000
Consumer	**3,253**	532	2,721
Corporate	**7,824**	2,638	5,186
All other segments	**(5,362)**	(3,730)	1,632
Operating profit	**5,715**	(560)	6,275

* The FY21 results have been restated as set out in the statement of significant accounting policies

Consumer

In the Consumer business, customer billings have decreased by 15.4% from £205.3m to £173.7m largely driven by Billings for Christmas savers that were down by 15.3%. Billings from the Christmas Savings order book for Christmas 2022 are expected to be down by c.3%, showing an improvement on the annual decline noted in recent years.

The decline in Billings in FY22 led to a decrease in Revenue in the year by 12.5% to £46.5m (2021: £53.1m).

Operating profit was £3.3m, an increase of £2.8m from the profit of £0.5m in the prior year. This was primarily due to exceptional costs in the prior year of the closure of the Hamper packing business (£1.1m), these exceptional costs were not repeated in this financial year. Profitability has also improved because of an uplift in redemption.

Corporate

In the Corporate business, customer billings have increased by 5.4%, from £201.3m to £212.1m. These billings include £16.2m of Free School Meal codes (£23.0m in the prior year) redeemable through Iceland. Corporate revenue increased by 43% over the prior year, from £53.7m to £76.7m. This increase was due to increased billings referenced above plus more conversions to single retailer products (reported gross in revenue) and a higher deferred profit release.

Operating profit increased to £7.9m (2021: £2.6m) due to increased redemptions as spend patterns of customers normalised and additional non-redemption income relating to previous year's deferral materialised in the current year.

All other segments

This includes the exceptional charge in relation to impairment of other intangibles of £2.7m (2021: £1.4m).

Exceptional items

Exceptional items are presented separate from the underlying results of the Group where they are significant in size and nature, and either they do not form part of the trading activities of the Group, or their separate presentation enhances understanding of the financial performance of the Group. This presentation of underlying results gives stakeholders a better understanding of the Group's trading position.

Exceptional items during the year amounted to £2,744k (2021 (restated*): £2,456k) on a pre-tax basis and are summarised in the table below:

	2022 £'000	2021 Restated* £'000
Underlying profit before tax	**8,387**	2,319
Exceptional items – impacting profit/(loss) before tax:		
Costs associated with the other intangible assets	**(2,667)**	(1,390)
Impairment of goodwill	**(77)**	(218)
Impairment of obsolete stock	**–**	(414)
Redundancy costs	**–**	(639)
Profit on sale of assets held for sale	**–**	205
Total exceptional items	**(2,744)**	(2,456)
Statutory profit/(loss) before tax	**5,643**	(137)

The main exceptional item included in the current year results is the one associated with the implementation of the new ERP system. The total cost of £2,667k is split into the following categories:

a) Certain project configuration and customisation costs associated with cloud computing arrangements (£739k), which are now expensed rather than being capitalised as intangible assets following IFRS Interpretation Committee guidance on this topic issued during the year. This is a change in accounting policy adopted in the current year but applied retrospectively, resulting in an additional exceptional charge of £1,390k in FY21. This change has resulted in the restatement of prior year results. For details on the change in accounting policy, please see the Statement of significant accounting policies Pages 61 to 62.

b) Other costs incurred during the year associated with the Group's strategic ERP project which were deemed redundant in nature and therefore not eligible for capitalisation – £1,059k.

c) There was part of the new ERP project which was capitalised last year but in the current year management decided to discontinue the use of that element of the asset. This has resulted in an impairment charge of £869k recorded in the year.

The exceptional costs for FY21 were £1,066k prior to restatement. In the prior year, we closed the hamper production and contract packing businesses based at Valley Road. Following consultation with staff, we made 40 roles redundant and had incurred exceptional costs of £639k. Additionally, we had impaired the value of hamper stock by £414k.

The total tax impact of exceptional items was a reduction in tax charge of £681k in FY22 (restated* FY21: reduction of £505k).

Taxation

The effective tax rate for the year was 22.2% (2021: restated* 100.7%) of profit before tax. The rate is higher than the standard rate of corporation tax of 19%, primarily due to legal fees, depreciation of assets and the share option charge not attracting tax relief.

Earnings per share

Basic earnings per share (EPS) rose to 2.36p from a restated* loss per share of (0.15)p in 2021. Excluding the exceptional charge basic EPS is 3.46p (2021: restated* 0.90p).

Dividends

It has been the Board's policy to distribute just over half of post-tax profit as dividend, with one third of that as an interim dividend and the remaining two thirds as a final dividend. Having already paid an interim dividend of 0.60p (2021: 0.40p) in April 2022, the Board is pleased to recommend a final dividend of 1.20p (2021: 0.60p) per share giving a full year dividend of 1.8p (2021: 1.00p) per share.

Cash flows and treasury

During the year, £6.6m of cash flows were utilized in operating activities. In FY21 we generated cash from operations of £3.4m (restated*) so there was an increase in cash usage of £10.0m in the year. This was driven primarily by the lower redemption levels in prior year which meant lower payments to our redemption partners and higher monies held in trust balance. With redemption patterns now returning to more normal levels, there has been a catch up this year on redemption, resulting in higher payments to suppliers, offset by a lower monies held in trust balance.

* The FY21 results have been restated as set out in the statement of significant accounting policies

This reduction is offset by the decrease in monies held in trust balance, which has reduced from £132.1m in FY21 to £119.5m at 31 March 2022. The balance last year included ring fenced funds of £11.1m in relation to e-codes, which were funds not required to be ring fenced either by regulation or Trust. During the year, a decision was taken to release these funds to free cash, in line with other non-regulated products.

Balances held in respect of the Park Card Services Limited e-money Trust (PCSET), to support the e-money float in accordance with regulatory requirements, and the Park Prepayments Trustee Company Limited, which holds payments received in respect of orders for delivery the following Christmas, were broadly in line with balances in the prior year.

The total amount of cash and deposits net of any overdraft position held by the Group, combined with the monies held in trust, has decreased in the year by 14.6% to £139.7m from £163.5m. These total balances peaked at just over £215m in the year, representing a decrease of £20.7m from the prior year.

In August 2020 we completed a bank financing exercise of an unsecured 5 year revolving credit facility (RCF) with Santander UK of £15m plus an additional uncommitted accordion of £10m. This facility provides additional financial flexibility enabling longer term growth, as well as investing in the continued switch to digital products. This facility has not yet been utilized to date.

Trade and other payables

Included within trade and other payables is deferred income in respect of multi-retailer redemption products (vouchers, cards and e-codes). Revenue is deferred for service fees and non-redemption income, net of discount. The amount of revenue deferred at March 2022 has decreased to £7.8m from £11.2m in the prior year. The balance had increased at March 2021 due to the closure of non-essential retail in Q4 causing much slower redemptions by customers. This has not reoccurred in the current year.

Provisions

At 31 March 2022, provisions have decreased to £61.5m from £77.9m. This was mainly due to a decrease in the amounts provided in respect of amounts provided for unspent vouchers of £16.2m.

Pensions

The Group continues to operate two defined benefit pension schemes, where pensions at retirement are based on service and final salary. These schemes are now closed to future accrual of benefit arising from service with the Group. These schemes have a combined net pension surplus of £1.3m based on the valuation under IAS 19 performed at 31 March 2022 (2021 restated*: surplus of £0.5m).

The Group has recognised net interest income of £31,000 (2021: £99,000) in the statement of profit or loss in respect of the pension schemes. In addition, the Group has recognised a re-measurement gain in the statement of comprehensive income (SOCI) of £0.9m (2021: loss of £2.1m) net of tax.

In the year ended 31 March 2022, there were no contributions by the Group to the schemes (2021: nil). The latest triannual scheme funding reports, performed as at 31 March 2019, indicated that one scheme had a technical provisions deficit (reflecting the liabilities to pay pension benefits in relation to past service as they fall due) of £0.1m and one had a surplus on the same basis of £1.6m. No further contributions to either scheme are currently required. The next triannual valuation will be undertaken as at 31 March 2022 when the positions will be reassessed.

During the year, a retrospective change to the Park Group Pension Scheme has been made which has resulted in an increase of £1.6m in the associated pension liability at 31 March 2022 (PY: £1.6m). For details, please see the Statement of significant accounting policies.

Tim Clancy
Chief Financial Officer
27 June 2022

We actively engage with our core stakeholder groups to ensure their views inform our business strategy, understand their priorities, and use their feedback to shape our business.

s.172 statement

Our s.172 statement sets out a series of matters to which the directors have regard in performing their duty to promote the success of the Company for the benefit of all its stakeholders, in accordance with the Companies Act 2006.

In doing so, the Board will have due regard to:

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

Priorities

The Board is ultimately responsible for the direction, management and long-term sustainable success of the Company. It sets the Group's strategy and objectives taking into account the interests of all its stakeholders. A good understanding of the Company's stakeholders ensures the Board considers the potential impact of each strategic decision on each stakeholder group in boardroom discussions.

- Board resolutions are determined with reference to the Company's key stakeholders: people, customers, partners, suppliers, investors, regulatory bodies and our community, including the environment.
- Our Board considers it crucial that the Company maintains a reputation for high standards of business conduct.
- The Board is responsible for setting, monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that its obligations to all stakeholders are met and that the desired culture is embedded throughout the organisation.
- The Board monitors adherence to compliance through corporate governance requirements across the Group and is committed to acting if the business falls short of the standards expected.
- The Board also considers broader societal issues such as the environment and climate change.
- The Board looks to support open and transparent relationships with all stakeholders.
- The Board considers the health and wellbeing of colleagues and promotes diversity and inclusivity within our workforce.

Stakeholder engagement continued

Key stakeholders	Why they matter to us	How we engage
People	• Colleagues play an integral role in delivering our success. • We want to be a leading employer, supporting colleague wellbeing and career development. • We want to attract and retain the talent required to support the future needs of our business.	• Great Place to Work annual employee engagement survey. • Feeds from monthly Colleague Forum meeting – these represent workforce on plans and provide views and feedback. • Regular briefings with CEO and management team covering strategy, performance and activities. • Ongoing wellbeing campaign to support colleagues with hybrid working. See Employee Engagement section in Directors' Report on Page 34 for more information on engagement with colleagues.
Customers	• We seek to have two-way dialogue with customers to understand their needs and ambitions. • Delivering a great customer experience is key to building advocacy. • We want to understand how they experience our products and services; and where improvements can be made.	• Customer insight and analysis. • Feedback to colleagues, contact centres and external data sources. • Regular customer reports to Board produced by management. • Customer segment owners assigned in the business to develop plans and strategy.
Partners	• We work with key partners to ensure that we have common goals and strategy. • Our partners are essential in allowing customers to have options to redeem our products. • Having a broad range of partners strengthens the attractiveness of our proposition.	• Feedback from regular review meetings through dedicated partnership team. • Redemption reporting and management information. • Operational updates.
Suppliers	• Having good relationships with suppliers ensures we receive the services needed to support our business. • We want to maintain continuity of critical services.	• Supplier Code of Conduct introduced to provide clear approach. • Policy in place to always pay suppliers on or before the agreed term (will vary with each contract). • Reports provided to Board produced by management.
Investors	• Help investors understand the Company, how it is performing; and the potential future opportunities and risks. • Provide regular flow of news to keep investors informed on performance.	• Communications such as trading updates, Regulatory News Service ("RNS") and annual reports. • One-to-one meetings with shareholders and the Board. • Roadshow events organised by the brokers who provide analyst coverage of the Group. • Information on the investor section of our corporate website www.appreciategroup.co.uk. • Discussions held during the Annual General Meeting (AGM).
Regulatory bodies	• We want to meet our regulatory obligations. • Provide trust to customers as a regulated entity.	• Regular returns. • Engagement with the Financial Conduct Authority formally and informally. • Participation in consultation responses as a Group or as a member of industry bodies.
Community, environment, central and local government	• We are committed to supporting our local communities. • Understand any changes and impacts to our business from local and central government activity. • Be a responsible corporate citizen in contributing to all aspects of society.	• Colleague volunteering. • Engagement with local business groups. • ESG plan considers the interests of the communities in which the business operates and potential impacts on the environment. • Lobby on issues that could affect the gift card sector.

Significant decisions in the 12 months to 31 March 2022

The Board understands that its success is dependent on all its stakeholders. Some examples are provided here on how the Board has considered its stakeholders in some of its key decisions during the year:

1) New Chair appointment

Significant decision	Reasons for the decision	Stakeholders impacted and engagement	Anticipated effects
Following almost nine years on the Board, Laura Carstensen took the decision to stand down as Chair. With the Group's strategy evolving following the progress made in building a robust and scalable business model, it was important to make an appointment that would support the evolvement of its plans.	Following the change of emphasis in the Group's strategy, the Board wanted to make an appointment that would enhance the skills and experience to support its plans. The need to recruit a new Chair also provided an opportunity to bring fresh thinking to the Board.	**Shareholders:** As part of the Board's process to appoint a new Chair, it wanted to understand the views of its shareholders. Informal shareholder discussions were carried out to gain insight on the skills required to support the right appointment. This feedback was then built into our search requirements and approach for the new Chair. It was key throughout the selection process, providing confidence that the appointment would support our aim to create value for our shareholders. **Employees:** The Board recognised colleagues see the Chair as a key leadership position for the Group and many may not understand governance practice of nine year tenure and would need that to be explained. With the organisation having undergone cultural transformation and evolved to become a digital-first business, it felt that an appointment that could support the colleague journey would be important. The results of the most recent employee engagement survey was considered and contributed to the criteria.	With the organisation having now moved towards a dedicated growth strategy, the specific skills and experience required to support this were key in the selection process. As was the experience to help support engagement with the stakeholders identified above. The Chair appointment made will help our aims to create long-term value for our shareholders, colleagues and other stakeholders.

Stakeholder engagement continued

2) Return to office working

Significant decision	Reasons for the decision	Stakeholders impacted and engagement	Anticipated effects
As Covid restrictions eased and the organisation planned for a return to more normal ways, the Company wanted to put a new employee working model in place.	People are the fundamental part of the business. It is important that we have a post-Covid working model which balances employee expectations and concerns, whilst balancing what would support the business strategy and cultural transformation. It had to also ensure the health of employees was protected during the period when Covid continued to circulate. The Board approved the move to a hybrid working model, providing colleagues with the ability to split their working week between the office and remote working.	**Colleagues:** Given the shift in everybody's behaviours as a result of the pandemic, it was important to understand the views of employees. A summary of quantitative and qualitative employee insight (specifically on the workplace) was considered alongside wider best practice and opinion. This enabled a proposal to be developed which the Board were satisfied would support the future aims of the business along with employee work-life balance. The Board acted in line with several of the Company's four Trademark Behaviours of Collaboration, Respect, Empathy and Dynamism. **Customers:** The Board is committed to ensuring customers are at the heart of its decision-making. As part of its review of management information, it sought to understand customer expectation and potential impacts to ensure there would be no disruption to service provided or expected by its customers through the future model. **Shareholders:** The Group is determined to deliver on its strategic growth plans for shareholders. As part of the Board's review, it considered how the introduction could impact and support delivery of these plans. A fundamental component of the strategy introduced in 2018 has been the cultural transformation of the business. The Board recognised that the future model must continue to underpin its focus on creating value for its shareholders.	The Board believes the approach introduced balances the needs of all its stakeholders and was deemed the best approach to continue to deliver its plans successfully through a modern, flexible workplace culture which helps contribute to making it a leading employer.

We recognise the importance of contributing positively within society as a business and place ESG at the heart of our strategy.

Our main areas of focus are the environment; our people, their wellbeing and workplace, as well as the communities in which they work and live; diversity and inclusion; and governance.

	Reporting section	Policies and standards which govern our approach	Information necessary to understand our business and its impact, policy, due diligence and outcomes.
Minimising our environmental impact Environment	**Environmental matters**	• Company purpose and Trademark Behaviours • Environmental Policy • ISO 14001 Framework	• Environment p22
Valuing our people and communities Social	**Employees**	• Company purpose and Trademark Behaviours • Employee Code of Conduct • Great Place to Work engagement survey	• People p22-24
	Respect for Human Rights	• Company purpose and Trademark Behaviours • Employee Code of Conduct • Privacy Policy • Recruitment Policy • Modern Slavery Statement • Information Security Policy	
	Social matters	• Information Security Policy • Company purpose and Trademark Behaviours • Employee Code of Conduct	• Customers p22 • Community p22-24
Working responsibly Governance	**Anti-corruption and bribery**	• Anti-corruption and bribery policy	
	Description of principal risks and impact of business activity	• Treasury Policy in relation to monies held in trust	• Risk Management p26-29
	Description of business model		• Overview p1 • Our business model p5
	Non-financial key performance indicators		• Operational performance p10-11

Environment & Sustainability

In FY22, we were delighted to achieve the prestigious ISO 14001 Environmental Management certification and we now meet the highest international standards for environmental management. This reflects our strong commitment to sustainability and environmental protection. However, we recognise that it is the start of our journey and we will use this framework to help set environmental targets for the Group and to support our progress with the most significant environmental impacts and risks for our business going forward. Across the Group, we understand that everyone has a role to play and are committed to educating our people to help build their awareness around the environmental impacts of our business. We are also developing a Climate Transition Plan to fulfil our aim of becoming a future net zero organisation.

Our long-term strategy remains focused on a digital-first proposition. This will help reduce the impact of our products over time through less use of paper, fewer plastic cards and reduced requirements for transportation and delivery. Paper vouchers continue to fall as part of our product mix, down from 23% to 15% during the year. Gift cards can also offer our business and consumer customers an environmentally-friendly gift option compared to physical gifts which can help reduce their own environmental impact.

We have successfully completed an exercise using environmentally friendly paperboard cards with one of our large Corporate clients. These compostable cards are now being rolled-out more widely across our various products and schemes. The cards offer an alternative to plastic and are recyclable, compostable and biodegradable. Furthermore, they can be recycled up to eight times.

Although not currently a requirement for a business of our size, we are working towards the adoption of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and have made steps towards these requirements by providing information in this year's report (see page 36 for more information).

Contributing to communities

We remain determined to contribute positively within the communities where we operate. The Group has focused on supporting young people and our flagship partnership with Everton in the Community (EitC) is helping boost the digital skills of children in the Liverpool City Region. This has now reached seven schools, three community groups and 371 young people. As a business that will require the next generation of employees to possess digital skills, we see a clear alignment between this and the future needs of our business. Our overall support with the charity to date has now delivered almost £750,000# of societal value.

The Group also made a toy and gift donation to EitC through its annual Toys4Joy initiative. The charity distributed these to young people in Liverpool's Alder Hey Children's Hospital as well as some taking part in EitC's youth programmes to ensure they received a present at Christmas.

Our volunteering policy allows colleagues to spend two working days each year giving time and skills to good causes. During the lockdowns, colleagues faced obvious challenges in utilising the scheme.

#Source: Everton in the Community

With social distancing restrictions fully lifted, our colleagues have been able to start making more use of the policy supporting such projects as packing food for the North Liverpool Food Bank, helping some of those less fortunate in the local community, and the Whitechapel Centre, which supports local homeless people.

We continued our long-term support for All Together Now – a printed newsletter for people with disabilities which is distributed throughout the North West – through advertising in the publication.

We were lead sponsor of the 2021 Liverpool 5k Santa Dash held in December. The event was held virtually in the previous year, so the opportunity for it to go ahead in person was widely welcomed. This supports our involvement in the local community while also providing brand activation opportunities. We have committed to sponsoring the 2022 event.

Our shirt sponsorship of children's football team, Ormskirk-based TQ Sports U'10s has continued, helping us to promote active lifestyles and physical wellbeing to young people.

Like so many others, we have been deeply shocked and saddened by the tragic events that have been unfolding in Ukraine. We made a Group donation of £1,000 to the Disasters Emergency Committee (DEC) Ukraine Appeal to help those who have been affected.

Free school meals

The Group played an important role in helping to deliver the Government's free school meals initiative. We processed billings of £16.2m through the scheme in FY22 – helping to feed thousands of school children. We believe the initiative provides a clear illustration of the positive role gift cards can play in helping to deliver initiatives that are targeted at supporting specific groups.

Supporting good causes

The Group encourages colleagues to raise money for good causes, especially those that may be close to their hearts. Through regular staff fundraising we have raised almost £5,000, including Group matched funding, raised for Red Nose Day, Comic Relief, and Zoe's Place, a Liverpool based children's hospice which Appreciate is a long term supporter of.

A new Community Awards initiative was introduced through Park Christmas Savings which provides our agents with the opportunity to nominate and vote for a charity of their choice to receive a donation. Children's Hospices Across Scotland was given £1,250 through the scheme which help the charity's important work.

Focus on colleagues

We continue to focus on promoting engagement and the health and wellbeing of our colleagues. Over the past year, we have sought to have an ongoing dialogue with colleagues and to provide them with the necessary tools to promote communication at all levels of the organisation.

Great Place to Work

We were delighted to maintain our Great Place to Work certification for the second year in succession in our latest employee engagement survey. Over 200 colleagues took part in this year's review and the results are testament to the continued progress we are making on our cultural transformation. The survey measures engagement as a form of trust, and provides an overall Trust Index score, which increased from 67% to 68% – above the average company in the UK. Company-wide and departmental action plans have again been developed, based on the survey findings, to help us maintain our focus on making Appreciate an even better place to work for colleagues.

Our Colleague Forum provides a mechanism to discuss employee interests. It met regularly throughout the year with members from all areas of the Group attending. The agenda is shaped to enable a dialogue on employee-related topics with insights and questioning opportunities, along with input on organisational plans and decisions.

Flexible working

Following the success of remote working since the pandemic, we introduced a hybrid working model where colleagues can split their working week between home and office, supporting their work-life balance. This is also helping us lower energy usage at our head office while reducing emissions linked to colleagues' travelling into the office.

Health and wellbeing

As we returned to more regular office working, we introduced a number of health and safety measures into the workplace to protect colleagues, including improved ventilation, sanitising stations and regular cleaning.

With colleagues continuing to spend large amounts of their time working at home, a "Netiquette" guide was introduced to provide tips and resources to improve digital wellbeing. We also continued to source expert external speakers to help support colleagues' wellbeing and development including talks from sleep posture expert, James Leinhardt, and Jamil Qureshi, a leading practitioner of performance-enhancing psychology.

As in previous years, we ran a Company-wide step challenge to encourage colleagues to get outdoors, exercise and spend time with nature. Colleagues collectively took 7.5 million steps over four weeks while raising money for Zoe's Place.

Developing people

We are committed to helping all our people achieve their potential and continued to deliver a regular programme of essential training, and focused on strategic communications within the organisation's leadership population to enhance engagement with colleagues.

We also harnessed the Apprenticeship Scheme to provide 10 members of our Corporate Sales team with the opportunity to complete an 18-month business development qualification that will enhance our approach to client relationships.

Diversity & inclusion

We are committed to creating a workplace and culture that is welcoming and inclusive for all. We promote and celebrate diversity in all its forms, be it gender, age, race, ethnicity, culture, beliefs or faith. It lies at the very heart of our Trademark Behaviours, one of which is Respect, encouraging diversity of thought and people.

As part of the most recent Great Place to Work survey, we received a Best Workplace for Women status. This prestigious achievement is based on the extent to which women across an organisation consistently reported a great workplace experience, considering factors such as their daily encounters of innovation, inclusivity, company behaviours, and the effectiveness of leaders.

We are signatories of the HM Treasury Women in Finance Charter and are committed to promoting gender balance within our senior management. We were delighted to achieve our published target of a 40% share of women in senior management positions during the year. Our aim is to maintain this level and we continue to monitor our progress closely. Our objectives also reflect gender representation in the digital skills market which is essential for us as a digital-first business.

We achieved improvements in our gender pay position, with a reduction to the median pay gap following targeted campaigns focused on hiring women who bring new skills and capabilities to Appreciate. Women in the lowest quartile of hourly pay reduced following our efforts to apply robust compensation practices, as well as due to the divestment of some business units. There has also been further progress in the proportion of women in the highest quartile.

We continue to make policy changes, adapt working practices and evolve our hiring approach, to retain and develop women in the workforce.

We have been working to increase colleague awareness around menopause, helping to break the stigma around this topic, while encouraging action to support women dealing with this in their everyday lives.

Diversity & Inclusion awareness training is an integral part of the annual mandatory training calendar, helping to boost colleague awareness. Anti-bias awareness is also a key part of management training.

On race, we are working towards establishing Group-level ethnicity data for the workforce to help inform us about the steps we can take to improve. As part of our celebrations of Black History Month, we invited local author, Malik Al Nasir, to our offices for a question and answer with colleagues coinciding with the launch of his new book covering discrimination he encountered growing up in Liverpool.

We remain committed to an inclusive technology strategy and to improving accessibility through the Business Disability Forum's Accessible Technology Charter.

Governance

We are committed to ensuring that the behaviours and practices of our organisation reflect our high business standards and compliance with applicable laws and standards.

The Group has a zero-tolerance approach to modern slavery, has policies in place to support this, and complies with the Modern Slavery Act 2015 by making a regular public statement on our website, Appreciategroup.co.uk.

As part of our approach to tax, we do not participate in aggressive tax planning, seek to structure transactions in an artificial manner, or condone abusive tax practices which would contravene our Trademark Behaviours and culture. We always act with integrity and transparency in our relationship with HM Revenue & Customs and all other tax authorities.

ESG continued

The Group employs a comprehensive approach to identifying and articulating risks to the business, supported by our Risk Management Framework, which integrates a broad range of risk categories directly into the management process. The framework is overseen by the Executive Risk Committee. A number of our principal risks correspond to our growth strategy, which include our continued development of new propositions and services to meet a broader range of customer needs.

Appreciate expects suppliers and business partners to comply with the law, stipulated contract conditions and international best practices in respect of human rights, the environment, health and safety and labour standards. A new Supplier Code of Conduct has been introduced with the purpose of ensuring that our suppliers meet the standards we expect.

See page 30 to 53 for more information on Corporate Governance.

Looking forward

We remain determined to make further progress in adding value to society and we will continue to explore ways to enhance our proposition and offer solutions which balance the needs of all our stakeholders.

Following our success in achieving an ISO 14001 Environmental Management accreditation, we will focus on ways to drive progress with our environmental impacts and risks.

We are aiming to build on our work in supporting young people in the community by continuing the current programme to boost digital skills for the next generation, and by building on the existing partnership with Everton in the Community.

We have introduced a new charity partnership with British Heart Foundation which will look to raise money through staff fund-raising that is matched by Appreciate, while offering opportunities to promote wellbeing and health education to colleagues and the wider community.

As part of our progress in diversity, we will complete a data capture around the race of our colleagues and will seek to develop a plan based on the analysis to help drive progress within our business.

We also plan to make further progress in our work to adopt recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), sharing climate-related information on our business.

We recognise that values differ between every individual. This is why we place behaviours at the heart of the business to drive our everyday activities.

Our Trademark Behaviours are based on respect for every individual and a belief in people's ability. They underpin how we do business and interact with every stakeholder. They are based on the original principles on which the Company was founded more than 50 years ago.

Living our Trademark Behaviours

We held our second annual JOYbilation Awards during the year. These awards provide us with an opportunity to celebrate those colleagues who consistently demonstrate our Trademark Behaviours and embody our Group purpose to create joy through their day-to-day work.

There is an award category for each of our four Trademark Behaviours, along with an overall colleague and a team award. All colleagues have the opportunity to submit nominations for each award.

We were delighted to receive almost 180 entries from across the Company, with 40 people nominated for at least one award.

Shortlisted individuals and teams attended a special awards event held in our Chapel Street office where the winners for each category were announced.

Total JOYbilation Award entries

176

Our Trademark Behaviours

The Trademark Behaviours are helping build a new culture as our business transforms and seeks to deliver future growth. They are helping to create an open and welcoming culture that promotes collaboration and an entrepreneurial spirit, and where everyone can make a difference. We encourage everyone to be themselves and to respect others for who they are.

Our Trademark Behaviours are:

Collaborative

We value each other, and we work together as colleagues, clients and partners so that we consistently exceed our goals. Together, we will achieve amazing things.

Respectful

We value the contribution and opinions of others and when we act with respect we optimise everything. Respect matters and we encourage diversity of people, thought and ideas.

Empathetic

We are human, and we value everyone. The power of our 'we, not I' culture will help us break down barriers, accept and celebrate cultural differences and value diversity.

Dynamism

We are curious about the world, we are passionate about agility and we love what we do. Pushing the boundaries of the possible is something we are committed to, so we can lead our market and grow our share of trust from customers and stakeholders.

Through these Trademark Behaviours, we encourage teams and individuals to fulfil both the needs of the business and their own potential.

Financial risks

Risk area	Potential impact	Mitigation
Group funding	The Group depends on its ability to continue to service its debts as they fall due and to have access to finance where this is necessary.	The Group manages its capital to safeguard its ability to operate as a going concern. The 5 year RCF secured by the Group in 2020 continues to provide additional financial flexibility. In addition the Group has a high level of visibility of future revenue streams from its consumer business. The funding requirements of the business are continually reforecast to ensure that sufficient liquidity exists to support its operations and future plans.
Treasury risks	The Group has significant funds on deposit and as such is exposed to interest rate risk, counterparty risk and exchange rate movements.	The Group treasury policy ensures that funds are only placed with and spread between high quality counterparties and where appropriate any exchange rate exposure is managed, using forward contracts to minimise any potential impact. Some funds are placed on fixed term deposits to mitigate interest rate fluctuations. Our exit from the Ireland market in 2020 considerably reduced our exchange rate exposure.
Banking system	Disruption to the banking system would adversely impact on the Group's ability to collect payments from customers and could adversely affect the Group's cash position.	The Group seeks wherever possible to offer the widest possible range of payment options to customers to reduce the potential impact of failure of a single payment route.
Pension funding	The Group may be required to increase its contributions to cover any funding shortfalls. A matter has been identified in the year which could potentially result in a deficit in one of the schemes. If materialised, this could result in additional funding requirements for the scheme in the future.	The Group's pension schemes are closed to future benefit accrual related to service. Funding rates are in accordance with the agreements reached with the trustees after consultation with the scheme actuary.

Financial risks

continued

Risk area	Potential impact	Mitigation
Financial services and other market regulation	The business model may be compromised by changes to existing regulations or the introduction of new regulations or expectations of regulators. During 2020/21 the FCA carried out a review of the e-money and payment service provider sector into the effects of the coronavirus pandemic on non-bank payment providers, with a focus on ensuring customer funds are appropriately protected. It increased its scrutiny in this area, mandated the introduction of annual external safeguarding audits of all e-money issuers and updated its approach document in November 2021. Separately, the UK Government has recently announced its intention to legislate to require prepayments made by customers for future delivery of goods and services to be protected against the risk of insolvency by placing them in a trust account or through insurance. This will include prepayments to Christmas savings clubs. These prepayments are not electronic money so are not regulated by the FCA.	The Group has a regulatory team that monitors and enforces compliance with existing regulations and keeps the Group up to date with impending regulation. The Board has oversight of the regulated e-money business and safeguarding practices. The Group has substantially improved its practices and has addressed most of the material findings identified in last year's safeguarding audit. There were two remaining findings identified at the end of FY22 which the Group is working to resolve post year end. However, it is to be noted that none of the findings have any impact on the funds safeguarded. The Group shares the objectives of Government in treating customers fairly and in the protection of customer prepayments. The Group operates a number of trusts to safeguard funds held on behalf of customers and has been protecting prepayments received from our Christmas savers through a trust since 2007, so we expect minimal impact from this change, although the details are yet to be published.
Credit risks	Failure of one or more customers and the risk of default by credit customers due to reduced economic activity.	Customers are given an appropriate level of credit based on their trading history and financial status, and a prudent approach is adopted towards credit control. Credit insurance is used in the majority of cases where customers do not pay in advance.

Principal Risks & Uncertainties continued

Operational risks

Risk area	Potential impact	Mitigation
Business continuity	Failure to provide adequate service levels to customers, retail partners or other suppliers, resulting in a failure to maintain services that generate revenue.	The Group has a hybrid technology resiliency strategy incorporating on premise and cloud high availability services. We have separate data/comms centres and a remote recovery site for core data and infrastructure to ensure that service is maintained in the event of a site loss event. We previously implemented Microsoft Office 365 which supports full remote working capability for all office based staff. During the year the Group implemented a new ERP system, Microsoft Dynamics, which has provided scalability, resilience and efficiency. The Group continues to review and develop its operational resilience and business continuity procedures in preparation for catastrophic events and interruptions to critical business services and is currently reviewing its arrangements in light of changed IT systems and future technology roadmap.
Cyber security	There is a risk that an attack on our infrastructure by an individual or group could be successful and impact the availability of critical systems.	Our infrastructure has a layered approach to cyber security, with proactive external and internal monitoring and alerting designed to prevent unauthorised access and active defence to reduce the likelihood and impact of a successful attack. We retained our ISO 27001 certification during the year. We nevertheless asked our internal auditors to review our cyber security arrangements, which has identified some areas for improvement, so management is implementing an action plan to address the key findings.
Data management	Incorrect data retention, data management or data loss with customer, financial, regulatory, reputational impact.	We implemented a new Data Warehouse with automated data cleansing and active data management including active data loss prevention protocols in messaging platforms. We previously deployed Microsoft Office 365 with higher encryption standards, and are PCI and ISO 27001 certified.
Technology risk	Hardware and software obsolescence causing system failure with customer, financial, regulatory, reputational impact. Implementation of new hardware, software, managed services causing system failure with customer, financial, regulatory, reputational impact.	The Group continues to actively address hardware and software obsolescence and during the year implemented a new ERP system, Microsoft Dynamics. The Group now has hybrid cloud solutions which have improved scalability and resilience. Software and services are extensively tested prior to implementation. There is a robust vendor management process in place for critical service suppliers.
Loss of key management	The Group depends on its directors and key personnel. The loss of the services of any directors or other key employees could damage the Group's business, financial condition and results.	Existing key appointments are rewarded with competitive remuneration packages including long term incentives linked to the Group's performance and shareholder return. Management efforts to build bench strength in key areas mitigate the impact of such departures.

Operational risks

continued

Risk area	Potential impact	Mitigation
Loss of relationships with high street and online retailers	The Group is dependent upon the success of its Love2shop products and flexecash® card. These products only operate provided the participating retailers continue to accept them as payment for goods or services provided. The failure of one or more participating retailers could make these products less attractive to customers.	The Group has a dedicated team of managers whose role it is to ensure that the Group's products are accepted by a full range of retailers. They also work closely with all retailers to promote their businesses to our customers who use our vouchers and cards to drive forward incremental sales to their retail outlets. Contracts that provide minimum notice periods for withdrawal are in place with all retailers and are designed to mitigate any potential impact on our business. We are a Mastercard issuer and use the services of a transaction processor for some of our products to be accepted at retailers.
Failure of the distribution network	The failure of the distribution network during the Christmas period, for example a Post Office strike, road network disruption or fuel shortages could adversely impact the results and reputation of Appreciate's brands.	Wherever possible the Group uses a wide range of geographically spread carriers to mitigate the failure of a single operator. The strategy towards digital will further help to mitigate this risk.

Assisted by our internal auditors, the Group is evolving its enterprise risk management framework to reflect a concentrated number of principal risk categories that better reflect the Group's actual risk profile across internal and external risks. As part of this, a number of risks that were included in last year's report have diminished in their likelihood or impact such that they no longer represent principal risks so have been removed from this section. These are risks relating to Brand perception and reputation, Promotional activity, Competition, and coronavirus. These risks are however still monitored and reported on as part of the Group's risk management process that ensures management and the Audit Committee has visibility and can consider appropriate risk treatment based on their trending risk score.

Pages 2 to 29 of the annual report form the Strategic Report. The Strategic Report was approved by the Board and signed on its behalf on 27 June 2022.

Ian O'Doherty
Chief Executive Officer

Corporate Governance

The Board

Ian O'Doherty
Chief Executive Officer

Ian was appointed to the Board and became Chief Executive Officer (CEO) on 1 February 2018. He has a strong background in financial services, specifically in banking, payments and card services, having worked at MBNA for 26 years, most recently as Chairman and CEO of MBNA Limited in the UK, a position he held from 2008 to 2017. From 2015 to 2017, he was deputy chair of the UK Cards Association, having been a board member since 2008, and he was a member of the interim main Board of UK Finance from 2016 to 2017. He has an MBA from Carroll Graduate School of Management, Boston College, USA, and is a non-executive director and Chairman of Chester Race Company Limited. He has a service agreement with the Company entered into on 14 November 2017 which requires 6 months' notice of termination by either party.

Guy Parsons
Non-Executive Chairman

Guy was appointed to the Board as independent non-executive director and chairman-designate on 22 March 2022, becoming Non-Executive Chairman on 1 April 2022. He has a service agreement with the Company entered into on 22 March 2022 which requires three months' notice of termination by either party. Guy has over 30 years' experience in executive and non-executive roles. Guy was formerly a director of Accor UK, responsible for sales, marketing and operations for the Novotel hotel chain. He has also held director positions at Whitbread Plc as Sales and Marketing Director for the hotel division and as Managing Director for TGI Fridays. In 2004 he joined Travelodge, becoming Chief Executive in 2010. Between August 2015 and 2019, Guy was Chief Executive at easyHotel plc. Between 2013 and 2022 he was a non-executive director and the remuneration committee chair at Yorkshire Building Society. He is also Chair at online sofa retailer, Snug.

John Gittins
Non-Executive Director

John was appointed to the Board as a non-executive director on 22 September 2016 and as Senior Independent Director on 25 September 2019. He is a graduate of the London School of Economics and is a Chartered Accountant. He has a service agreement with the Company entered into on 22 September 2016 which requires three months' notice of termination by either party. He serves as independent non-executive director and chairman of the audit committee on the Board of Nichols plc, the AIM listed international soft drinks business. In addition, he is finance trustee of Claire House Children's Hospice. Previously, he worked for over 20 years in an executive capacity, operating as CFO across a number of sectors within UK listed, multi-site, national and international businesses. Mr Gittins is chairman of the Group's audit committee and a member of the remuneration and nomination committees.

Sally Cabrini
Non-Executive Director

Sally was appointed to the Board as a non-executive director on 25 September 2019. Sally is a graduate of Anglia Ruskin University and a Fellow of the Chartered Institute of Personnel and Development. She has a service agreement with the Company entered into on 25 September 2019 which requires three months' notice of termination by either party. She is also a non-executive director and chair of the remuneration committee at First Group plc. Her executive experience includes human resources, transformation and IT roles with Interserve Group Limited and United Utilities plc. Mrs Cabrini is chairman of the Group's remuneration committee and a member of the audit and nominations committees.

Tim Clancy
Chief Financial Officer

Tim was appointed to the Board on 28 August 2018 and is the Chief Financial Officer (CFO). He is an Associate of the Chartered Institute of Management Accountants and joined the Group from Assurant Europe where he was CFO. Assurant Europe is the European subsidiary of Assurant Inc. the US-listed global insurance provider. His previous roles include, from 2011 to 2013, Finance Director of Lifestyle Services Group, an insurance administrator and outsourcing provider and, from 2009 to 2011, Commercial Finance Director of Shop Direct Group. Before then he spent over 10 years in the travel industry in many finance and general management roles including Finance Director of Airtours and Managing Director of Going Places. Tim leaves the Group from the end of July 2022 to take up another opportunity.

Committee membership

Audit committee

Nomination committee

Remuneration committee

Chairman

The directors submit their report for the year ended 31 March 2022 for Appreciate Group plc, registration number 01711939 (the Company).

Profit and dividend

The Group profit for the financial year, after taxation, was £4.4m (2021: restated* loss of £0.3m). The directors have declared a dividend as follows:

	£m
Approved interim dividend of 0.60p per share (2021: 0.40p)	1.1
Proposed final dividend of 1.20p per share (2021: 0.60p)	2.2
Total ordinary dividend of 1.80p per share (2021: 1.00p)	3.3

* The FY21 results have been restated as set out in the statement of significant accounting policies

Principal activities

A statement describing the business activities of the Company and its subsidiary undertakings is set out on pages 10 to 12 with comments on current and future developments in the Chairman's Statement on pages 8 to 9. The principal subsidiary undertakings and their activities are set out in note 8 to the accounts.

Business review

A review of the Group's activities over the financial year is contained in the Chairman's Statement on pages 8 to 9 and in the Chief Executive's Review on pages 10 to 12.

Share capital

Issue of new ordinary shares

No awards were made under the 2009 long term incentive plan (LTIP) during the year so no new shares were issued.

Award of conditional share options under the 2021 Appreciate Group plc Incentive Plan

Under the 2021 Incentive Plan, on 22 June 2021 certain employees of the Company were granted conditional share awards in the form of options totalling 402,209 ordinary shares. There is a three year vesting period, so the options are due to vest on 22 June 2024. The exercise of the option is subject to the Board's assessment, in its discretion, of satisfactory personal and Company performance during the vesting period.

Grant of Strategic Growth Plan awards

The annual LTIP award has been replaced, for the CEO and the CFO, with a one-off Strategic Growth Plan (SGP), which will operate over a five year performance period from 1 October 2018 to 30 September 2023. Regular LTIP awards will not be made to the participants of the SGP during this period.

The SGP will provide participants with a pool of shares with a value equal to 10% of any cumulative shareholder value created above a compound hurdle rate of 10% per annum. The CEO will be allocated a 45% share of the pool and the CFO will be allocated a 25% share of the pool.

Initially, only the CEO and CFO will participate in the SGP. The remaining 30% of the SGP pool will be reserved for allocation to new participants.

An overall cap on the maximum number of shares that can be granted under the SGP is set at 5% of the outstanding share capital at grant to prevent excessive payouts or dilution. This will therefore sit outside of the current share plan limits and therefore be in addition to the current 10% limit that applies for LTIP and SAYE awards.

The Committee will have discretion to adjust the value of the award at the end of the measurement period, for example to prevent perverse outcomes (either excessive or punitive) which are as a result of factors outside of participants' control, including (but not limited to) a change of control or other merger and acquisition activity.

Subsequent to the year end, Tim Clancy (Group CFO) tendered his resignation and will leave the business at the end of July 2022. Following his departure from the Group in FY23, the total accumulated SGP charge (31 March 2022: £0.2m) will be released to the Statement of profit and loss in line with the requirements of the accounting standard.

Employee Share Save Scheme (SAYE)

The directors are eligible to participate in the SAYE, details of which are shown in the Remuneration Report on page 45.

Major shareholders

At the date of this report the following had notified interests in the share capital of the Company of 3% or more:

Fund Manager	No. of Shares	%
Artemis Investment Management	22,547,000	12.10
Schroder Investment Management	17,200,693	9.23
Premier Miton Investors	17,149,007	9.20
Unicorn Asset Management	14,550,000	7.81
Soros Fund Management	12,807,801	6.87
The Ramsey Partnership Management Company	7,586,300	4.07
Hargreaves Lansdown, stockbrokers (EO)	6,662,841	3.58

Directors and their interests

The directors who were in office during the year ended 31 March 2022, are shown on page 31. Details of directors' and connected persons' share interests in the Company are shown in the Remuneration Report on page 44.

Going Concern Disclosures

The financial statements are prepared on a going concern basis.

The Group and Company's ability to continue as a going concern is dependent on maintaining adequate levels of liquidity and ensuring covenant compliance to continue to operate for the going concern assessment period to 30 November 2023 (the 'going concern period'). When assessing the going concern of the Group, the directors have reviewed the year to date financial results, and have modelled management's best estimate of financial results for the Going Concern period, which is based on the Board approved budget and five-year plan.

Liquidity and financing

At 31 March 2022, the Group held instantly accessible cash and cash equivalents of £20.2m (excluding Monies held in trust). The Group also has access to a £15m Revolving Credit Facility ("RCF") that is available until August 2025. A further £10m of uncommitted funds is available via an accordion facility attached to the RCF however this is uncommitted. The Group has not drawn down on the facility throughout FY22 or in the subsequent months, including and up to the date of these financial statements.

The Group is required to comply with covenants attached to the RCF. These covenants are:

- Interest Cover (the ratio of EBITDA to Finance Charges) in respect of any relevant period ending on or after 31 March 2021 shall not be less than 4.0:1.
- Adjusted Leverage (the ratio of Total Net Debt to Adjusted EBITDA) in respect of any relevant period ending on or after 30 September 2020 must not exceed 3.0:1.
- PPPT Balance (the ratio of PPPT Balance to Monies in Advance Balance) on each Quarter Date shall not be less than 1.0:1.

Approach to forecasting and sensitivities

The Group has taken a measured approach to its forecast. With Covid-19 restrictions now removed across the country, the Group has seen a return to a more normal trading pattern, which is also reflected in the results for FY22. Key assumptions in the plan, which models free cash available for use in the business, are:

1. Billings – Modest year on year growth driven by our Corporate business.
2. Cost base – Assumed reduction from FY22 cost base due to known savings.
3. Non-Redemption – Rate of redemption is in line with current experience in FY22, with a level of overall non-redemption forecast to be in line with current trends observed in FY22.
4. Product mix – The base case assumes a modest decline in paper billings versus FY22 actuals, with a corresponding increase across card, digital and single store product billings in line with the Group's strategy.
5. Capital expenditure – In line with spend in FY22.
6. Completion of an acquisition in FY23. It is assumed that the post-acquisition costs will be net neutral during the going concern period. For details, please see note 27.

While the forecasting uncertainties associated with Covid-19 have eased, the Board acknowledges the uncertainty presented by the macro-economic indicators, including but not limited to the ongoing conflict in Ukraine and the cost of living crisis. Consequently, while the Board believes the base model used in the assessment is robust and achievable, a series of severe-but-plausible downside scenarios have also been considered as follows:

1. Reduction of 5% on Christmas Savers billings in FY23 and an additional 20% in the remaining period. Our order book for Christmas 2022 is secured and historic attrition rates considered within our base case. This 5% reduction provides a further sensitivity to our historic attrition rates on the secured order book.
2. Scenario one above and no growth on FY22 across both Engagement and Gifting.
3. Scenario one above and a 5% decline across both Engagement and Gifting as compared to FY22 actuals.
4. A 15% uplift on current spend rates on unregulated products and a 15% reduction in spend rates across regulated products.
5. A shift in product mix with 15% of unregulated products moving to regulated products.
6. A combined sensitivity covering scenarios 3, 4 and 5.

In the base model and across each of the additional six sensitivities, the Group will have adequate headroom on the available liquidity position, and will remain compliant with all banking covenants throughout the going concern period. The lowest liquidity headroom across all scenarios will be observed in September 2023 in the combined scenario (scenario six) of £6m without any mitigation – this is deemed to be remote.

Management have also performed a reverse stress test which shows that it will take a sustained reduction of 32% in billings across all channels in the going concern period against the base case model to breach the RCF covenant in September 2023. Liquidity however is not breached at this point. Subject to receiving relief on covenant requirements, it will take a sustained reduction of 52% in billings across all channels in the going concern period for the business to breach its liquidity model in September 2023. The Directors consider these scenarios to be remote based on past experience and recent trading.

In all of the aforementioned scenarios, including the reverse stress test, management has not taken any mitigating actions into consideration. The Group however does have several mitigating actions under its control including minimising capital expenditure to critical requirements, reducing levels of discretionary spend including bonus payments, rationalising its overhead base and curtailing future dividend payments which, although not forecast to be required, could be implemented in order to be able to meet the covenant tests and to continue to operate within borrowing facility limits.

Conclusion

Having carefully considered the base case, downside scenarios, reverse stress test, and trends since the year-end, as well as the £15m committed RCF, the directors have a reasonable expectation that the Group and Company have adequate resources to enable them to continue in operational existence for the period to 30 November 2023. Accordingly, the directors continue to adopt the going concern basis of accounting in preparing the Group and Company financial statements.

Employee engagement

The Group is committed to employee involvement and keeping them informed on matters that affect them as employees. It seeks to engage them on the Group's strategy and business performance through a broad range of formal and informal meetings and internal communications. The Group has an Employee Forum which is made up of employee representatives who are consulted on a monthly basis on matters of interest. During the year, some members of the forum were rotated helping to provide fresh thinking and different viewpoints. The flagship communications channel used by the Group is a mobile-enabled internal communications platform called Connect. This allows employees to access content from their desktop computers or via a mobile device at a time and place of their choosing. As lockdown restrictions eased during the year, the Group was able to return to more in-person activities to engage employees on business matters. The Group holds regular all employee meetings where senior leadership share strategic and employee-led content. Employees can choose to join face to face or remotely. There has been a significant focus in the year on leadership engagement with the aim of increasing the flow of information to Group leaders and line managers, which in turn they required to share with their teams to boost engagement.

The Group carried out its second Great Place To Work employee engagement survey during the year and retained its certification with an improved TrustIndex score. It uses feedback from the survey to put action plans in place to enhance the workplace for employees. The Group has again prioritised focus areas at both an organisational and departmental levels with action plans based on their relevant results. The Group is committed to motivating employees and encourages them to become involved in the Company's performance via its Employee Share Save Scheme when opportunities to join are available. The Group has continued to focus on employee learning and development to help them fulfil their potential whilst working for the Company. It has a programme of annual mandatory learning covering a range of relevant topics such as diversity, anti-fraud & bribery and phishing which all employees must undertake. A dedicated management development programme was completed to enhance organisational leadership.

The Group places significant importance on employee well-being and mental health. During the year it promoted regular activity including tips and techniques for employees as well as bringing in external guest speakers. The Group believes in equal opportunities regardless of gender, age, religion or belief, sexual orientation, race and disability. The Group used external awareness events to promote race and gender diversity. This approach is supported by our commitment to providing equal opportunities to our current and potential employees along with fair employment practices. Further information on employee engagement is set out on pages 22 and 23 of the Strategic Report.

Market value of land and buildings

As at 31 March 2022, in the opinion of the directors, the market value and book value of the land and buildings of the Group are not significantly different.

Political and charitable contributions

During the year ended 31 March 2022 the Group contributed to charity £3,000 (2021: £33,000). These donations were made primarily to local charities supporting local communities. There were no political contributions.

Financial instruments

The Company's financial risk management policies and objectives, including the exposure to market risk, credit risk and liquidity risk are set out in note 26 to the accounts.

Creditor payment policy

For all trade creditors, it is the Group's policy to:

- agree the terms of payment at the start of business with that supplier;
- ensure that suppliers are aware of the terms of payment; and
- pay in accordance with its contractual and other legal obligations.

At 31 March 2021 and 31 March 2022 the parent Company had no third party creditors.

Directors' liabilities

During the year the Company had in place appropriate insurance cover in favour of one or more directors of the Company, against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. This was also in place for the prior year.

Subsequent events

Appreciate Group plc acquired the entire share capital of MBL Solutions Ltd (MBL) on 24 June 2022. MBL is a complete gift card processing and management business supplying gift cards to businesses and consumers in the UK. For details, please see note 27 to the accounts.

Subsequent to the year end, Tim Clancy (Group CFO) tendered his resignation and will leave the business at the end of July 2022. For impact on SGP, please see note 21.b in the accompanying financial statements.

Business relationships with key stakeholders

See pages 17 to 18, our s.172 statement, for details of business relationships with key stakeholders.

2022 energy and carbon report for Appreciate Group plc

In accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, we have prepared a Streamlined Energy & Carbon Report (SECR) for the financial year ended 31 March 2022.

Our SECR disclosure presents our carbon footprint across Scopes 1, 2, and 3, along with an appropriate intensity metric and our total energy use of electricity and gas.

Reducing our carbon footprint

Appreciate Group is committed to reducing its impact on the environment and is pleased to have significantly reduced its underlying usage during the financial year. A substantial reduction in our underlying energy usage has been delivered – down from 2.3m kWh to 0.3m kWh. Scope 1 and 2 CO_2 emissions reduced from 503 tonnes to 71 tonnes.

This has been achieved through the Group's strategy to change its business model, and in particularly, its change to premises strategy. The move to our new more energy efficient head office in FY20, the sale of the site at Valley Road, and the subsequent reduction in our operational presence at the site, has helped drive a considerable reduction in gas combustion and purchased electricity. There would also have been a reduction as a result of the lockdown guidance in place in the early stages of the financial year when the majority of colleagues were required to work from home.

A new hybrid working model for colleagues at head office was introduced during FY22, combining the benefits of being together in the workplace with the flexibility that comes from remote working. This means colleagues are making less visits to the office, helping to reduce their own emissions through their travel to the workplace, as well as helping contribute to a reduction in energy usage at head office.

We remain focused on further reducing our energy usage. Appreciate Group recently achieved successful certification to ISO 14001:2015 standard and now meets the highest international standards for environmental management. As part of our commitment to this framework, we have now set targets to reduce our business impact on the environment, including electricity usage, emissions from product production, and overall emissions.

Location-based Reporting	Emissions Scope	Global 12 months ending 31 March 2022 (t CO_2e)	UK 12 months ending 31 March 2022 (t CO_2e)	Global 12 months ending 31 March 2021 (t CO_2e)	UK 12 months ending 31 March 2021 (t CO_2e)
Emissions from combustion of gas	1	21	21	118	118
Emissions from combustion of fuel for transport purposes	1	0	0	0.3	0.3
Emissions from purchased electricity	2	46	46	382	382
Emissions from other activities which the company own or control including operation of facilities	1	3	3	3	3
Scope 1+2		71	71	503	503
Emissions from business travel in rental cars or employee-owned vehicles where the business is responsible for purchasing the fuel	3	2.42	2.42	1.31	1.31
Scope 1+2+3		73	73	504	504
Underlying energy (kWh)		344,156	344,156	2,283,887	2,283,887
t CO_2e/£m turnover (Scope 1+2)		0.2	0.2	1.2	1.2
t CO_2e/£m turnover (Scope 1+2+3)		0.2	0.2	1.2	1.2

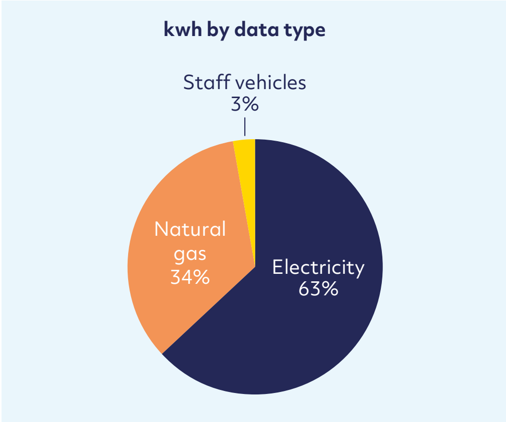
Data based on 12 months up to 31 March 2022.

Future energy efficiency plans

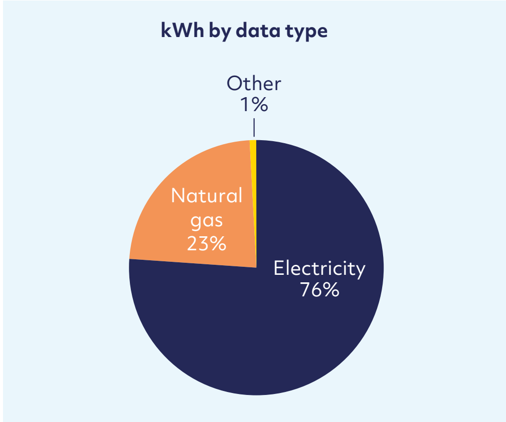
- We successfully completed an exercise using eco-friendly, non-plastic cards with one of our large Corporate clients and are now rolling this out more widely. These cards offer an alternative to plastic and are recyclable, compostable and biodegradable. They can also be recycled up to eight times.
- Our future strategy is focused on developing our digital proposition which will help further reduce the use of paper products, and result in fewer plastic cards and reduced transportation/ delivery, thereby supporting our aim to lower environmental impact.
- A lighting provider is scheduled to do a full review of LED lighting requirements and costs.
- We are also progressing plans to develop a Climate Transition Plan to fulfil our aim of becoming a future net zero organisation.

Energy footprint

Total kWh for the 12 months ending 31 March 2022



Total kWh for the 12 months ending 31 March 2021



Methodology

A location-based calculation of CO_2 equivalent emissions was made using energy data collected from energy suppliers. Energy and carbon from transport were modelled using different average UK vehicles. The methodology is consistent with the 2021 edition of the UK Government GHG Conversion Factors for Company Reporting.

Of the disclosed energy use, 9,842 kWh, or 2.9%, is on a net calorific value basis. A screening method was used to model the fugitive emissions from refrigerant systems.

Task Force on Climate-related Financial Disclosures

New requirements for companies to report their environmental impact are being introduced. At the moment, as an organisation with fewer than 500 employees, we do not need to fulfil these requirements. However, we are committed to providing investors with information about our climate related risks and are working towards fulfilling the TCFD (Task Force on Climate-related Financial Disclosures) requirements. A summary of our existing position against TCFD is provided below:

Pillar	Governance	Strategy	Risk Management	Metrics and targets
Summary	Ensuring oversight and management of climate-related risks and opportunities.	Understanding our impacts from climate change and planning for potential climate scenarios.	Introducing an approach to identify climate risk and mitigating actions.	Disclosing future metrics and targets that allow the Group to assess and manage climate related risks and opportunities.
Our progress	Environmental risk is being integrated into our principal risk review processes. The Board is ultimately responsible for determining the nature and the extent of the Group's principal risks. Environmental risks would be included within the risk register, which is reviewed by the Risk Committee to establish if any are material to the Group.	We plan to undertake a review to assess and better understand the potential impacts, risks and opportunities of climate change on our business.	The Board is committed to ensuring that the business is resilient and responsive to evolving stakeholder expectations and future events. The Board is supported with this by the Risk Committee, and senior management team. The Group will improve its understanding of the potential impacts of climate change on the business along with legislation and customer behaviour. Our risk register is reviewed and updated regularly. We recognise we are at the initial stages and we are committed to improving our understanding.	We remain committed to reducing our Scope 1, 2 and 3 GHG emissions in line with the UK Climate Change Act. We are currently developing a climate transition plan to help to support our overall ambitions to become a net zero organisation.

Directors' statement under section 418 of the Companies Act 2006 – Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with section 489 of the Companies Act 2006, a resolution for the appointment of BDO LLP as auditors of the Group is to be proposed at the forthcoming AGM.

By order of the Board.

Tim Clancy
Chief Financial Officer
27 June 2022

The Board

The Group is controlled through its Board of directors.

The Board's main roles are:

- to provide entrepreneurial leadership of the Group;
- to set the Group's strategic objectives and to ensure that the necessary financial and human resources are in place to enable them to meet those objectives;
- to review management performance;
- to set the Company's standards and values; and
- to ensure that the Company's obligations to its shareholders and others are understood and met.

The Board, which meets at least five times a year, has a schedule of matters reserved for its approval. It meets on other occasions as necessary.

The Board has appropriate insurance cover in respect of legal action against its directors.

The specific responsibilities reserved to the Board include:

- setting Group strategy and approving an annual budget and medium-term projections;
- overseeing the implementation of the agreed strategies and policies of the Group;

- monitoring the liquidity risk of the business and the going concern basis of preparation;
- reviewing operational and financial performance;
- approving entering into financing arrangements;

- approving major acquisitions, divestments and capital expenditure;
- reviewing the Group's systems of financial control and risk management;
- ensuring that appropriate management development and succession plans are in place;
- developing and implementing risk management systems;

- reviewing the environmental, health and safety performance of the Group;
- approving appointments to the Board and the Company Secretary;
- approving policies relating to directors' remuneration and the severance of directors' contracts; and
- ensuring a satisfactory dialogue takes place with shareholders.

Committees of the Board

Nomination committee
Members 4
Meetings 1

During the year the nomination committee comprised Laura Carstensen (Chair)∞, Sally Cabrini, John Gittins and Ian O'Doherty.

The nomination committee's terms of reference are available from the Company Secretary and are displayed on the Group's website.

The nomination committee meets if a vacancy arises or need is identified to alter the mix of skills and experience on the Board and to review succession planning.

During the year, Laura Carstensen announced her intention to step down as Chair and resign from the Board and her role as a non-executive director. The search for Laura's successor was led by the Senior Independent Director John Gittins with support from an external search consultancy. Laura did not participate in the search and selection process. The nomination committee met to consider and recommend the appointment of Guy Parsons as Chair. Guy was formally appointed to the Board as an independent non-executive director and Chair-designate on 22 March 2022, and succeeded Laura as Chair on 01 April 2022.

The nomination committee's policy on diversity is encapsulated by the values set out in the Company's policy on equality and diversity.

∞ Succeeded by Guy Parsons on 01 April 2022

Remuneration committee
Members 3
Meetings 5

During the year the remuneration committee comprised Sally Cabrini (Chair), Laura Carstensen∞ and John Gittins. The remuneration committee met five times during the year.

The remuneration committee's principal responsibilities are:
- setting, reviewing and approving individual remuneration packages for executive directors and the Chair including terms and conditions of employment and any changes to the packages;
- recommend and monitor the level and structure of remuneration for senior management;
- approving the rules, and launch, of any Group share, share option or cash based incentive scheme; and
- the grant, award, allocation or issue of shares, share options or payments under such scheme.

In addition, the remuneration committee periodically reviews the Group's remuneration policy in relation to:
- its competitors and industry norms;
- compensation commitment; and
- contract periods.

The remuneration for the non-executive directors is determined by the executive directors.

The remuneration committee's terms of reference are available from the Company Secretary and are displayed on the Group's website. The directors' Remuneration Report is set out on pages 43 to 45 of the annual report.

Audit committee
Members 3
Meetings 4

During the year the audit committee comprised our non-executive directors. These were John Gittins (Chair), Laura Carstensen∞ and Sally Cabrini. John Gittins is a qualified Chartered Accountant and all committee members have significant, senior experience within PLC environments. Ian O'Doherty, Tim Clancy and the Group's internal and external auditors attend meetings of the audit committee by invitation.

The audit committee met four times during the year.

The audit committee usually reviews its terms of reference annually and recommends to the Board any changes required as a result of the review.

The audit committee's terms of reference are available from the Company Secretary and are displayed on the Group's website.

In the financial year to 31 March 2022 the audit committee discharged its responsibilities by:
- reviewing the Group's draft financial statements and interim results statement prior to Board approval and reviewing the external auditors' detailed reports thereon;
- reviewing the appropriateness of the Group's accounting policies;
- reviewing regularly the potential impact in the Group's financial statements of certain matters;
- reviewing and approving the audit fee and reviewing non-audit fees payable to the Group's external auditors;
- reviewing the external auditors' plan for the audit of the Group's accounts, which included key areas of audit focus, key risks on the accounts, confirmations of auditor independence and the proposed audit fee and approving the terms of engagement for the audit;
- reviewing the plan for internal audit work, and reviewing the reports arising from this work;
- reviewing risk and compliance processes, including a review at each meeting of principal risks and key mitigating controls, which informs the scope of internal audit work;

- reviewing the arrangements for the external audit of our compliance with safeguarding requirements under applicable e-money regulations and Financial Conduct Authority expectations as set out in its Approach Document and further Guidance;
- considering the results to date of the ongoing safeguarding audit and approving management's proposed response to the issues identified;
- conducting a tender exercise to identify and recommend the appointment of a suitable external auditor to replace the incumbent EY following the FY22 audit, due to their 10-year tenure coming to an end; and
- conducting a tender exercise to identify and recommend the appointment of a suitable internal auditor to replace the incumbent internal auditor BDO as a result of BDO being appointed as external auditors from FY23.

The audit committee, at least annually, meets the external auditors, without management, to discuss matters relating to its remit and any issues arising from the audit.

Under its terms of reference, the audit committee monitors the integrity of the Group's financial statements and any formal announcements relating to the Group's financial performance, reviewing any significant financial reporting judgements contained in them. It reviews accounting papers prepared by management which provide details on some of the main financial reporting judgements, as well as reports by the external auditors on key areas of focus for the half year and full year reports. During the year the audit committee reviewed key judgements and reports relating to:

Revenue recognition
The Group's revenue recognition policy, as described on pages 63 to 66, requires estimation of provisions for unredeemed vouchers and cards. Management use historical data over a number of years, as well as current trends, to prepare these estimates. The committee was satisfied that the methodology used was consistent with previous years and remains appropriate.

Non-redemption income
For multi-retailer redemption products where the end user has no right of redemption (corporate gifted cards and vouchers), the Group may expect to earn a non-redemption income. In order to calculate the expected income, the Group estimates how many products will be fully redeemed and how many will be partially redeemed. For those which are partially redeemed, the Group estimates projected balances remaining on the products at expiry. The committee has reviewed the estimates used in these calculations and is satisfied with the methodology used.

Carrying value of goodwill and other intangible assets
Goodwill arising on acquisition is not amortised, but is reviewed annually for impairment. The impairment review relies on a number of assumptions and any differences to the assumptions made may necessitate a material adjustment to the level of goodwill held in the statement of financial position. The committee considered these assumptions and were comfortable that they were appropriate.

The Group also applies judgement in assessing whether certain costs incurred, both internal and external, will generate future economic benefits and therefore should be capitalised as other intangible asset. Any redundant costs are not capitalised, but are expensed during the period in which they are incurred. Amortisation commences when management determine the asset is available for use. Significant judgements and estimates are applied in determining the carrying value of the assets, including assumptions made in respect of the status of the programme each asset relates to, and there may be a range of possible outcomes when a programme is complex. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. At each reporting date the Group reviews the carrying value of its tangible and intangible assets, including those not yet in use, to determine whether there is any indication that those assets have suffered an impairment loss. During the year the Group's strategic programme in relation to the implementation of an ERP for part of the business went live and management assessed the matters described above in relation to this completed asset. The committee has considered these judgments and key assumptions, and were comfortable that they were appropriate.

Capitalisation of costs related to cloud computing arrangements
An IFRS Interpretations Committee Agenda Decision released during the year clarified certain guidance in relation to the accounting for configuration and customisation costs in cloud computing arrangements. This has resulted in the Group reviewing and changing its accounting policy relating to the capitalisation of implementation costs related to cloud computing arrangements.

The Committee noted that software costs incurred in FY22 and costs capitalised in previous years had been assessed to identify costs relating to certain Software as a Service ("SaaS") arrangements which should now be expensed through the income statement rather than being capitalised in light of the updated guidance. The change in policy is applied retrospectively and the prior year comparatives restated.

Pensions
During the year a matter with regards to a potential incorrect valuation of the Park Group Pension Scheme was noted. While the matter remains unresolved, a judgment was exercised by management in concluding that a change to certain deferred benefits is probable. As a result, this has been included in the current year financial statements as a retrospective adjustment. For details, please see the Prior year restatements note in the Statement of significant accounting policies. The committee have reviewed the legal advice and other details associated with the matter and are satisfied that the treatment adopted is appropriate.

Going concern
The committee has reviewed the going concern assessment prepared by management, which covers the Board approved Base case forecast for trading for the period to 30 November 2023, along with a range of downside scenarios. The assessment focuses on the ability of the Group to operate within the financial resources and covenants provided by its revolving credit facility. Under the Base case and downside scenarios considered, taking into consideration the facility and headroom were considered sufficient and covenant compliance demonstrated. Further details of the going concern review are given on page 33.

External audit of safeguarding practices
One of the Group's wholly-owned subsidiaries, Park Card Services Ltd (PCS), is authorised and regulated by the Financial Conduct Authority (FCA) as an electronic-money institution, with permission to issue electronic money (e-money) and provide payment services. The Electronic Money Regulations 2011

(EMRs) require that customer funds received in exchange for e-money issued are safeguarded. The EMRs are supplemented by the FCA's Approach Document which sets out the FCA's safeguarding expectations in detail. In July 2020, the FCA introduced a requirement for all firms in the payment services and electronic money sectors to have an annual external audit of their compliance with these safeguarding requirements, with the findings to be reported to the FCA. As we reported last year, the safeguarding audit for FY21 identified a number of practices that did not meet the FCA's expectations, although none resulted in any loss of funds or any regulatory action. Since then we have made significant progress in addressing those findings such that the safeguarding audit for FY22 has recognised substantial progress towards our overall compliance with safeguarding requirements. While the draft audit report still points out breaches in the year and some at year end, the overall end of year position is showing a significant improvement which puts the Group in a strong place for the coming year. The committee reviewed and approved management's action plan arising from the residual findings identified. As is required, the final safeguarding audit report will be sent to the FCA, and, as part of management's action plan, Park Card Services (PCS) has either post year end already made changes necessary to address the residual matters identified or is in the process of doing so.

Impact of environmental risks

The Audit Committee makes recommendations to the Board on the principal risks of relevance to the business. Climate related issues are considered in terms of potential for contribution to these principal risks. The issues considered include both the risk of physical disruption to the business from climate change, and the risks and opportunities as the global economy transitions to significantly lower carbon emissions. In the current period, the Committee concluded that climate related risks did not rise to the level of principal risk.

The audit committee is responsible for monitoring the external auditor's independence and objectivity, the effectiveness of the external audit process and making recommendations to the Board in relation to the appointment, reappointment and remuneration of the external auditor. It is responsible for ensuring that an appropriate relationship between the Group and the external auditors is maintained, including reviewing non-audit services and fees. EY have been the Company's external auditor for 10 years and the committee has adopted a policy of tendering external audit services at least once every 10 years. Accordingly, the committee conducted an external audit tender process to select an alternative external auditor to start from FY23, and has nominated BDO LLP as the Group's new external auditor.

The audit committee regularly monitors the non-audit services being provided to the Group by its external auditors in line with its policy on non-audit work performed by the auditors. The policy prohibits the external auditors from undertaking certain work and provides that other categories of non-audit work must be submitted to the audit committee for approval prior to engagement.

The audit committee reviews arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters referred to as 'whistle-blowing'. The audit committee's objective is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow- up action. There were no instances of whistleblowing reported during the period.

The audit committee keeps under informal review the need for the Group to have an internal audit function. Due to the size and scope of the business the audit committee has recommended to the Board that it does not currently consider it appropriate for the Group to have an in-house internal audit function. Instead, over the year, the management team continued to use BDO LLP to carry out internal audit reviews to examine areas of management and control risks. These reviews are part of an ongoing programme of internal audit work. The committee monitors the effectiveness and independence of BDO LLP in conducting this work and has been satisfied with their performance. The Board continues to keep under review the need for a more formally constituted internal audit programme.

As BDO LLP were nominated as external auditors for FY23, BDO were required to formally cease all its internal audit activities on 31 March 2022. The committee conducted a separate tender exercise to identify an alternative internal auditor and recommended that KPMG LLP be appointed as internal auditor from 01 April 2022.

Risk management committee

Members 5*
Meetings 12

* Previously 8 up to 31 December 2021

During the year the risk management committee comprised members of the senior leadership team. The risk management committee meets on a monthly basis during the year. The risk management committee's terms of reference include:

- identification of business risk throughout the Group's operations;
- determination of the controls necessary to manage identified risk;
- evaluation of the effectiveness of those controls; and
- continuous assessment and reporting to the Board.

The audit committee considers any matters in relation to the principal risks, as determined by the risk management committee.

The following table sets out the number of scheduled meetings of the Board and its committees during the year and individual attendance by Board members at these meetings. Attendance at the meetings by non-member directors is not shown:

	Group Board	Audit committee	Remuneration committee	Nomination committee
Executive directors				
Ian O'Doherty	6			
Tim Clancy	6			
Non-executive directors				
Laura Carstensen (Chair)^	6	4	4	
John Gittins	6	4	4	
Sally Cabrini	6	4	4	
Scheduled Meetings	**6**	**4**	**4**	**0**

^Guy Parsons succeeded Laura Carstensen as Chair on 01 April 2022

Senior Independent Director
The Board appointed John Gittins as Senior Independent Director on 25 September 2019. He is always available to meet shareholders on request and to ensure that the Board is aware of any shareholder concerns not resolved through the existing mechanisms for investor communication.

Directors and directors' independence
The Board currently comprises of the independent non-executive Chair, two independent non-executive directors and two executive directors. The names of the directors, together with their biographical details, are set out on page 31.

The Board includes independent non-executive directors who constructively challenge and help develop proposals on strategy and bring independent judgement, knowledge and experience to the Board's deliberations. The independent directors are of sufficient calibre and number that their views carry significant weight in the Board's decision making. The Board considers its non-executive directors to be independent in character and judgement.

The independent non-executive Chair and the independent non-executive directors have confirmed that, except for as noted below, none of them:

- has been an employee of the Company or Group within the last five years;
- has, or has had within the last three years, a material business relationship with the Group apart from a director's fee, participates in the Company's share option or performance related pay scheme or is a member of the Group's pension scheme, except as noted below;
- has close family ties with any of the Group's advisers, directors or senior employees;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies, other than those disclosed in the directors' biographical details on page 31;
- represents a significant shareholder; or
- has served on the Board for more than nine years.

The directors are given access to independent professional advice at the Group's expense, when the directors deem it is necessary in order for them to carry out their responsibilities.

Professional development
On appointment, directors take part in an induction programme when they receive information about the structure and practices of the Group together with the Group's latest financial information. This is supplemented by meetings with key senior executives and advisers. Throughout their period in office the directors are continually updated on the Group's business, the competitive and regulatory environments in which it operates and other changes affecting the Group and the industry it operates in as a whole, by written briefings, meetings with senior executives and attendance at external courses.

Performance evaluation
There is a formal process for the annual evaluation of the Board. Areas covered are; leadership, Board reports, effectiveness, accountability, remuneration, relations with shareholders and Board committees. The remuneration committee considers individual director's performance when it determines their forthcoming annual remuneration.

Directors' performance is under continual review and is measured against targets. The non-executive directors are subject to evaluation. The Board considers its arrangements for evaluation or appraisal are adequate to ensure effective governance given the size of the Company and its Board.

Re-election
Subject to the Company's articles of association, the Companies Acts and satisfactory performance, non- executive directors are appointed for an initial period of three years. Before the third and sixth anniversary of the non-executive director's first appointment, the director discusses with the Board whether it is appropriate for a further three year term to be served.

The Company's articles of association require that any director who was not elected or re-elected at either of the two preceding AGMs will retire from office and be eligible for re-election.

Company Secretary
The Company Secretary is responsible for advising the Board through the Chair on all governance matters. The directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring Board procedures are complied with. The Company's articles of association provide that the appointment and removal of the Company Secretary is a matter for the full Board.

Information
Regular reports and papers are circulated to the directors in a timely manner in preparation for Board and committee meetings. These papers are supplemented by information specifically requested by the directors from time to time. All executive directors receive monthly management accounts and regular management reports and information which enable them to scrutinise the Group's and management's performance against agreed objectives. The Board periodically invites executives to present on specific topics to allow the Board to take a more in-depth view. The Board believes that our culture is consistent with our strategic pillars of clarity, experience, productivity and appeal.

Relations with shareholders
The Chair gives feedback to the Board on issues raised by major shareholders.

The AGM is attended by all directors, and shareholders are invited to ask questions during the meeting and to meet with directors after the formal proceedings have ended.

The Group maintains a corporate website containing a wide range of information of interest to investors.

Presentations are made to analysts and institutional investors following announcements to the stock exchange of the half-year and full-year results. Other ad hoc meetings are held with interested parties on request.

Risk and internal control
The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. These may be internal risks such as culture and governance and external risks such as regulatory and market risks. The process is reviewed regularly by the Board. The directors have continued to review the effectiveness of the Group's system of financial, operational and compliance controls against significant risk.

The principal elements of the Group's established control systems include:

- a clearly defined organisational structure under which individual responsibilities are monitored by members of the Board;
- budgets covering key financial aspects of Group activities which are approved by the Board;
- monthly comparisons of results against budget and prior year which are considered by the Board;
- clearly defined procedures for treasury management and the authorisation of capital expenditure;
- an ongoing programme of internal audit work performed by BDO LLP (going forward KPMG LLP); and
- the appointment of a risk management sub-committee.

The risk management sub-committee's terms of reference are shown on page 40.

A risk management system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

This process has been in place for the year under review and up to the date of approval of the annual report and accounts.

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. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with UK Adopted International Accounting Standards 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 their 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 and prudent;
- state whether they have been prepared in accordance with UK Adopted International Accounting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

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 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.

The directors have decided to prepare voluntarily a directors' Remuneration Report, adopting some of the best practice provisions in connection with preparation of such reports.

The directors have decided to adopt the Quoted Companies Alliance Corporate Governance Code.

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.

The directors believe that due to the nature of our business 'slavery' is unlikely to be an issue for our suppliers. All goods are sourced from reputable suppliers in the UK and any supplier of services is subject to a due diligence process. As a Group we believe we are in compliance with the Modern Slavery Act 2015.

By order of the Board

Guy Parsons
Chair
27 June 2022

This report sets out details of remuneration for the directors of Appreciate Group plc during the year ended 31 March 2022. As a Company listed on AIM, the Company is not required by the Companies Act 2006 to prepare a Directors' Remuneration Report. The Board has, however, voluntarily adopted many of the best practice provisions in connection with the preparation of such reports and these are referred to in the report below.

Unaudited information

Remuneration committee

Details of the members of the remuneration committee are given on page 38.

In undertaking its responsibilities, the committee seeks independent external advice as necessary. The principal external advisers to the committee are PricewaterhouseCoopers LLP.

Executive remuneration policy

The aim of the Group's remuneration policy is to adopt levels of remuneration which should be sufficient to attract, motivate and retain high calibre executives. The policy is to reward directors with competitive salaries and benefit packages which are linked to both individual and business performance. These packages are reviewed each year to ensure that they are supportive of the Group's business objectives and the creation of shareholder value.

Details of remuneration

Executive directors are remunerated through the provision of a basic salary, annual bonus, long term incentives, car allowance, medical, group income protection, life insurance and permanent health insurance cover. Certain executive directors enjoy benefits in kind such as contributions to pension arrangements and the payment of certain professional subscriptions.

Review of long term incentives

In the context of the Strategic Growth Plan (SGP) nearing the end of its term in the next two years, as we indicated in the 2021 Directors' Remuneration Report, the Remuneration Committee has been considering the approach for the most appropriate incentive provision going forward. After careful consideration of the alternatives available, the Remuneration Committee determined that it would be most appropriate to re-introduce a more traditional long term incentive plan with rolling three-year performance cycles as part of the overall remuneration policy for Executive Directors. This would align the Executive Directors with the longer-term strategy and with shareholder value; and pending consultation, it is intended that the first awards would be granted shortly after the year ended 31 March 2023.

Context for remuneration

As the cost of living rises sharply and with inflation predicted to hit double-digit in the year ahead, the wellbeing of our colleagues is a clear and ongoing focus. Over the last year, a new hybrid working model has helped colleagues focus on work/life balance with additional flexibility that comes from remote working. Providing financial support has been a key deliverable, with greater access to financial support tools and webinars; wherever our colleagues find themselves in their life journeys. With cost of living in mind, the Company will be making a one-off payment of £500 to help colleagues with rising costs.

A conscious effort to increase the wages of the lower quartile pay staff members, has resulted in a change in base salary for those impacted by National Minimum Wage uplifts; to levels at the Real Living Wage thresholds. At the same time we have invested in mental health support for colleagues, for when they need additional support from their employer. Whilst also, looking at other benefits to support colleagues financially, mentally and physically.

Basic salaries

Basic salaries for executive directors are reviewed by the remuneration committee each year. Communication of base salaries is part of a total compensation view, with any changes communicated during June annually. Salaries for executive directors were not changed during 2021, and salaries were reviewed in March 2022, and it was determined that no increase would be made. A wider workforce review has taken place for 2022 and base pay changes will be effective from June.

Short-term performance related payments

Executive directors can earn performance related cash bonus payments, subject to the achievement of predetermined business objectives and Group profit targets over one financial year. For the financial year 2021/2022 up to 80% of salary is applied for the CEO and up to 75% of salary for the CFO. Bonuses do not form part of pensionable earnings.

Bonus payments for executive directors are reviewed by the Remuneration Committee each year. Ian O'Doherty asked not to be considered for a bonus for the financial year to fund the payment of a one-off Company-wide award to colleagues, as detailed below. In addition, he felt this action was appropriate in the light of the shareholder experience over the year.

Tim Clancy was not eligible to be paid a bonus for 2021/22 (including any deferred element) given his resignation from the Board prior to the determination date.

The Leadership team has considered ways in which to recognise the hard work of colleagues during the year, and this has resulted in the payment of a one-off Company-wide award worth £250 to all colleagues, who are otherwise not eligible to receive an annual bonus/commission. This is in recognition of their hard work and commitment which is welcomed by the committee. In addition, other management scheme bonus arrangements will also result in bonus payments.

The Remuneration Committee remains committed to ensuring alignment of executive pay to the experience of the wider workforce and shareholders.

Transitional long term incentive arrangements for the year ended 31 March 2022

As a transition to a more normalised incentive structure the Remuneration Committee approved the use of a deferred share plan for the current year for Executive Directors, under which they had an opportunity to earn shares based on performance against stretching financial and strategic conditions set at the start of the year, with shares vesting after a further three-year deferral. 70% of the award was based on profit before tax and the remaining 30% was based on strategic targets.

In light of the position on bonus payments outlined above, deferred share awards will not be earned for Executive Directors in respect of the year ended 31 March 2022.

Outstanding SGP awards
SGP awards were granted to executive directors on 21 December 2018 and have a five-year performance period from 1 October 2018 to 30 September 2023.

The SGP provides participants with a pool of shares with a value equal to 10% of any cumulative shareholder value created above a compound hurdle rate of 10% per annum.

Based on performance to 31 March 2022, none of the SGP award would vest.

Shareholding requirements
As part of the review of long-term incentives, the Committee has also agreed that a formal shareholding requirement of 100% of salary should be introduced for the Executive Directors, to be achieved within five years from adoption of the shareholding policy in early 2022 or from later joining the Board. This requirement was introduced in January 2022.

Any vested share awards, including deferred shares earned in respect of performance during FY22, will be subject to a requirement to hold, unless the individual has met their shareholding requirement. Along with the programme of LTIP grants, this requirement will strengthen the alignment between Executive Directors and shareholder value in the longer term.

The shareholdings as at 31 March 2022 were as follows:

Executive	Shareholding requirement	Shareholding as at 31 March 2022
I O'Doherty	100% of salary	23.14% of salary
T Clancy	100% of salary	1.96% of salary

Directors' share interests
The beneficial interests in the share capital of the Company of the directors in office at 31 March 2022 and connected persons were as follows:

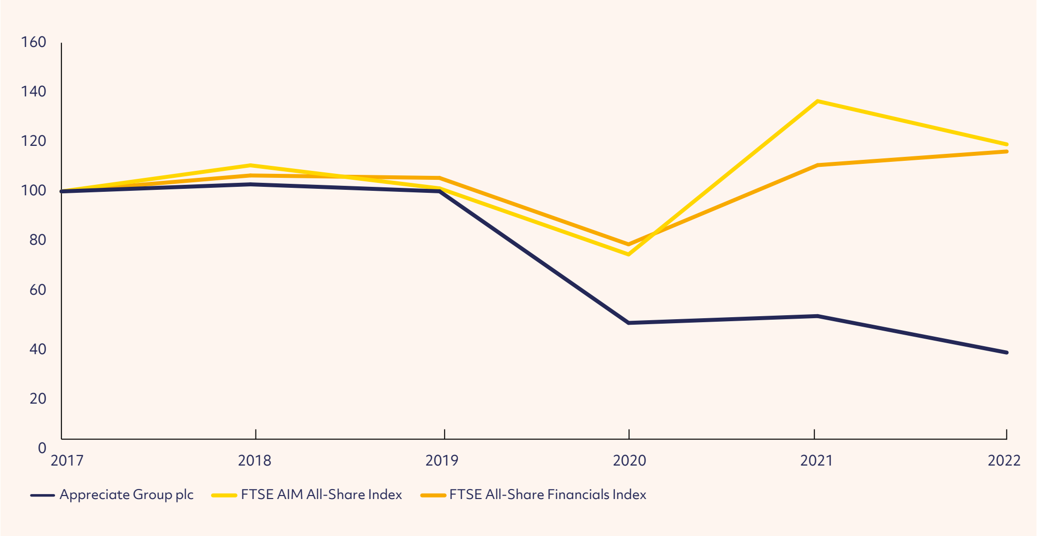
	Beneficial shareholding	
Executive	**31 March 2022**	31 March 2021
I O'Doherty	320,000	70,000
T Clancy	20,000	20,000
J Gittins	10,000	10,000
L Carstensen	70,000	70.000
S Cabrini	15,000	–
G Parsons	–	–

Review of long term incentives
The Remuneration Committee is currently reviewing the appropriate future LTIP provision and will consult with major shareholders ahead of making any award. Details of any awards made will be provided in the following year's Remuneration Report.

Contracts
Details of executive directors' service contracts are given on page 31. No contract provides for compensation payments on loss of office.

Non-executive directors
The independent non-executive directors receive fees as directors which are determined by the Board, each director abstaining from decisions affecting their own remuneration. The Board has determined that there will be no change to non-executive directors' fees for the year ending 31 March 2023.

Total shareholder return (TSR)
The following graph charts the total cumulative shareholder return of the Company since 1 April 2017, compared with the AIM All-Share Index and the FTSE All-Share Financials Index. The Company feels that these are the most appropriate indices to use as the first shows a broad average equity performance and the second shows the performance for the industry sector in which the Company operates.



Audited information

Directors' emoluments

The emoluments of directors for the year ended 31 March 2022 were:

	Salary or fees £'000	Performance related payments £'000	Benefits £'000	Total 2022 £'000	Total 2021 £'000	Pension costs 2022 £'000	Pension costs 2021 £'000
Executive							
I O'Doherty	325	–	65	**390**	559	**–**	–
T Clancy	240	–	52	**292**	409	**–**	–
	565	–	117	**682**	968	**–**	–
Non-executive							
G Parsons	2	–	–	**2**	–	**–**	–
L Carstensen	73	–	–	**73**	73	**–**	–
J Gittins	42	–	–	**42**	42	**–**	–
S. Cabrini	40	–	–	**40**	40	**–**	–
	157	–	–	**157**	155	**–**	–
	722		117	**839**	1,123	**–**	–

Directors' share options

Ian O'Doherty held options under the SAYE during the year, which were exercisable from 1 September 2021. The options were not exercised during the 6-month exercise window (and so expired) and a refund of contributions was provided.

The executive directors have the following interests in the SGP:

	SGP – share of pool: Share at 31 March 2021	SGP – share of pool: End of performance period
I O'Doherty	45%	30.09.23
T Clancy	25%	30.09.23

By order of the Board.

S Cabrini
Chairman of the Remuneration Committee
27 June 2022

Opinion

In our opinion:

- Appreciate Group plc's Group financial statements and parent Company financial statements (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 section 408 of the Companies Act; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Appreciate Group plc (the "parent Company") and its subsidiaries (the "Group") for the year ended 31 March 2022 which comprise:

Group	Parent Company
Consolidated Statement of Financial Position as at 31 March 2022	Company Statement of Financial Position as at 31 March 2022
Consolidated Statement of Profit or loss for the year then ended	Company Statement of Changes in Equity for the year then ended
Consolidated Statement of Comprehensive Income for the year then ended	Company Statement of Cash Flows for the year then ended
Consolidated Statement of Changes in Equity for the year then ended	Related accounting policies and notes 1 to 27 to the financial statements
Consolidated Statement of Cash Flows for the year then ended	
Related accounting policies and notes 1 to 27 to the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards to the parent Company financial statements, as applied in accordance with section 408 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and parent Company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- In conjunction with our walkthrough of the Group's financial statement close process, we confirmed our understanding of management's going concern assessment process and ensured that key risk factors were considered in management's assessment;
- We obtained and reviewed the going concern assessment prepared by management for the period to 30 November 2023, being the going concern review period;
- We obtained evidence of Board approval of the base case;
- We obtained management's forecasts for the period to 30 November 2023 and checked the appropriateness of the model, including the arithmetical accuracy, as well as the starting cash position as at 1 April 2022;
- We evaluated management's assessment of the impact of uncertainty with regard to macro-economic conditions on the forecasts for the period to 30 November 2023;
- We considered the impact of the previous financial crisis of 2008 to understand trading performance and evaluated this against management's forecasts;
- We considered past historical accuracy of management's forecasting by comparing budget to actuals for the last three years;
- We evaluated management's assumptions applied in preparing the forecasts by corroborating to supporting evidence and explanations and/or by assessing changes from the prior period and considering whether there was any indication of management bias, including consideration of any contrary evidence. Key assumptions include billings, product mix, redemptions, cost base, capital expenditure and completion of an acquisition in the post balance sheet period;
- Management has modelled six downside scenarios to assess the impact of a decline in billings, product mix and redemptions on covenant compliance and liquidity position. We evaluated and assessed the level of the headroom under management's downside scenarios, which formed the basis of management's conclusions regarding going concern;
- Management performed a reverse stress test to understand how severe any further reduction in billings would have to be to result in a covenant breach and/or elimination of the liquidity headroom. We evaluated and challenged appropriateness and calculation of the reverse stress test;
- We confirmed to the agreement the availability, amounts, covenants, and duration of the Group's revolving credit facility to July 2025;
- We reperformed covenant calculations for the going concern period under the base case and sensitised forecasts;
- We read Board minutes for any inconsistencies with the risks considered in the going concern assessment;

Conclusions relating to going concern continued

- We assessed current trading performance by inspecting the 31 May 2022 period end management accounts in addition to making inquiries of management to identify any changes with the Group's current trading and profitability through to the date of our audit report;
- We evaluated management's ability to take mitigating actions, which include delaying capital expenditure, cancellation of bonus payments and FY24 dividends, and the impact that those actions would have on liquidity and the covenants;
- We enquired of management as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern and compared their response to our understanding from completion of our audit procedures; and
- We read the disclosures in the Annual Report and Accounts to confirm that they were consistent with our understanding of the going concern assessment that had been undertaken by the directors and that they appropriately reflected the risks that had been considered and were in conformity with the relevant standards.

We note that management has performed a going concern assessment with a base case scenario, 6 downside sensitivities and a reverse stress test. Management considers the possibility of the reverse stress test scenario to be remote because the required reduction to billings is not supported by historical patterns. The revolving credit facility is in place until July 2025. The most severe downside scenario showed a minimum positive liquidity headroom of £6m in the month of September 2023 of the going concern period. Management have identified mitigating actions such as cancellation of dividends and bonuses and delaying the capital expenditure to conserve cash in the going concern period if needed.

Going concern has also been determined to be a key audit matter.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent Company's ability to continue as a going concern for a period to 30 November 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of four components. • The components where we performed full scope audit procedures accounted for 100% of Profit before tax, 100% of Revenue and 100% of Total assets.
Key audit matters	• Revenue recognition – occurrence of revenue during the last six months of the year • Completeness of provisions for redemption of vouchers and corporate gifted cards, including measurement of income resulting from estimates of non-redemption • Going concern
Materiality	• Group materiality of £419,000 which represents 5% of Profit before tax and exceptional items.

An overview of the scope of the parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the seven reporting components of the Group, we selected four components which represent the principal business units within the Group.

We performed an audit of the complete financial information of all four of these components ("full scope components") which were selected based on their size or risk characteristics.

The reporting components where we performed audit procedures accounted for 100% (2021: 118%) of the Group's profit before tax, 100% (2021: 99%) of the Group's revenue and 100% (2021: 100%) of the Group's total assets.

An overview of the scope of the parent Company and Group audits continued

Of the remaining three "review scope" components that together represent 0% of the Group's profit before tax, none are individually greater than 1% of the Group's profit before tax. For these components, we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

Changes from the prior year

In the prior year there were two additional review scope components. These were disposed of in the year.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the group audit team.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The group has considered potential impact of the climate change including both the risk of physical disruption to the business from climate change, and the risks and opportunities as the global economy transitions to significantly lower carbon emissions. This is explained on page 40 in the Audit Committee Report. The Group is also working towards the adoption of Task Force for Climate-related Financial Disclosures (TCFD) recommendations and the current position is documented on page 36 in the Directors' Report. These reports form part of the "Other information" rather than the audited financial statements.

Our procedures on these disclosures consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted international accounting standards. In preparing the financial statements, the Group has considered the impact of risks of climate change and concluded that they do not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 31 March 2022. Our audit effort was focused on evaluating this conclusion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition – occurrence of revenue during the last six months of the year: £123 million (2021 – £107 million) Refer to the Audit committee report (page 39); Accounting policies (pages 63 to 66 and 73 to 74); and note 1 of the Consolidated Financial Statements (pages 75 and 76) With the seasonal nature of the Group's business, two thirds of the Group's revenue is earned during the second half of the year. As a result, we have identified a significant risk over the potential manipulation of revenue in the second half of the year. Most transactions are small in value and so we focus on the manipulation of revenue through the override of management controls. This is most likely to be achieved through topside manual journals used to record fictitious revenue. Revenue includes non-redemption income in respect of vouchers and corporate gifted cards. We have identified a separate key audit matter including this risk, as below. This risk is unchanged from the previous year.	We understood and assessed the design of key management controls around the revenue recognition process. We did not seek to obtain reliance on the control framework. We incorporated data analytics tools and filtered the data to identify, and then test, higher risk manual journals to revenue in the last six months of the year. We tested journals recorded as part of the year-end financial statement close process to supporting documentation to understand their purpose and confirm their validity. We involved our Forensic specialists to support our journal entry testing with a specific focus on searching for patterns that might indicate fraudulent activities. We tested IFRS 15 adjustments including a comparison of adjustments made in the prior period in order to identify new or non-recurring journals that have been recorded by management. We extended our cut-off testing period to one month prior to the year end and tested a sample of recorded transactions to evidence of despatch. We tested a sample of credit notes posted in the month after the year end to ensure that appropriate provision was made, where necessary. We performed a reconciliation between the value of sales orders received for Christmas 2021 and the revenue reported within relevant trial balance codes, that sit within the Consumer segment. We reviewed revenues recorded after December 2021 to identify any revenues recognised outside of the expected recognition period. We tested a sample of transactions from throughout the year to invoice and evidence of despatch or payment. We tested the service fee recognised as revenue in respect of vouchers and cards. We did this by predicting service fee income using contracted rates and redemption volumes and comparing this to the amounts recorded. We analysed gross margin for the Corporate segment on a daily basis in March 2022 to identify days in which the margin was higher than expected; we investigated whether the margin was as a result of routine sales transactions or whether there were unexpected transactions or adjustments. We performed testing on the risk at two components covering 100% of the risk.	We did not identify evidence of material misstatement in the revenue recognised in the year.

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Completeness of provisions for redemption of vouchers and corporate gifted cards: £62 million (2021: £78 million) including measurement of income resulting from estimates of non-redemption Refer to the Audit committee report (page 39); Accounting policies (pages 63 to 66, 70 and 73 to 74); and notes 16 and 17 of the Consolidated Financial Statements (pages 88 to 89). The Group records a provision in respect of unredeemed vouchers and corporate gifted cards for the anticipated amounts payable to retailers on redemption. The estimated value of vouchers and corporate-gifted cards not expected to be redeemed is calculated at the year end based on historical data regarding patterns of redemption and expiry. Movements in the provision are recognised in the Consolidated Statement of Profit or loss ('breakage') in proportion to the redemption patterns experienced on vouchers and corporate gifted cards, with deferred elements held within Deferred income. We focused on this area due to the significance of the carrying values of the provisions being assessed and the sensitivity of these balances to changes in the estimated rates of non-redemption, which could lead to manipulation by management. This risk is unchanged from the previous year.	We understood and assessed the design of key controls relating to the completeness of the provisions for vouchers and corporate gifted cards and the measurement of non-redemption income ('breakage'). We tested and relied upon the operation of controls relating to the processing of card transactions. We did not seek to rely on controls relating to voucher transactions. We compared the card provision to the underlying data of the total obligation, which is reported through the Group and third party applications, and investigated any large reconciling items. We obtained from management a reconciliation of the movement in the gross provision for unredeemed vouchers (before adjustments for service fees, breakage and discounting) to the value of vouchers dispatched in the period and the amounts that were redeemed. We tested the value of vouchers despatched and redeemed by agreeing a sample of these transactions to sales invoices and customer payments and to retailer settlements respectively. We assessed the estimates regarding the service fees that will be deducted from the payments to retailers on redemption by testing the assumed service fee rates for the largest retailers to signed contracts. We compared the participation by retailers in 2022 to the prior year and evaluated whether any significant changes had been appropriately reflected in the measurement of the voucher and card provisions and liability. We incorporated data analytics tools to test manual journal entries recorded against the provision for unredeemed vouchers and corporate gifted cards, investigating any that looked unusual. We performed cut-off procedures to ensure that vouchers and cards related to sales orders processed by the entity's IT application one day before and one day after the year end were included in or excluded from the provision as appropriate. We tested a sample of sales orders processed in March 2022 to ensure that the vouchers or cards were recorded in the liability at year end. We re-performed the calculation of vouchers and cards that are not expected to be redeemed to ensure that it had been computed accurately when applying management's assumptions. We tested the integrity of historic data used by management to calculate the forecast of vouchers and corporate gifted cards that will not be redeemed. We assessed management's assumptions relating to breakage by: • making enquiries of management to understand changes in breakage rates since prior year and their rationale; • considering the accuracy of management's forecasts applied in previous years by comparing them to actual rates of expiry; • comparing the trends in historic breakage rates that have now crystallised to the rates forecast by management on open vouchers and cards; and • using the knowledge gained from our analysis of historic rates of expiry to form our own estimates of breakage and conclude whether management's estimates were within an acceptable range. We reviewed the trend of redemption subsequent to the year end as part of our post balance sheet event procedures to ensure there were no contrary indicators against management's assumptions. We considered the impact that economic uncertainty might have on non-redemption income by stratifying each scheme/product type to consider how impacted voucher and corporate gifted card non-redemption might be as a result of a change in consumer behaviour. We obtained an independent, externally sourced discount rate which we applied in our calculation of discounted future cash flows relating to the settlement of vouchers and corporate gifted cards. We compared our discounted cash flows to the calculations performed by management. We reviewed for reasonableness the disclosure in the financial statements of policies and judgements regarding voucher and card provisions. We performed testing on the risk at three components covering 100% of the risk.	We concluded that: • the provisions for the redemption of vouchers and corporate gifted cards are materially appropriate; and • the estimates relating to the non-redemption of vouchers and corporate gifted cards have been prepared on a reasonable basis.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £419,000 (2021: £413,500), which is 5% (2021: 5%) of profit before tax and exceptional items (2021: normalised earnings over the past three years, where earnings were defined as profit before tax and exceptional impairments). We believe that profit before tax and exceptional items provides us with a consistent year-on-year basis for determining materiality and is the most relevant performance measure to the stakeholders of the entity. In the prior year, given the impact of Covid-19, it was concluded that a "normalised" measure was more appropriate as market conditions were fluctuating in a way that was not expected to continue.

We determined materiality for the parent Company to be £687,000 (2021: £883,000), which is 5% (2021: 5%) of total equity. We have not used profit before tax and exceptional items (as is used for the Group) as this business is not a trading company and thus a capital basis is considered more appropriate.

Starting basis	• Profit before tax of £5,643k
Adjustments	• Add back exceptional items of £2,744k
Materiality	• Profit before tax and exceptional items of £8,387k, being the materiality basis • Materiality of £419k (5% of materiality basis)

During the course of our audit, we reassessed initial materiality based on the final figures used per the financial statements and this led to no material change in our materiality levels.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was appropriately 50% (2021: 50%) of our planning materiality, namely £210k (2021: £207k). We have set performance materiality at this percentage due to our current and past experience of the audit where we have concluded a higher risk of misstatements, both corrected and uncorrected.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £41,000 to £153,750 (2021: £40,994 to £153,729).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £21,000 (2021: £20,500), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 45, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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 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.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities set out on page 42, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors 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 for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the financial reporting framework (UK adopted international accounting standards), Companies Act 2006 and other relevant reporting frameworks, AIM Rules, Financial Conduct Authority ("FCA") Listing Rules (including E-monies Regulation) and UK Tax Legislation.
- We understood how Appreciate Group plc is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes and papers provided to the Audit Committee, as well as observation in Audit Committee meetings and consideration of the results of our audit procedures across the Group. We also obtained and reviewed the latest correspondence with the FCA.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by assessing the risk of fraud absent of controls, and then identifying controls which are in place at the entity level and whether the design of those controls is sufficient for the prevention and detection of fraud, utilising internal and external information to perform our fraud risk assessment. We considered the risk of fraud through management override and considered the design and implementation of controls at the financial statement level to prevent this, as well as incorporating data analytics across manual journal entries into our audit approach, which was designed to provide reasonable assurance that the financial statements were free from material fraud and error. We performed procedures to address each identified fraud risk, including with respect to the key audit matters identified above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business; enquiries of in-house legal counsel, compliance officer, and management and obtaining legal confirmations. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards and UK legislation.
- One of the Group's subsidiaries is regulated by the FCA. We have reviewed the correspondence and submissions to the FCA alongside assessing the control environment and any impact that regulatory matters might have on the financial statements, including management's commentary within Other Information, principally within Principal Risks and Uncertainties on page 27 and Corporate Governance on pages 39 to 40.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud *continued*

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Jennifer Hazlehurst
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Liverpool
28 June 2022

Financial Statements

Notes to the accounts

Consolidated Statement of Profit or Loss

For the year to 31 March 2022

	Notes	Underlying^ 2022 £'000	Exceptional items 2022 £'000	Total 2022 £'000	Underlying^ 2021 £'000	Exceptional items Restated* 2021 £'000	Total Restated* 2021 £'000
Billings		**385,840**	**–**	**385,840**	406,532	–	406,532
Revenue							
Goods – Single retailer redemption products		**83,370**	**–**	**83,370**	78,154	–	78,154
Other goods		**102**	**–**	**102**	259	–	259
Services – Multi-retailer redemption products		**38,148**	**–**	**38,148**	24,736	–	24,736
Other services		**1,645**	**–**	**1,645**	3,509	–	3,509
Other		**–**	**–**	**–**	147	–	147
	1	**123,265**	**–**	**123,265**	106,805	–	106,805
Cost of sales		**(91,832)**	**–**	**(91,832)**	(82,055)	(414)	(82,469)
Gross profit		**31,433**	**–**	**31,433**	24,750	(414)	24,336
Distribution costs		**(1,637)**	**–**	**(1,637)**	(1,784)	–	(1,784)
Administrative expenses		**(21,337)**	**(2,744)**	**(24,081)**	(21,070)	(2,042)	(23,112)
Operating profit/(loss)		**8,459**	**(2,744)**	**5,715**	1,896	(2,456)	(560)
Finance income	3	**379**	**–**	**379**	783	–	783
Finance costs	3	**(451)**	**–**	**(451)**	(360)	–	(360)
Profit/(loss) before taxation	1, 2	**8,387**	**(2,744)**	**5,643**	2,319	(2,456)	(137)
Taxation	4	**(1,932)**	**681**	**(1,251)**	(643)	505	(138)
Profit/(loss) for the year attributable to equity holders of the parent		**6,455**	**(2,063)**	**4,392**	1,676	(1,951)	(275)
Earnings per share (p) (note 5)							
– basic		**3.46p**		**2.36p**	0.90p		(0.15p)
– diluted		**3.46p**		**2.35p**	0.90p		(0.15p)

All activities derive from continuing operations.

^Underlying represents the results before exceptional items. See the Statement of significant accounting policies for further details.
* The 2021 results have been restated as set out in the Statement of significant accounting policies.

Consolidated Statement of Comprehensive Income

For the year to 31 March 2022

	Notes	2022 £'000	Restated* 2021 £'000
Profit/(loss) for the year		**4,392**	(275)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit pension schemes	19	**868**	(2,146)
Deferred tax on defined benefit pension schemes	4	**(114)**	408
		754	(1,738)
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation differences		**5**	3
Other comprehensive income/(expense) for the year net of tax		**759**	(1,735)
Total comprehensive income/(expense) for the year attributable to equity holders of the parent		**5,151**	(2,010)

* The 2021 results have been restated as set out in the Statement of significant accounting policies.

Statements of Financial Position

As at 31 March 2022

Registration number: 1711939

	Notes	Consolidated 2022 £'000	Consolidated Restated* 2021 £'000	Consolidated Restated* 1 April 2020 £'000	Company 2022 £'000	Company 2021 £'000
Assets						
Non-current assets						
Goodwill	6	**505**	582	800	**–**	–
Other intangible assets	7	**6,937**	6,503	3,789	**9**	23
Investments	8	**–**	–	–	**7,963**	7,963
Property, plant and equipment	9	**1,761**	2,188	2,662	**76**	175
Right-of-use assets	18	**3,994**	4,373	3,799	**–**	–
Retirement benefit asset	19	**1,327**	490	2,610	**2,046**	1,938
		14,524	14,136	13,660	**10,094**	10,099
Current assets						
Inventories	11	**5,201**	3,638	2,840	**–**	–
Trade and other receivables	12	**11,928**	11,405	9,457	**1,836**	22,707
Tax receivable		**745**	738	266	**–**	–
Monies held in trust	13	**119,537**	132,054	102,693	**–**	–
Cash	14	**20,842**	31,415	29,632	**20,124**	32,501
		158,253	179,250	144,888	**21,960**	55,208
Assets classified as held for sale	15	**–**	–	3,153	**–**	–
Total assets		**172,777**	193,386	161,701	**32,054**	65,307
Liabilities						
Current liabilities						
Bank overdraft	16	**(660)**	–	–	**–**	–
Trade payables	16	**(52,036)**	(52,776)	(57,150)	**–**	–
Payables in respect of cards and vouchers	16	**(22,035)**	(25,302)	(17,060)	**–**	–
Deferred income	16	**(7,816)**	(11,152)	(7,359)	**–**	–
Other payables	16	**(6,102)**	(7,040)	(5,294)	**(17,947)**	(47,402)
Provisions	17	**(61,507)**	(77,915)	(53,802)	**–**	–
		(150,156)	(174,185)	(140,665)	**(17,947)**	(47,402)
Non-current liabilities						
Deferred tax liability	10	**(66)**	(28)	(634)	**(368)**	(259)
Long-term lease liabilities	16	**(4,500)**	(4,666)	(4,132)	**–**	–
		(4,566)	(4,694)	(4,766)	**(368)**	(259)
Total liabilities		**(154,722)**	(178,879)	(145,431)	**(18,315)**	(47,661)
Net assets		**18,055**	14,507	16,270	**13,739**	17,646
Equity attributable to equity holders of the parent						
Share capital	21.a	**3,727**	3,727	3,727	**3,727**	3,727
Share premium		**6,470**	6,470	6,470	**6,470**	6,470
Retained earnings		**8,169**	4,621	6,384	**3,542**	7,449
Other reserves		**(311)**	(311)	(311)	**–**	–
Total equity		**18,055**	14,507	16,270	**13,739**	17,646

The Company reported a loss for the financial year ended 31 March 2022 of £2,357,000 (2021 loss: £2,233,000).

* The 2021 results have been restated as set out in the Statement of significant accounting policies.
** The 2020 results have been restated as set out in the Statement of significant accounting policies.

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2022 and were signed on its behalf by:

I O'Doherty
Chief Executive Officer

Consolidated Statement of Changes in Equity

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2021 (Restated)*		3,727	6,470	(311)	4,621	14,507
Total comprehensive income for the year						
Profit for the year		–	–	–	4,392	4,392
Total other comprehensive income		–	–	–	759	759
Total comprehensive income for the year		–	–	–	5,151	5,151
Transactions with owners, recorded directly in equity						
Dividends	22	–	–	–	(1,863)	(1,863)
Equity-settled share-based payment transactions	21.b	–	–	–	260	260
Total contributions by and distribution to owners		–	–	–	(1,603)	(1,603)
Balance at 31 March 2022		**3,727**	**6,470**	**(311)**	**8,169**	**18,055**
Balance at 1 April 2020 as originally reported		3,727	6,470	(311)	8,461	18,347
Restatement**		–	–	–	(2,077)	(2,077)
Restated balance as at 1 April 2020**		3,727	6,470	(311)	6,384	16,270
Total comprehensive loss for the year						
Loss for the year (Restated)*		–	–	–	(275)	(275)
Total other comprehensive expense (Restated)*		–	–	–	(1,735)	(1,735)
Total comprehensive loss for the year (Restated)*		–	–	–	(2,010)	(2,010)
Transactions with owners, recorded directly in equity						
Equity settled share-based payment transactions	21.b	–	–	–	247	247
Total contributions by and distribution to owners		–	–	–	247	247
Balance at 31 March 2021 (Restated)*		3,727	6,470	(311)	4,621	14,507

Other reserves relate to the acquisition of the minority interest in a subsidiary.

* The 2021 results have been restated as set out in the Statement of significant accounting policies.
** The 2020 results have been restated as set out in the Statement of significant accounting policies.

Company Statement of Changes in Equity

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2021		3,727	6,470	7,449	17,646
Total comprehensive loss for the year					
Loss for the year		–	–	(2,357)	(2,357)
Total other comprehensive income		–	–	53	53
Total comprehensive loss for the year		–	–	(2,304)	(2,304)
Transactions with owners, recorded directly in equity					
Dividends	22	–	–	(1,863)	(1,863)
Equity-settled share-based payment transactions	21.b	–	–	260	260
Total contributions by and distribution to owners		–	–	(1,603)	(1,603)
Balance at 31 March 2022		**3,727**	**6,470**	**3,542**	**13,739**
Balance at 1 April 2020		3,727	6,470	9,510	19,707
Total comprehensive loss for the year					
Loss for the year		–	–	(2,233)	(2,233)
Total other comprehensive expense		–	–	(75)	(75)
Total comprehensive loss for the year		–	–	(2,308)	(2,308)
Transactions with owners, recorded directly in equity					
Equity-settled share-based payment transactions	21.b	–	–	247	247
Total contributions by and distribution to owners		–	–	247	247
Balance at 31 March 2021		3,727	6,470	7,449	17,646

Statements of Cash Flows

For the Year to 31 March 2022

	Notes	Consolidated 2022 £'000	Consolidated Restated* 2021 £'000	Company 2022 £'000	Company 2021 £'000
Cash flows from operating activities					
Cash (used in)/generated from operations	23	**(5,844)**	3,528	**(9,125)**	4,198
Interest received		**648**	784	**17**	78
Interest paid		**(107)**	(351)	**–**	–
Tax paid		**(1,334)**	(599)	**(1,406)**	(599)
Net cash (used in)/generated from operating activities		**(6,637)**	3,362	**(10,514)**	3,677
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**–**	6	**–**	5
Proceeds from sale of assets held for sale	15	**94**	3,116	**–**	–
Proceeds from sale of investments		**–**	–	**–**	50
Purchase of intangible assets		**(2,192)**	(3,774)	**–**	–
Purchase of property, plant and equipment		**(30)**	(585)	**–**	–
Net cash (used in)/generated from investing activities		**(2,128)**	(1,237)	**–**	55
Cash flows from financing activities					
Payment of lease liabilities		**(605)**	(342)	**–**	–
Dividends paid to shareholders		**(1,863)**	–	**(1,863)**	–
Net cash used in financing activities		**(2,468)**	(342)	**(1,863)**	–
Net (decrease)/increase in cash and cash equivalents		**(11,233)**	1,783	**(12,377)**	3,732
Cash and cash equivalents at beginning of period		**31,415**	29,632	**32,501**	28,769
Cash and cash equivalents at end of period		**20,182**	31,415	**20,124**	32,501
Cash and cash equivalents comprise:					
Cash	14	**20,842**	31,415	**20,124**	32,501
Bank overdrafts	16	**(660)**	–	**–**	–
Cash and cash equivalents at end of period		**20,182**	31,415	**20,124**	32,501

* The 2021 results have been restated as set out in the Statement of significant accounting policies.

Notes to the Accounts

For the Year Ended 31 March 2022

Statement of significant accounting policies

Basis of preparation

The Group and parent Company financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the Companies Act 2006.

Appreciate Group plc is a company limited by shares and is incorporated and domiciled in the United Kingdom. It is listed on AIM and details of the registered office and registration number are given on page 102.

The financial statements have been prepared under the historical cost convention. The Group and Company financial statements are presented in sterling, which is also the functional currency of the parent Company. All values are rounded to the nearest thousand (£'000) except where otherwise stated.

The accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and by all Group entities.

In preparing the financial statements, the Group has considered the impact of risks of climate change and concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 31 March 2022.

The exceptional items have been shown on the face of the profit and loss account as a separate column. This has no impact on the gross profit, operating profit or profit before tax amounts for FY21.

Going concern

The financial statements are prepared on a going concern basis.

The Group and Company's ability to continue as a going concern is dependent on maintaining adequate levels of liquidity and ensuring covenant compliance to continue to operate for the going concern assessment period to 30 November 2023 (the "Going Concern period").
When assessing the going concern of the Group, the directors have reviewed the year to date financial results, and have modelled management's best estimate of financial results for the Going Concern period, which is based on the Board-approved budget and five-year plan.

Liquidity and financing

At 31 March 2022, the Group held instantly accessible cash and cash equivalents of £20.2m (excluding monies held in trust). The Group also has access to a £15m revolving credit facility ("RCF") that is available until August 2025. A further £10m of uncommitted funds is available via an accordion facility attached to the RCF however this is uncommitted. The Group has not drawn down on the facility throughout FY22 or in the subsequent months, including and up to the date of these financial statements.

The Group is required to comply with covenants attached to the RCF. These covenants are:

- Interest Cover (the ratio of EBITDA to Finance Charges) in respect of any relevant period ending on or after 31 March 2021 shall not be less than 4.0:1.
- Adjusted Leverage (the ratio of Total Net Debt to Adjusted EBITDA) in respect of any relevant period ending on or after 30 September 2020 must not exceed 3.0:1.
- PPPT Balance (the ratio of PPPT Balance to Monies in Advance Balance) on each Quarter Date shall not be less than 1.0:1.

Approach to forecasting and sensitivities

The Group has taken a measured approach to its forecast. With Covid-19 restrictions now removed across the country, the Group has seen a return to a more normal trading pattern, which is also reflected in the results for FY22. Key assumptions in the plan, which models free cash available for use in the business, are:

1) Billings – Modest year-on-year growth driven by our Corporate business.
2) Cost base – Assumed reduction from FY22 cost base due to known savings.
3) Non-redemption – Rate of redemption is in line with current experience in FY22, with a level of overall non-redemption forecast to be in line with current trends observed in FY22.
4) Product mix – The base case assumes a modest decline in paper billings versus FY22 actuals, with a corresponding increase across card, digital and single store product billings in line with the Group's strategy.
5) Capital expenditure – In line with spend in FY22.
6) Completion of an acquisition in FY23. It is assumed that the post-acquisition costs will be net neutral during the Going Concern period. For details, please see note 27.

While the forecasting uncertainties associated with Covid-19 have eased, the Board acknowledges the uncertainty presented by the macroeconomic indicators, including but not limited to the ongoing conflict in Ukraine and the cost of living crisis. Consequently, while the Board believes the base model used in the assessment is robust and achievable, a series of severe-but-plausible downside scenarios have also been considered as follows:

1) Reduction of 5% on Christmas Savers billings in FY23 and an additional 20% in the remaining period. Our order book for Christmas 2022 is secured and historic attrition rates considered within our base case. This 5% reduction provides a further sensitivity to our historic attrition rates on the secured order book.
2) Scenario one above and no growth on FY22 across both Engagement and Gifting.
3) Scenario one above and a 5% decline across both Engagement and Gifting as compared to FY22 actuals.
4) A 15% uplift on current spend rates on unregulated products and a 15% reduction in spend rates across regulated products.
5) A shift in product mix with 15% of unregulated products moving to regulated products.
6) A combined sensitivity covering scenarios 3, 4 and 5.

Notes to the Accounts continued

For the Year Ended 31 March 2022

Statement of significant accounting policies continued

In the base model and across each of the additional six sensitivities, the Group will have adequate headroom on the available liquidity position, and will remain compliant with all banking covenants throughout the Going Concern period. The lowest liquidity headroom across all scenarios will be observed in September 2023 in the combined scenario (scenario six) of £6m without any mitigation – this is deemed to be remote.

Management has also performed a reverse stress test which shows that it will take a sustained reduction of 32% in billings across all channels in the Going Concern period against the base case model to breach the RCF covenant in September 2023. Liquidity however is not breached at this point. Subject to receiving relief on covenant requirements, it will take a sustained reduction of 52% in billings across all channels in the Going Concern period for the business to breach its liquidity model in September 2023. The directors consider these scenarios to be remote based on past experience and recent trading.

In all of the aforementioned scenarios, including the reverse stress test, management has not taken any mitigating actions into consideration. The Group however does have several mitigating actions under its control including minimising capital expenditure to critical requirements, reducing levels of discretionary spend including bonus payments, rationalising its overhead base and curtailing future dividend payments which, although not forecast to be required, could be implemented in order to be able to meet the covenant tests and to continue to operate within borrowing facility limits.

Conclusion

Having carefully considered the base case, downside scenarios, reverse stress test, and trends since the year end, as well as the £15m committed RCF, the directors have a reasonable expectation that the Group and Company have adequate resources to enable them to continue in operational existence for the period to 30 November 2023. Accordingly, the directors continue to adopt the going concern basis of accounting in preparing the Group and Company financial statements.

New standards, interpretations and amendments adopted

The following amendments and interpretations apply for the first time in 2022, but have not had a material impact on the Financial Statements of the Group:

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021

New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Group. None of these are expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions. Below is a list of new standards which will be effective in future periods:

- Amendments to IFRS 3 Reference to the Conceptual Framework***
- Amendments to IAS 16 Property, Plant and Equipment (Proceeds before intended use)***
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, and IAS 41 Agriculture)***
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current****
- Amendments to IAS 8 Definition of Accounting Estimates****
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies****
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction****
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture****

*** Effective for annual periods beginning on or after 1 January 2022
**** Effective for annual periods beginning on or after 1 January 2023

Prior year restatement

The Statements of Financial Position for 31 March 2021 and 1 April 2020 have been restated. The table below summarises the changes made (all amounts in £'000).

	31 March 2021				1 April 2020			
	Previously reported	SaaS impact	Pension impact	Restated	Previously reported	SaaS impact	Pension impact	Restated
Other intangible assets	8,861	(2,358)	–	6,503	4,757	(968)	–	3,789
Retirement benefit asset/(obligation)	2,086	–	(1,596)	490	4,206	–	(1,596)	2,610
Deferred tax liability	(779)	448	303	(28)	(1,121)	184	303	(634)
Retained earnings	7,824	(1,910)	(1,293)	4,621	8,461	(784)	(1,293)	6,384

Details of the changes are included in the proceeding paragraphs.

Notes to the Accounts continued
For the Year Ended 31 March 2022

Statement of significant accounting policies continued
1) Change in accounting policy – Software as a Service ("SaaS") arrangements
Following the IFRS Interpretations Committee (IFRIC) agenda decision published in 2021, the Group has reviewed its accounting policy regarding the configuration and customisation costs incurred in implementing SaaS arrangements.

SaaS arrangements are arrangements in which the Group does not control the underlying software used in the arrangement.

The Group's revised policy is as follows:
- Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefit flowing from the underlying resource and to restrict the access of others to those benefits, such costs are capitalised as separate software intangible assets and amortised over the useful life of the software on a straight-line basis.
- Where costs incurred to configure or customise do not result in the recognition of an intangible software asset then those costs that provide the Group with a distinct service (in addition to the SaaS access) are recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are expensed as incurred. Costs are included within exceptional items in the Consolidated Statement of Profit or Loss if they relate to significant strategic projects and are considered to meet the Group's definition of exceptional items.

Previously some configuration and customisation costs relating to SaaS arrangements, which did not result in a separately identifiable software intangible assets, had been capitalised.

The change in accounting policy has been retrospectively applied, resulting in a restatement to previously reported numbers. The impact on the Consolidated Statement of Profit or Loss for 31 March 2021 is an increase in exceptional administrative expense of £1,390k and a decrease in tax charge of £264k, resulting in a net change in profit after tax of £1,126k. The impact of change in accounting policy for FY22 is included in the Segmental note (note 1).

The basic and diluted earnings per share for the year ended March 2021 has been restated from 0.46p per share to a loss of 0.15p per share, resulting in an impact of 0.61p per share in basic and diluted loss per share from continuing operations.

The impact on the Consolidated Statement of Cash Flows is an increase in the net cash inflow from investing activities of £1,390k (due to a reduction in the purchase of other intangibles) and a decrease in the net cash used in operating activities of £1,390k, with no change in the overall increase in cash and cash equivalents in the year.

2) Retrospective restatement of incorrect valuation of retirement benefit obligation
Since FY11 (restated in FY12) financial statements, Park Group Pension Scheme (PGPS) members' deferred benefits, for all relevant years past and present, have been revalued in line with the Consumer Prices Index ("CPI"). Prior to that the FY10 financial year statements used the Retail Prices Index ("RPI") as the basis for deferred revaluation under the PGPS. This change to the revaluation index arose because of a change in scheme rules in 2007 that aligned the revaluation requirements with statutory minimum revaluation at the time and then a subsequent change in 2011 in the statutory minimum basis itself which changed from RPI to CPI.

The Group received legal advice in 2011 which was considered to support the change in indexation assumption that was disclosed in the FY12 financial statements. However, during the current year, a matter was raised by a member to the Trustees which indicated that the change described above was potentially incorrect in how it revalued deferred pensions at that time. Management has since sought further legal and pension advice in the year and have also consulted with the Trustees. Based on this, while the matter itself remains unresolved, it is considered probable that the change made in FY11 was based on an incorrect application of RPI and CPI. This would mean that certain deferred benefits relating to pensionable service during a particular time period may need to be uplifted. As a result, the pension liability has been recalculated using adjusted indexation assumptions after taking into account the likely change. The ultimate decision whether the change has to be made will be taken by the Trustees.

Given this change relates to 2011 and the years following, and arose because of potentially incorrect assumption and legal advice received at the time, this has resulted in the restatement of previously reported balances. The impact on the Statement of Financial Position and Equity is a reduction in Retirement Benefit Asset and Retained Earnings of £1.6m at 1 April 2020 and at 31 March 2021. There is no impact on the Consolidated Statement of Profit or Loss or in the Consolidated Statement of Cash Flows.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

Subsidiaries are entities controlled by the investor. Control is achieved when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The results of a subsidiary undertaking are included in the consolidated financial statements from the date that control commences until the date that control ceases. All subsidiaries share the same reporting date and are based on consistent accounting policies. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

Notes to the Accounts continued

For the Year Ended 31 March 2022

Statement of significant accounting policies continued

Intra-group balances, and any unrealised gains or losses or income and expenses arising from intra-group transactions, are eliminated on consolidation.

Generally, there is a presumption that a majority of voting rights results in control. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

As permitted by section 408 of the Companies Act 2006, the statement of profit or loss of the parent Company has not been separately presented. The profit of the parent Company is shown in a footnote to its statement of financial position.

Business combinations

A business combination is recognised where separate entities or businesses have been acquired by the Group.

The acquisition method of accounting is used to account for the business combinations made by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Where the consideration includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the cost of the acquisition. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the Group's share of the identifiable net assets of the subsidiary acquired, the difference is taken immediately to the statement of profit or loss.

Segmental reporting

An operating segment is a distinguishable component of an entity about which separate financial information is available that is evaluated regularly by management in deciding how to allocate resources and in assessing performance. Provided certain quantitative and qualitative criteria are fulfilled, IFRS 8 Operating Segments permits the aggregation of those components into reportable segments for the purposes of disclosure in the Group's financial statements. In assessing the Group's reportable segments, the directors have had regard to the nature of the products offered and the client bases amongst other factors. The operating segments as set out in note 1 are consistent with the internal reporting provided to the chief operating decision maker. For the purposes of IFRS 8 the chief operating decision maker has been identified as the executive members of the Board of directors. All inter-segment transfers are carried out at arm's length prices.

The Group operates in one geographical segment, being the UK. The Group operations in the Eurozone are immaterial to the results and assets of the Group in the year ended 31 March 2022 (31 March 2021 – same).

Revenue from contracts with customers

The Group recognises revenue from contracts with customers when control over the goods and services is transferred to the customer. Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services, net of VAT, rebates and discounts.

The Group is a principal if it controls the promised good or service before transferring it to the customer. The Group is an agent if its role is to arrange for another entity to provide the good or service. The Group acts as an agent in the sale of multi-retailer redemption products and travel agency services and therefore fees that are retained for its agency service are recorded in revenue on a net basis. For all other products and services, the Group acts as a principal and revenues are recorded on a gross basis.

As described below, the majority of revenues are recognised at a point in time. For multi-retailer redemption products, revenue is recognised when the products are redeemed; for single retailer redemption products and other goods, revenue is recognised when the products are received by the customer. Revenue for other services is recognised over time or at a point in time depending on the nature of the revenue stream, as described further in (ii) below.

The Group's multi-retailer redemption products may be partially or fully redeemed, and the unused amount (i.e. the non-refundable unredeemed or unspent funds on a voucher, card or e-code at expiry) is referred to as non-redemption income. Where the end user has no right of refund (corporate gifted cards), the Group may expect to earn a non-redemption income amount and this is recognised as revenue in proportion to the actual timing of redemptions. Where the customer has the right of refund, non-redemption income is recognised as revenue when the card has expired and the right of refund has lapsed.

Significant accounting judgements and estimates relating to revenue are described on pages 73 to 74.

Notes to the Accounts continued

For the Year Ended 31 March 2022

Statement of significant accounting policies continued

The Group's primary revenue streams are as follows:

1. Services – multi-retailer redemption products
   a) Love2shop vouchers
   b) flexecash® cards and e-codes
   c) Mastercards

2. Goods – single retailer redemption products
   a) third party vouchers, cards and e-codes

3. Other services
   a) brand engagement
   b) packing
   c) collection and delivery
   d) travel agency
   e) other services

Customers are offered standard business credit terms or pay in advance for their products and services.

For multi-retailer redemption products, the Group recognises revenue for service fees, card holder fees and non-redemption income.

The Group has contractual relationships with each of the redeemers. The Group earns a service fee from the redeemer when a consumer redeems their voucher, card or e-code with that redeemer.

Card holder fees are earned for services provided to cardholders such as issue, dealing with lost/stolen/damaged cards and maintenance.

(i) Principal and Agent

Under IFRS 15, the Group is a principal (and records revenue on a gross basis) if it controls the promised good or service before transferring it to the customer.

The Group is an agent (and records as revenue the net amount that it retains for its agency services) if its role is to arrange for another entity to provide the good or service.

	Revenue stream	Principal/ Agent	Gross/net revenue	Revenue based on
1a)	Love2shop vouchers	Agent	Net	Service fees received from redeemers
1b)	flexecash® cards and e-codes	Agent	Net	Service fees received from redeemers
1c)	Mastercards	Agent	Net	Service fees received from redeemers
2a)	Third party vouchers, cards and e-codes	Principal	Gross	Values invoiced to external customers for goods
3a)	Brand engagement	Principal	Gross	Values invoiced to external customers for goods
3b)	Packing	Principal	Gross	Values invoiced to external customers for goods
3c)	Collection and delivery	Principal	Gross	Values invoiced to external customers for goods
3d)	Travel agency	Agent	Net	Agent's commission received
3e)	Other services	Principal	Gross	Values invoiced to external customers for services

For multi-retailer redemption products, in addition to the service fees noted above, the Group also earns cardholder fees and non-redemption income as follows:

	Revenue stream	Principal/ Agent	Gross/net revenue	Revenue based on
1.	Cardholder fees	Principal	Gross	Changes levied
2.	Non-redemption income	Principal	Gross	Non-refundable unredeemed funds

For all revenue streams, intra-group sales are eliminated and revenue is recorded net of VAT, rebates and discounts.

Notes to the Accounts continued

For the Year Ended 31 March 2022

Statement of significant accounting policies continued

(ii) Timing of revenue recognition

Under IFRS 15, revenue is recognised when (or as) an entity satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control.

	Revenue stream	Revenue recognised
1a)	Love2shop vouchers	Service fees – when product is redeemed.
		Non-redemption income – in proportion to actual redemption timing.
1b)	flexecash® cards and e-codes	Service fees – when product is redeemed.
		Card holder fees – when fees are levied.
		Non-redemption income (where end user has no right of refund) – in proportion to actual redemption timing.
		Non-redemption income (where end user has the right of refund) – when product has expired and the right of refund has lapsed.
1c)	Mastercards	Service fees – when product is redeemed.
		Cardholder fees – when fees are levied.
		Non-redemption income (where end user has no right of refund) – in proportion to actual redemption timing.
		Non-redemption income (where end user has the right of refund) – when product has expired and the right of refund has lapsed.
2a)	Third party vouchers, cards and e-codes	When the customer obtains control of the goods – usually the date on which they are received by the customer.

	Revenue stream	Revenue recognised
3a)	Brand engagement	Over time. As the services provided are unique to each client, the Group's performance creates an asset with no alternative use to the Group. Additionally, the Group has an enforceable right to payment for work performed. Revenue continues to be recognised using input methods, as this is the measure of progress which most faithfully depicts the Group's performance towards complete satisfaction of the performance obligation. The majority of projects are less than 12 months in duration.
3b)	Packing	When the customer obtains control of the service – usually the date on which they are received by the customer.
3c)	Collection and delivery	When the customer obtains control of the service – usually the date on which they are received by the customer.
3d)	Travel agency	When the commission is paid by the third party agent.
3e)	Other services	When the customer obtains control of the service – usually the date on which they are received by the customer.

Travel commission represents variable consideration contingent on future events (as travel plans can be changed or cancelled after the original booking date). Accordingly, the Group does not recognise revenue until it is highly probable that a significant reversal in the amount of cumulative revenue will not occur.

Notes to the Accounts continued

For the Year Ended 31 March 2022

Statement of significant accounting policies continued

Under IFRS 15, certain costs related to discounts and commissions are recognised as follows:

Cost	Timing of recognition
Discounts for multi-retailer redemption products provided to corporate clients	In proportion to actual redemption timing.
Commission rewards for multi-retailer redemption products	In proportion to actual redemption timing.

(iii) Presentation and disclosure

Under IFRS 15, the below items are presented as follows:

	Presentation
Non-redemption income on multi-retailer redemption products	Presented as revenue in the Statement of Profit or Loss.
Deferred revenue (contract liabilities) for multi-retailer redemption products – service fees	Presented as deferred income in the Statement of Financial Position for vouchers, cards and e-codes.
Deferred revenue for multi-retailer redemption products – non-redemption income	Presented as deferred income in the Statement of Financial Position for vouchers, cards and e-codes.
Discounts	Discounts form part of the transaction price and are therefore presented as deductions from revenue in the Statement of Profit or Loss.
Deferred discounts for multi-retailer redemption products	Netted against deferred income in the Statement of Financial Position for vouchers, cards and e-codes.
Agents' commission	Incremental cost of obtaining customer contracts, presented in cost of sales in the Statement of Profit or Loss and in prepayments in the Statement of Financial Position.
Deferred agents' commission for multi-retailer redemption products	Commission costs for multi-retailer redemption products are included in prepayments in the Statement of Financial Position.

Prepaid costs and deferred income are not discounted to take into account the expected timing of redemption as the impact is not considered to be material. This is due to the fact that over 85% of multi-retailer redemption products are redeemed within 12 months of issue.

Contract balances

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of that consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. Contract liabilities are presented as deferred income within trade and other payables.

Billings

Billings represents the value of goods and services shipped and invoiced to customers during the year and is recorded net of VAT, rebates and discounts. Billings is an alternative performance measure, which the directors believe provides a more meaningful measure of the level of activity of the Group than revenue. This is due to revenue from multi-retailer redemption products being reported on a 'net' basis, whilst revenue from single retailer redemption products and other goods are reported on a 'gross' basis.

The reconciliation between billings and revenue are as follows:

	2022 £'000	2021 £'000
Billings	**385,840**	406,532
Multi-retailer redemption products – gross to net revenue recognition	**(265,758)**	(295,816)
Timing of revenue recognition	**3,183**	(3,911)
Revenue	**123,265**	106,805

Operating profit/(loss)

Operating profit/(loss) is reported as profit before taxation and finance income and costs; but after distribution costs and administrative expenses.

Notes to the Accounts continued

For the Year Ended 31 March 2022

Statement of significant accounting policies continued

Finance income and costs

Finance income comprises the returns generated on cash and cash equivalents, other financial assets, leases for which the Group is the lessor, and monies held in trust, and is recognised as it accrues.

Finance costs comprise the interest on external borrowings and lease liabilities, facility and arrangement fees and costs of obtaining external finance and are recognised as they accrue.

Goodwill

Goodwill arising on acquisition represents the difference between the consideration and the fair value of net assets acquired. Goodwill is not amortised, but is reviewed annually for impairment and whenever events or changes in circumstances indicate that the carrying value of the goodwill may not be recoverable. Goodwill in existence at 1 April 2004, the date of transition to IFRS for the Group, is carried in the statement of financial position as deemed cost less accumulated impairment losses at that date.

Impairment of property, plant and equipment and intangibles

At each reporting date, the Group reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Intangible assets with indefinite lives, such as goodwill, are tested annually for impairment. All other assets subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In addition, assets not yet in use are also reviewed for any impairment. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Value in use is calculated using cash flows derived from budgets and projections approved by the Board which are discounted at the Group's risk-adjusted weighted cost of capital calculated from equity market data and borrowing rates.

Testing is performed at the level of a cash-generating unit (CGU) in order to compare the CGU's recoverable amount against its carrying value. Goodwill and intangible assets, i.e. customer lists, are allocated to CGUs based on past acquisitions of Christmas savings club brands and customer lists. Whilst these are not operating segments, as management do not manage and review the business at this level, information is available to enable the assets to be tested for impairment at this level.

Any impairment is recognised immediately through the statement of profit or loss. Impairment losses are reversed if there is evidence of an increase in the recoverable amount of a previously impaired asset, but only to the extent that the recoverable amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Impairments in respect of goodwill are not subsequently reversed.

Other intangible assets

Purchased software

Acquired software licences are capitalised at cost and are amortised on a straight-line basis over their anticipated useful life, which is 3 to 5 years.

Software development

Costs that are directly associated with the creation of identifiable software, which meet the development asset recognition criteria as laid out in IAS 38 Intangible Assets, are recognised as intangible assets. Direct costs include the employment costs of staff directly involved in specific software development projects and external consultancy fees.

All other software development and maintenance costs are recognised as an expense as incurred.

Computer software development costs recognised as assets are amortised over their anticipated useful lives of between 3 and 10 years on a straight-line basis. Amortisation begins on the date the asset is completed.

Included in the Intangibles Asset balance is an asset of £4.6m that represents the implementation of a new ERP system that will replace our back office systems with a robust and scalable platform that will permit development of added value services. The ERP system went live during the year.

Customer lists

Customer lists acquired are included at cost less accumulated amortisation and impairment. They are amortised over their useful life of up to 10 years based on the pattern of forecast cash flows to be generated.

Investments

Investments are stated at cost less any provision for impairment in their value. Impairment is calculated based on lower of cost or recoverable amount, determined with reference to the higher of fair value less cost of disposal and value in use.

Notes to the Accounts continued
For the Year Ended 31 March 2022

Statement of significant accounting policies continued
Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost represents expenditure that is directly attributable to the purchase of the asset.

Depreciation is charged on a straight-line basis, so as to write off the costs of assets less their residual values over their estimated useful lives, on the following basis:

Freehold land	nil
Freehold buildings	2-2.5%
Leasehold improvements	over term of the lease or the useful economic life of between 3 and 15 years, whichever is lower
Short leasehold	over unexpired term of lease
Fixtures and equipment	10-20%
Motor vehicles	20%

The assets' estimated useful lives, depreciation rates and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying value is written down immediately to its recoverable amount if its carrying value is greater than its recoverable amount.

The gain or loss arising on disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

Assets held for sale
On initial classification as held for sale, assets are measured at the lower of their present carrying amount and the fair value less costs to sell, with any adjustments taken to the statement of profit or loss. These assets are not depreciated.

Assets are classified as held for sale when they satisfy the following criteria:
- Management is committed to a plan to sell
- The asset is available for immediate sale
- An active programme to locate a buyer is initiated
- The sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions)
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- Actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined by the average purchase price. Finished goods and work in progress includes attributable production overheads. Net realisable value is based on estimated selling price in the ordinary course of the business less cost of disposal having regard to the age, saleability and condition of the inventory.

Financial instruments
Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group only holds financial assets that are classified as loans and receivables and are measured at amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Notes to the Accounts continued
For the Year Ended 31 March 2022

Statement of significant accounting policies continued
Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e. removed from the Group's statement of financial position) when:
- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement.

Trade and other receivables and contract assets
For trade and other receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, with lifetime expected credit losses (ECLs) recognised from initial recognition of the receivable or contract asset. These assets are assessed based on the Group's historical credit loss experience adjusted for forward-looking information. The Group uses historical trends to then apply this to an assessment of the likely credit losses in the future. The Group's experience has shown that aging of receivable balances is primarily due to normal collection process issues rather than increased likelihood of non-recoverability. At each reporting date, management reviews the carrying amount of its receivables and contract assets to determine whether there is any indication that those assets had suffered an impairment loss.

In respect of receivables from subsidiaries, management's assessment of the impact of IFRS 9 has focused on the change in IFRS 9 around ECLs on intercompany balances. The loans to the subsidiary companies are classified as repayable on demand. Management have considered the probability of default, the loss given default, when the borrower is not capable of repaying on demand, and the discount rate when calculating ECLs.

Monies held in trust
On 13 August 2007 a declaration of trust constituted the PPPT to hold agents' prepayments. Park Prepayments Trustee Company Limited, as trustee of the trust, holds this money on behalf of agents. The conditions of the release of this money to the Group are detailed in the trust deed, which is available at www.getpark.co.uk.

On 16 February 2010 a declaration of trust constituted the PCSET to hold the e-money float in accordance with regulatory requirements. The e-money float represents the value of the obligations of the Company to cardholders and redeemers. The liability in respect of deposits received on flexecash® cards, is held within trade payables and provisions.

Ring-fenced funds represent amounts segregated from Group cash balances and are in respect of monies held on cards which are not subject to regulatory requirements.

Monies held under the declaration of trust with the PPPT and the PCSET on behalf of customers, cardholders and redeemers, and ring-fenced funds are recognised on the statement of financial position as the Group has access to the interest on these monies and can, having met certain conditions, withdraw the funds. However, given the restrictions over these monies, the amounts held in trust and ring-fenced funds are not included in cash and cash equivalents for the purposes of the statement of cash flows.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand and deposits held with banks with short maturities of three months or less, however, the deposits can be accessed immediately if required. It is therefore considered appropriate that these deposits be classed as cash and cash equivalents. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. Cash balances and overdrafts are offset where the Group has the ability and intention to settle these balances on a net basis. For cash flow purposes, bank overdrafts are shown within cash and cash equivalents.

Financial liabilities

Non-derivative financial liabilities are classified as other financial liabilities. The Group's other financial liabilities comprise borrowings, trade and other payables. Other financial liabilities are carried at amortised cost using the effective interest method. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Trade and other payables
Trade and other payables are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method. The unspent balances on flexecash® cards and e-codes where the cardholder has the right of redemption are accounted for as a financial liability as required under IFRS 9, and are reported separately under trade and other payables.

Notes to the Accounts continued
For the Year Ended 31 March 2022

Statement of significant accounting policies continued
Provisions

Unredeemed vouchers and cards

Unredeemed vouchers and unspent balances on flexecash® cards and e-codes where the card holder does not have the right of refund (corporate gifted cards), are included at their present value at the date of recognition. This comprises the anticipated amounts payable to retailers on redemption, after applying an appropriate discount rate to take into account the expected timing of payments. Anticipated payments to retailers are assessed by reference to historical data as to voucher and card redemption rates and timings. The key estimates used in deriving the provision include the future service fees paid by retailers, interest rates used for discounting and the timing and amount of the future redemption of vouchers and cards. The future cash payments are discounted as required under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as the amounts are considered to be material. The service fee and non-redemption income associated with multi-retailer redemption products is deferred as described in the revenue recognition accounting policy.

Dilapidations

An amount is provided to cover the future cost of removing leasehold improvements and restoring the Group's leased offices to their previous condition. Per IAS 16, if an entity installs leasehold improvements that it is later obligated to remove, the obligating event is the installation of the leasehold improvements, and therefore the debit side of this provision is recorded as part of the leasehold improvements in the property, plant and equipment note.

Employee benefits

Retirement benefit obligation

The Group has both defined benefit and defined contribution pension plans. The assets of the defined benefit pension plans are held in separate trustee administered funds.

Defined benefit plan

The fair value of the plan assets less the present value of the defined benefit obligation is recognised in the statement of financial position as the retirement benefit asset, after applying the asset ceiling test. The limit on the recognition of a defined benefit pension asset is measured as the value of economic benefit available to the Group in the form of refunds or reductions in future contributions, in accordance with the rules of the pension schemes.

Regular valuations are prepared by independent professionally qualified actuaries on the projected unit credit method. The valuations are carried out every three years and updated on a yearly basis for accounting purposes. These determine the level of contribution required to fund the benefits set out in the rules of the plans and allow for the periodic increase of pensions in payment.

The schemes are closed to future accrual for years' service but pensions are still dependent on actual final salaries. Consequently, the Group may have an amendment in future where salary rises differ from those projected. For any related plan amendment, these are recognised immediately in the statement of profit or loss.

Remeasurements comprise actuarial gains and losses on the obligations and the return on scheme assets (excluding interest). They are recognised immediately in other comprehensive income in the Consolidated Statement of Comprehensive Income (SOCI). Net interest cost is calculated by applying the discount rate on liabilities to the net pension liability or asset (adjusted for cash flows over the accounting period) and is recognised within administrative expenses.

Defined contribution plans

For defined contribution plans, the Group pays contributions to privately administered pension plans on a contractual basis. The contributions are recognised as an employee benefit expense as they fall due.

Holiday pay

Provision is made for any holiday pay accrued by employees to the extent that the holiday entitlements accrued have not been taken at the period end.

Share-based payments

The Group operates a number of equity-settled share-based payment plans.

The expense is calculated as the fair value of the share options at the date of grant, using Monte Carlo simulation (LTIP and SGP awards), Black-Scholes formula (SAYE 2018) and the binomial method (SAYE 2015). A corresponding amount is recorded as an increase in equity. This expense is recognised on a straight-line basis over any relevant vesting period and is adjusted on a prospective basis at each period end for any changes in assumptions or estimates that relate to non-market conditions, taking into account the conditions existing at each year end. Where an employee fails to complete a specified service period, including termination of employment, the awards are considered to have been forfeited and the cumulative expense is reversed.

Own shares

The Group has an employee benefit trust used for the granting of shares to executives and certain employees. Own shares held are recognised at cost as a deduction from shareholders' equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sales proceeds and original cost being taken to equity.

Notes to the Accounts continued
For the Year Ended 31 March 2022

Statement of significant accounting policies continued

Foreign currency

Transactions in foreign currencies are recorded at the rates of exchange at the date the transactions occur. Amounts recognised in the SOCI are translation differences. Monetary assets and liabilities are restated at the prevailing exchange rate at each year end. Differences arising on restatement are included in the SOCI for the year.

Leases

At inception of a contract the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone price. However, for leases of land and buildings in which it is a lessee, the Group has elected not to segregate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee

The Group recognises a right-of-use-asset (ROUA) and a lease liability (LL) at the lease commencement date. The right-of use-asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the LL;
- any lease payments made at or before the commencement date, less any lease incentives;
- any initial direct cost incurred by the lessee;
- an estimate of costs to be incurred by the lessee in restoring the site on which the assets are located.

The right-of-use-asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use-asset is periodically tested for impairment (see "Impairment of property, plant and equipment and intangibles" accounting policy), and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments including in substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise an option, and penalties for early termination unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change of index or rate, if there is a change in future lease payments arising from a change in the Group's estimate of the amount payable under a residual value guarantee, if there is a change in lease term, or if the Group changes its assessment of whether it will exercise a purchase extension or termination option.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of plant and machinery that have a lease term of 12 months or less and leases of low-value assets of less than £5,000. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interest in the head lease and sub-lease separately. It assesses the lease classification of the sub-lease with reference to the right-of-use-asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains a lease and a non-lease component, the Group applies IFRS 15 to allocate the consideration in the contract.

Notes to the Accounts continued
For the Year Ended 31 March 2022

Statement of significant accounting policies continued
Taxation
The charge for taxation is based on the result for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes.

Current tax is the expected tax payable on the taxable result for the year using tax rules enacted or substantively enacted at the year end, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The following temporary differences are not provided for: when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transition, affects neither the accounting profit nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the year end and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Taxation is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Dividends
In accordance with IAS 10 Events After the Reporting Period, dividends are recognised in the financial statements in the period in which they are approved by shareholders in the case of the final dividends and when paid in the case of the interim dividends.

Exceptional items
Income statement items are presented in the middle column of the Consolidated income statement entitled Exceptional items where they are significant in size and nature, and either they do not form part of the trading activities of the Group, or their separate presentation enables identification of the financial performance of the Group.

Items classified as Exceptional items are as follows:

Impairment charges and costs associated with other intangibles
Impairment charges related to non-current assets are non-cash items and tend to be significant in size. The presentation of these as exceptional items enables identification of the underlying financial performance of the Group. This also includes costs incurred in relation to the change in accounting policy with regards to SaaS arrangements, as described in more details in note titled 'Change in accounting policy – Software as a Service ("SaaS") arrangements'.

Net operating losses attributable to businesses identified as non-core
Operating results from businesses identified as non-core do not form part of the ongoing trading activities of the Group and they are therefore recorded separately in Exceptional items in order to enable the understanding of the ongoing financial performance of the Group and its businesses. Non-core businesses are those businesses that have been closed or disposed of, or where the Board has resolved to close or dispose of the business by the year end and which don't meet the criteria to be classified as a discontinued operation. There are currently no businesses classified as non-core, but the Group did discontinue the hamper business in the prior year and so the impairment of obsolete stock and redundancy costs associated with that business are included as exceptional items in FY21.

Other specific items
Other specific items are recorded in Exceptional items where they do not form part of the underlying trading activities of the Group in order to enable the understanding of the financial performance of the Group. This includes, for example, profit on sale of property not related to ongoing operations (i.e. related to a branch or business closure) or property sold as part of a fundamental restructuring programme. Profit on the sale of property in connection with branch or office moves in the normal course of business is included within underlying results.

Key judgements and estimates
The preparation of financial statements in conformity with IFRS requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Notes to the Accounts continued

For the Year Ended 31 March 2022

Statement of significant accounting policies continued

Judgements

In applying the accounting policies, management has made the following judgements:

Other Intangibles

Following the IFRIC agenda decision, management has reviewed the costs incurred during the implementation of all SaaS arrangements. The IFRIC amongst other things makes a distinction between configuration and customisation and outlines that certain customisations can be capitalised if the criteria in IAS 38 is met. There was an element of judgement exercised in determination of which customisations could still result in recognition of an asset. It was concluded that any customisation that resulted in development of new code which is in the Group's possession, is a viable asset and can be capitalised, is under Group's control and from which future economic benefit can be derived by the Group. Consequently, these costs were capitalised. Any costs that did not meet the criteria were written off, as disclosed in the change in accounting policy note.

When assessing the costs noted above, management also identified certain other costs capitalised in the period which were redundant in nature and therefore did not meet the capitalisation criteria. An element of judgement was exercised in identifying these costs.

Pensions

The Group has two defined benefit pension schemes, as described in note 19, in one of them the fair value of plan assets exceeds the present value of the scheme liabilities. The Group has determined, based on an evaluation of the rules of the pension scheme and legal advice, that it has a right to a refund during the life of the schemes or when the schemes are settled, that is not conditional upon factors beyond the Group's control. On this basis, the Group has recognised the surplus in full as an asset on the balance sheet. This accounting treatment is consistent with prior years.

During the year a matter with regards to a potential incorrect valuation of the Park Group Pension Scheme was noted. While the matter remains unresolved, a judgement has been exercised by management in concluding that a change to certain deferred benefits is probable, based on legal advice received to date and discussion with Trustees. As a result, this has been included in the current year financial statements as a retrospective adjustment. For details, please see the Prior year restatements note in the Statement of significant accounting policies.

Revenue

In applying the principles of IFRS 15, management have considered whether the Group is a principal or agent when it supplies multi-retailer redemption products. Having assessed the nature of the Group's contractual relationships with retailers, the directors have concluded that the Group acts as an agent in exchange for a service fee as it does not control the transfer of goods or services by the retailer to the product holder upon redemption. This results in 'net' revenue recognition as described in the revenue recognition accounting policy.

For card holder fees and non-redemption income associated with multi-retailer redemption products, the Group acts as a principal in its contractual relationship with the product holders. This results in 'gross' revenue recognition as described in the revenue recognition accounting policy.

Under IFRS 15, entities are required to disclose disaggregated revenue information to illustrate how the nature, amount, timing and uncertainty about revenue and cash flows are affected by economic factors. Directors have considered this requirement and have disclosed information with regard to type of good or service, market or type of customer, timing of transfer of goods or services and geographical region. Directors believe that this level of disaggregation is sufficient to satisfy the disclosure requirements of the standard.

Unredeemed cards

The directors have assessed the features of the Group's multi-retailer redemption products and concluded that unredeemed balances on corporate gifted cards do not meet the definition of a financial liability within the scope of IFRS 9. This is because the cards have expiry dates after which the card cannot be redeemed. The cards can also be redeemed with the Group for certain goods or services and cannot be redeemed in cash. As a result, the liabilities relating to these products are not within the scope of IFRS 9 and are instead measured in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets (note 17).

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has two material lease contracts that include extension and termination options. One of these is the lease of floor 3 and 4, 20 Chapel Street, Liverpool. The Group included the renewal period as part of the lease term, as the majority of the Group's operations are based in this site in Liverpool city centre. As a result of this, the lease extension is reasonably certain to be exercised.

The other lease is for rack space and data hosting services, which has an initial term of one year with an automatic rolling 12-month extension option if not cancelled. The lease was renewed for its second year during the period, and it has been estimated the lease will be renewed for a further one year, which is consistent with its original capitalised term of three years.

Notes to the Accounts continued
For the Year Ended 31 March 2022

Statement of significant accounting policies continued
Estimates
The key assumptions and other sources of estimation uncertainty at the reporting date are described below:

Provisions for unredeemed vouchers and cards
A provision is made in respect of unredeemed vouchers and cards, as described in note 17. The provision is calculated by estimating anticipated amounts payable to retailers on redemption and the expected timing of payments. Historical data over a number of years and current trends are regularly reviewed and are used to prepare these estimates. Any differences to the estimates may necessitate a material adjustment to the level of the provision held in the statement of financial position. Management have considered the sensitivities of the key estimates and do not foresee that any likely change in these estimates will have a material impact on the size of the provision.

Non-redemption income
For multi-retailer redemption products where the end user has no right of redemption (corporate gifted cards and vouchers), the Group may expect to earn a non-redemption income amount. In order to calculate the expected non-redemption income amount, the Group estimates how many products will be fully redeemed and how many will be partially redeemed. For those which are partially redeemed, the Group estimates projected balances remaining on the products at expiry. Historical data and current trends regarding patterns of redemption and expiry are used to prepare the estimates. As redemption behaviour may differ by market, historical data and current trends are reviewed at this level. If the expected level of non-redemption income were to change by 1.0%, the impact on revenue for the reporting period would be £0.1m. Management have considered the sensitivity of this estimate and do not foresee that any likely change to the estimate will have a material impact on either the level of deferred income held in the statement of financial position or the amount of revenue for the reporting period.

Deferred income – Love2shop voucher redemption timing
As described in the revenue recognition accounting policy and as shown in note 16, revenue for multi-retailer redemption products is recognised in proportion to actual redemption timing, generating deferred income balances until the point of redemption. For Love2shop vouchers, there is a time delay between the point of redemption and when they are physically returned to the Group for validation and accounting purposes. To negate the effects of this delay, an adjustment is made at the end of the reporting period, which estimates the value of vouchers already redeemed but not yet returned to the Group and records the associated revenue. Historical data over a number of years and current trends are used to prepare the estimate. Management have considered the sensitivity of this estimate and do not foresee that any likely change to the estimate will have a material impact on either the level of deferred income held in the statement of financial position or the amount of revenue for the reporting period.

Goodwill
Goodwill arising on acquisition represents the difference between the consideration and the fair value of net assets acquired. Goodwill is not amortised, but is reviewed annually for impairment and whenever events or changes in circumstances indicate that the carrying value of the goodwill may not be receivable. The impairment review relies on a number of assumptions (see note 6 for details). Any differences to the assumptions made may necessitate a material adjustment to the level of goodwill held in the statement of financial position.

Other intangible assets
The Group applies judgement in assessing whether the costs incurred, both internal and external, will generate future economic benefits and therefore should be capitalised. Any redundant costs are not capitalised, but are expensed during the period in which they are incurred. Amortisation commences when management determine the asset is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Significant judgements and estimates are applied in determining the carrying value of the assets, including assumptions made in respect of the status of the programme each asset relates to, and there may be a range of possible outcomes when a programme is complex. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. At each reporting date the Group reviews the carrying value of its tangible and intangible assets, including those not yet in use, to determine whether there is any indication that those assets have suffered an impairment loss (see note 7 for details).

Incremental borrowing rate (IBR)
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Management have used rates ranging from 3.4% to 3.5% in respect of leases entered in to during the year.

Notes to the Accounts continued
For the Year Ended 31 March 2022

1 Segmental reporting
The Group's operations are divided into two principal operating segments:
- Consumer – which represents sales to consumers, utilising the Group's Christmas savings offering and our website, highstreetvouchers.com; and
- Corporate – comprising sales to businesses.

Both segments offer primarily sales of the Love2shop voucher, flexecash® cards, Mastercards and e-codes in addition to other retailer vouchers, cards and e-codes.

All other segments are those items relating to the corporate activities of the Group which it is felt cannot be reasonably allocated to either business segment.

The amount included within the elimination column reflects vouchers sold by the corporate vouchers segment to the consumer segment. They have been included in elimination so as to show the total revenue for both segments.

Finance income, finance costs and taxation are not allocated to individual segments as they are managed on a Group basis.

The Group operates in only one geographical segment, being the UK. The Group's operations in Ireland were immaterial to the results of the Group for the year ended 31 March 2022.

2022	Consumer £'000	Corporate £'000	All other segments £'000	Total £'000
Total billings	**173,743**	**212,097**	**–**	**385,840**
Total revenue	**46,520**	**76,745**	**–**	**123,265**
Segment operating profit/(loss)	**3,253**	**7,824**	**(5,362)**	**5,715**
Finance income	**–**	**–**	**–**	**379**
Finance costs	**–**	**–**	**–**	**(451)**
Profit before taxation	**–**	**–**	**–**	**5,643**
Taxation	**–**	**–**	**–**	**(1,251)**
Profit	**–**	**–**	**–**	**4,392**

All other segments loss comprises primarily of staff costs, professional fees and the impairment of non-current assets.

In arriving at segment operating profit/(loss), exceptional costs have been charged to the segments as follows:

	Consumer £'000	Corporate £'000	All other segments £'000	Group £'000
Exceptionals				
Impairment of goodwill	**(77)**	**–**	**–**	**(77)**
Impairment of other intangibles	**–**	**–**	**(869)**	**(869)**
Costs associated with Other intangible assets	**–**	**–**	**(1,798)**	**(1,798)**
	(77)	**–**	**(2,667)**	**(2,744)**

The main exceptional item included in the current year results is the one associated with the implementation of the new ERP system. The total cost of £2,667k is split into the following categories:

a) Certain project configuration and customisation costs associated with cloud computing arrangements (£739k), which are now expensed rather than being capitalised as intangible assets following IFRS Interpretation Committee guidance on this topic issued during the year. For details on the change in accounting policy, please see the Statement of significant accounting policies page 62.
b) Other costs incurred during the year associated with the Group's strategic ERP project which were deemed redundant in nature and therefore not eligible for capitalisation – £1,059k.
c) There was part of the new ERP project which was capitalised last year but in the current year management decided to discontinue the use of that element of the asset. This has resulted in an impairment charge of £869k recorded in the year.

The total tax impact of exceptional items was a reduction in tax charge of £681k in FY22.

An analysis of the Group's external revenue is as follows:

	Consumer £'000	Corporate £'000	Group £'000
Revenue from contracts with customers			
Goods – Single retailer redemption products	**31,028**	**52,342**	**83,370**
Other goods	**–**	**102**	**102**
Services – Multi-retailer redemption products	**15,393**	**22,755**	**38,148**
Other services	**99**	**1,546**	**1,645**
	46,520	**76,745**	**123,265**

The majority of revenue from contracts with customers is recognised at a point in time.

Notes to the Accounts continued

For the Year Ended 31 March 2022

1 Segmental reporting continued

For details of the Group's primary revenue streams, please see the revenue recognition accounting policy on pages 63 to 66.

The Group has elected not to report on segment assets and liabilities as this information is not provided to the Chief Operating Decision Maker (CODM) and is not relevant to the CODM's decision making. In respect of Appreciate Group plc the CODM is regarded as the executive members of the Board of directors.

2021	Consumer £'000	Corporate £'000	All other segments (Restated)* £'000	Total £'000
Total billings	205,282	201,250	–	406,532
Total revenue	53,138	53,667	–	106,805
Segment operating profit/(loss) (Restated)*	532	2,638	(3,730)	(560)
Finance income	–	–	–	783
Finance costs	–	–	–	(360)
Loss before taxation (Restated)*	–	–	–	(137)
Taxation (Restated)*	–	–	–	(138)
Loss (Restated)*	–	–	–	(275)

* The 2021 results have been restated as set out in the Statement of significant accounting policies.

All other segments loss comprises primarily staff costs and professional fees.

In arriving at segment operating profit/(loss) exceptional profits/(costs) have been charged to the segments as follows:

	Consumer £'000	Corporate £'000	All other segments (Restated)* £'000	Group £'000
Exceptionals				
Impairment of obsolete stock	(414)	–	–	(414)
Impairment of goodwill	(218)	–	–	(218)
Redundancy costs	(639)	–	–	(639)
Profit on sale of assets held for sale	205	–	–	205
Costs associated with Other intangible assets	–	–	(1,390)	(1,390)
	(1,066)	–	(1,390)	(2,456)

The main exceptional item included in the prior year results* is the one associated with the implementation of the new ERP system. Certain project configuration and customisation costs associated with cloud computing arrangements, which are now expensed rather than being capitalised as intangible assets following IFRS Interpretation Committee guidance on this topic issued during the year. This is a change in accounting policy adopted in the current year but applied retrospectively, resulting in an additional exceptional charge of £1,390k in FY21. This change has resulted in the restatement of prior year results. For details on the change in accounting policy, please see the Statement of significant accounting policies page 62.

The remaining exceptional costs for FY21 were £1,066k prior to restatement and tax. In the prior year, we closed the hamper production and contract packing businesses based at Valley Road. Following consultation with staff, we made 40 roles redundant and had incurred exceptional costs of £639k. Additionally, we had impaired the value of hamper stock by £414k.

The total tax impact of exceptional items in FY21 was a reduction in tax charge of £505k.

An analysis of the Group's external revenue is as follows:

	Consumer £'000	Corporate £'000	Group £'000
Revenue from contracts with customers			
Goods – Single retailer redemption products	38,610	39,544	78,154
Other goods	153	106	259
Services – Multi-retailer redemption products	13,493	11,243	24,736
Other services	739	2,770	3,509
Other	143	4	147
	53,138	53,667	106,805

Notes to the Accounts continued

For the Year Ended 31 March 2022

2 Profit/(loss) before taxation

The following items have been charged/(credited) in arriving at profit/(loss) before taxation and exceptional items:

	2022 £'000	2021 £'000
Staff costs (see note 20)	**13,917**	15,515
Cost of inventories recognised as an expense (included in cost of sales)	**32,213**	40,530
Reduction of inventories recognised as a credit (included in cost of sales)	**(1)**	(77)
Pension interest income (see note 19)	**31**	(99)
Depreciation expense	**457**	516
Amortisation expense	**839**	853
Depreciation of right-of-use assets (see note 18)	**570**	422
Loss on disposal of property, plant and equipment	**–**	544
Repairs and maintenance on property, plant and equipment	**708**	979

For details on exceptional items please see note 1.

Services provided by the Group's auditor

During the year the Group obtained the following services from the Company's auditor at costs as detailed below:

	2022 £'000	2021 £'000
Fees payable to the Company's auditor for the audit of:		
– Company's annual accounts	**238**	164
– subsidiaries pursuant to legislation	**558**	317
Fees payable to the Company's auditor in excess of base fee for the audit of:		
– Company's annual accounts current year	**–**	123
– Company's annual accounts prior year	**–**	147
– subsidiaries pursuant to legislation current year	**25**	–
– subsidiaries pursuant to legislation prior year	**191**	19
Fees payable to the Company's auditor and its associates for other services:		
– other services pursuant to legislation current year	**228**	149
– expenses	**–**	3
	1,240	922

Fees paid for non-audit services to the Company itself are not disclosed in the individual accounts of Appreciate Group plc because the Company's consolidated accounts are required to disclose such fees on a consolidated basis.

3 Finance income and costs

	2022 £'000	2021 £'000
Finance income		
Bank interest receivable and other	**379**	783
	379	783
Finance costs		
Bank interest payable	**183**	115
Lease and other interest	**268**	245
	451	360

4 Income tax

	2022 £'000	Restated* 2021 £'000
Analysis of profit or loss charge in period		
Current tax	**1,355**	236
Adjustments to current tax in respect of prior periods	**(28)**	(10)
	1,327	226
Deferred tax	**(105)**	(153)
Adjustments to deferred tax in respect of prior periods	**29**	65
	(76)	(88)
Taxation	**1,251**	138

* The 2021 results have been restated as set out in the Statement of significant accounting policies.

	2022 £'000	2021 £'000
Tax charged/(credited) directly to other comprehensive income		
Deferred tax on actuarial gains/(losses) on defined benefit pension plans	**114**	(408)
Tax charged directly to equity		
Reduction in deferred tax on removal of assets held for sale	**–**	110

Notes to the Accounts continued

For the Year Ended 31 March 2022

4 Income tax continued

The tax for the period is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%).

The differences are explained below:

	2022 £'000	Restated* 2021 £'000
Profit/(loss) on ordinary activities before tax	**5,643**	(137)
Expected tax charge/(credit) at 19% (2021: 19%)	**1,072**	(26)
Effects of:		
Adjustments to tax in respect of prior periods	**1**	55
Amounts not taxable/expenses not deductible for tax purposes	**116**	99
Tax in respect of share-based payments	**(5)**	10
Effect of rate change on current year deferred tax	**67**	–
Total taxation	**1,251**	138

5 Earnings per share

Basic EPS is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

The calculation of basic and diluted EPS is based on the following figures:

	2022 £'000	Restated* 2021 £'000
Earnings		
Profit for the year before exceptional items	**6,455**	1,676
Exceptional items net of tax (see note 1)*	**(2,063)**	(1,951)
Profit/(loss) for the year attributable to equity shareholders	**4,392**	(275)

* The 2021 results have been restated as set out in the Statement of significant accounting policies.

	2022	2021
Weighted average number of shares		
Weighted average number of ordinary shares in issue	**186,347,228**	186,347,228
Diluting effect of employee share options and LTIP awards	**402,209**	–
Diluted EPS – weighted average number of shares	**186,749,437**	186,347,228

No shares have been considered anti-dilutive during the year, that could potentially dilute basic EPS in the future (2021: 109,348 shares).

	2022	2021
Basic EPS		
Weighted average number of ordinary shares in issue	**186,347,228**	186,347,228
EPS (p)	**2.36**	(0.15)
Underlying basic EPS		
Weighted average number of ordinary shares in issue	**186,347,228**	186,347,228
EPS (p)	**3.46**	0.90

	2022	2021
Diluted EPS		
Weighted average number of ordinary shares in issue	**186,749,437**	186,347,228
EPS (p)	**2.35**	(0.15)
Underlying diluted EPS		
Weighted average number of ordinary shares in issue	**186,749,437**	186,347,228
EPS (p)	**3.46**	0.90

Notes to the Accounts continued
For the Year Ended 31 March 2022

6 Goodwill
Group

	Total £'000
Cost – Actual or deemed	
At 1 April 2021 and 31 March 2022	**3,707**
Impairment	
At 1 April 2021	3,125
Impairment in year	77
At 31 March 2022	**3,202**
Net book amount	
At 31 March 2022	**505**
At 31 March 2021	582

	Total £'000
Cost – Actual or deemed	
At 1 April 2020	5,048
Disposals	(1,341)
At 31 March 2021	3,707
Impairment	
At 1 April 2020	4,248
Impairment in year	218
Eliminated on disposal	(1,341)
At 31 March 2021	3,125
Net book amount	
At 31 March 2021	582
At 31 March 2020	800

Goodwill allocation to CGUs

Goodwill is allocated to the following operating segments and is tested for impairment at this level:

CGUs	Goodwill at 1 April 2021 £'000	Additions £'000	Impairment £'000	**Goodwill at 31 March 2022 £'000**
Consumer	582	–	(77)	**505**
Corporate	–	–	–	**–**
Net book amount	582	–	(77)	**505**

The Group tests annually for impairment of goodwill. The recoverable amounts of CGUs are determined using value-in-use calculations.

Consumer – Family

The key assumptions in the value-in-use calculations were as follows:

- The final order position for the previous Christmas.
- The budgeted gross margins. These margins are forecast to be maintained going forward.
- Average agent retentions forecast. These are based on historical performance of agent retention achieved. Historically, such forecasts have been materially correct.
- Base case scenario revenue. This is based on average historical order value and average agent retention rates.

The model has been built using the next 5 years' forecasts and has been extrapolated to perpetuity. This is a change from prior year where a 10-year cash flow model was used. The model used in the current year is better aligned with the requirements of IFRS. No revenue growth has been factored into the data used in the calculation (2021: nil).

The resulting cash flows were discounted using a pre-tax discount rate of 20.9% (2021: 17.0%).

The impairment in the year of £77,000 (2021: £157,000) against the Family Franchisee goodwill represents the impact of a small reduction in margin due to the change in product mix and higher commissions. The impairment is included within exceptional costs in the Consumer segment.

There is a reasonably possible chance that a change in one or more of the key assumptions could give rise to an impairment. A sensitivity analysis was performed where changes in key assumptions were tested, those being additional changes in the discount rate, retention of agents and margin. The following table summarises the impact on the goodwill impairment at the end of the reporting period, if each of these key assumptions were changed, in isolation.

Notes to the Accounts continued

For the Year Ended 31 March 2022

6 Goodwill continued

	Change in assumption	Change in goodwill impairment
Discount rate	increase by 1%	increase by £11,000
Retention of agents	decrease by 1%	increase by £29,000
Margin	decrease by 1%	increase by £5,000

7 Other Intangibles

Group

	Computer software £'000	Agency customer lists £'000	Total £'000
Cost			
At 1 April 2021 (Restated)*	15,079	2,350	17,429
Additions – internally developed assets	1,232	–	1,232
Additions – externally purchased assets	910	–	910
At 31 March 2022	**17,221**	**2,350**	**19,571**
Amortisation and impairment			
At 1 April 2021	8,576	2,350	10,926
Amortisation charge	839	–	839
Impairment	869	–	869
At 31 March 2022	**10,284**	**2,350**	**12,634**
Net book amount			
At 31 March 2022	**6,937**	**–**	**6,937**
At 31 March 2021 (Restated)*	6,503	–	6,503

The additions during the year includes £1,610,000 related to our Enterprise Resource Planning (ERP) system which will be the cornerstone of the business to build on utilising new, cloud-based technology. The ERP system went live during the year.

Included within Computer software is an amount of £281k relating to a cloud migration project which is currently work in progress. It is expected that amortisation of this asset will commence in FY23.

For details with regards to the impairment charge recognised during the year, please see note 1.

* The 2021 results have been restated as set out in the Statement of significant accounting policies.

	Computer software £'000	Agency customer lists £'000	Total £'000
Cost			
Balance at 1 April 2020 as originally reported	12,542	2,350	14,892
Restatement due to adoption of IFRIC**	(968)	–	(968)
Restated balance as at 1 April 2020**	11,574	2,350	13,924
Additions – internally developed assets (Restated)*	1,492	–	1,492
Additions – externally developed assets (Restated)*	2,089	–	2,089
Disposals	(76)	–	(76)
At 31 March 2021 (Restated)*	15,079	2,350	17,429
Amortisation and impairment			
At 1 April 2020	7,807	2,328	10,135
Amortisation charge	831	22	853
Amortisation eliminated on disposals	(62)	–	(62)
At 31 March 2021	8,576	2,350	10,926
Net book amount			
At 31 March 2021 (Restated)*	6,503	–	6,503
At 31 March 2020 (Restated)**	3,767	22	3,789

The agency customer lists relate to lists of 30,000 agents nationwide acquired from FHSC Limited on 15 February 2006, 7,500 agents nationwide acquired from Findel PLC on 7 March 2007, 4,000 agents in the Republic of Ireland acquired from Dublin-based Celtic Hampers and Family Hampers on 25 October 2010 and 388 agents nationwide acquired from I and J L Brown Limited, who operated a Country Christmas Savings Club franchise, on 3 December 2012. Customer lists are amortised over their useful life of up to 10 years based on the pattern of forecast cash flows expected to be generated. The customer list was fully amortised in the prior year.

** The 2020 results have been restated as set out in the Statement of significant accounting policies.

Notes to the Accounts continued
For the Year Ended 31 March 2022

7 Other Intangibles continued
Company

	Computer software £'000
Cost	
At 31 March 2021 and 31 March 2022	**2,289**
Amortisation and impairment	
At 1 April 2021	2,266
Amortisation charge	14
At 31 March 2022	**2,280**
Net book amount	
At 31 March 2022	**9**
At 31 March 2021	23

	Computer software £'000
Cost	
At 31 March 2020 and 31 March 2021	2,289
Amortisation and impairment	
At 1 April 2020	2,245
Amortisation charge for the year	21
At 31 March 2021	2,266
Net book amount	
At 31 March 2021	23
At 31 March 2020	44

8 Investments
Company

	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2021 and 31 March 2022	**8,523**
Provision	
At 1 April 2021 and 31 March 2022	**560**
Net book amount	
At 31 March 2022	**7,963**
At 31 March 2021	7,963

At 31 March 2022 the parent Company's subsidiary undertakings included in the consolidation were:

Name of company	Nature of business
Park Group UK Limited[1]	Holding company
Park Retail Limited[2]	Gifting and prepayment
Park Direct Credit Limited[2]	Debt collection services (no longer active)
Park Financial Services Limited[2]	Insurance broking services (no longer active)
Park Card Services Limited[1]	Electronic money issuer
Park Card Marketing Services Limited[1]	Card administration support services
Country Christmas Savings Club Limited[2]	Dormant company – trading name used by Park Retail Limited
Family Christmas Savings Club Limited[1]	Dormant company – trading name used by Park Retail Limited
Handling Solutions Limited[2]	Dormant company – trading name used by Park Retail Limited
High Street Vouchers Limited[2]	Dormant company – trading name used by Park Retail Limited
Park Christmas Savings Club Limited[2]	Dormant company – trading name used by Park Retail Limited
Park Travel Service Limited[1]	Dormant company – trading name used by Park Retail Limited
Agency Administration Limited[2]	Dormant company

Notes to the Accounts continued

For the Year Ended 31 March 2022

8 Investments continued

Name of company	Nature of business
Brightdot Limited[3]	Dormant company
Cheshire Bank Limited[2]	Dormant company
Cheshire Securities Limited[2]	Dormant company
Family Hampers Limited[1]	Dormant company
Heritage Hampers Limited[2]	Dormant company
MaximB2B Limited[3]	Dormant company
Opal Loans Limited[4]	Dormant company
Park Connect Limited[5]	Dormant company
Park Food (Warrington) Limited[1]	Dormant company
Park Group Secretaries Limited[1]	Dormant company
Park Hamper Company Limited[1]	Dormant company
Park.com Limited[1]	Dormant company
The Perfect Hamper Co. Limited[2]	Dormant company
Wirral Cold Store Limited[2]	Dormant company

1 Wholly owned subsidiary undertakings of Appreciate Group plc
2 Wholly owned subsidiary undertakings of Park Group UK Limited
3 Wholly owned subsidiary undertakings of Park Retail Limited
4 Park Group UK Limited direct holding represents 70% and subsidiary undertakings direct holdings represent 30% of issued share capital
5 Appreciate Group plc direct holding represents 1% and Park Group UK Limited direct holdings represent 99% of issued share capital

All of the above companies are registered in England. Details of the registered office for all companies are given on page 102.

9 Property, plant and equipment

Group

	Land and buildings £'000	Leasehold improvements £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2021	25	1,518	2,256	6	3,805
Additions	–	–	30	–	30
At 31 March 2022	**25**	**1,518**	**2,286**	**6**	**3,835**
Accumulated depreciation					
At 1 April 2021	–	153	1,459	5	1,617
Charge for the year	5	102	349	1	457
At 31 March 2022	**5**	**255**	**1,808**	**6**	**2,074**
Net book amount					
At 31 March 2022	**20**	**1,263**	**478**	**–**	**1,761**
At 31 March 2021	25	1,365	797	1	2,188

	Land and buildings £'000	Leasehold improvements £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2020	1,105	1,649	4,242	20	7,016
Additions	25	51	509	–	585
Disposals	(1,105)	(182)	(2,495)	(14)	(3,796)
At 31 March 2021	25	1,518	2,256	6	3,805
Accumulated depreciation					
At 1 April 2020	1,105	57	3,174	18	4,354
Charge for year	–	106	409	1	516
Eliminated on disposal	(1,105)	(10)	(2,124)	(14)	(3,253)
At 31 March 2021	–	153	1,459	5	1,617
Net book amount					
At 31 March 2021	25	1,365	797	1	2,188
At 31 March 2020	–	1,592	1,068	2	2,662

Notes to the Accounts continued

For the Year Ended 31 March 2022

9 Property, plant and equipment continued

Company

	Fixtures and equipment £'000
Cost	
At 1 April 2021	1,004
At 31 March 2022	**1,004**
Accumulated depreciation	
At 1 April 2021	829
Charge for the year	99
At 31 March 2022	**928**
Net book amount	
At 31 March 2022	**76**
At 31 March 2021	175

	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 April 2020	31	2,087	2,118
Disposals	(31)	(1,083)	(1,114)
At 31 March 2021	–	1,004	1,004
Accumulated depreciation			
At 1 April 2020	31	1,737	1,768
Charge for year	–	163	163
Eliminated on disposal	(31)	(1,071)	(1,102)
At 31 March 2021	–	829	829
Net book amount			
At 31 March 2021	–	175	175
At 31 March 2020	–	350	350

10 Deferred tax

Group

	2022 £'000	Restated* 2021 £'000
Deferred tax asset	**265**	65
Deferred tax liability	**(331)**	(93)
Net deferred tax liability	**(66)**	(28)

* The 2021 results have been restated as set out in the Statement of significant accounting policies.

IAS 12 Income Taxes requires the offset of deferred tax balances meeting the offset criteria in the standard. All deferred tax liabilities were available for offset against deferred tax assets.

The rate of corporation tax was reduced to 19% from 1 April 2017 in the Budget of July 2015 and the rate change was substantively enacted on 26 October 2015. The rate was increased to 25% with effect from 1 April 2023 in the Budget of March 2021 and this rate change was substantively enacted on 24 May 2021. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2021: 19%).

The movement on the deferred tax account is shown below:

	2022 £'000	2021* £'000
At 1 April as originally reported	**(28)**	(1,121)
Prior year adjustment**	**–**	487
At 1 April as restated**	**(28)**	(634)
Profit or loss charge	**76**	88
Statement of comprehensive income credit/(charge)	**(114)**	408
Amounts relating to subsidiaries disposed of	**–**	110
At 31 March (restated)*	**(66)**	(28)

Deferred tax assets have been recognised in respect of other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered. Deferred tax assets have not been provided on brought forward trading losses of £20,729,000 (2021: £20,624,000) and on capital losses of £190,000 (2021: £443,000) as, at the year end, the Group do not believe it is probable that they will be able to be utilised against future taxable income. Both trading and capital losses can be carried forward indefinitely.

There are no deferred tax liabilities arising on temporary differences associated with subsidiaries.

Notes to the Accounts continued

For the Year Ended 31 March 2022

10 Deferred tax continued

The movements in deferred tax assets and liabilities are shown below:

	Restated* Retirement benefit obligation £'000	Restated* PPE and other intangibles £'000	Restated* Total £'000
Deferred tax liabilities			
At 1 April 2021 (restated)*	(93)	–	(93)
Charged to profit or loss	(124)	–	(124)
Charged to statement of comprehensive income	(114)	–	(114)
At 31 March 2022	**(331)**	**–**	**(331)**
At 1 April 2020 as reported	(496)	(332)	(828)
Prior year adjustment**	–	184	184
At 1 April 2020 as restated**	(496)	(148)	(644)
Charged/(credited) to profit or loss	(5)	103	98
Credited to statement of comprehensive income	408	–	408
Amounts relating to subsidiaries disposed of	–	110	110
Transfer to assets	–	(65)	(65)
At 31 March 2021 (restated)*	(93)	–	(93)

** The 2020 results have been restated as set out in the Statement of significant accounting policies.

	Share options £'000	Restated* PPE and other intangibles £'000	Total £'000
Deferred tax assets			
At 1 April 2021 (Restated)*	–	65	65
Credited to profit or loss	6	194	200
At 31 March 2022	**6**	**259**	**265**
At 1 April 2020	10	–	10
Charged to profit or loss	(10)	–	(10)
Transferred from liabilities (Restated)*	–	65	65
At 31 March 2021 (Restated)*	–	65	65

Company

	2022 £'000	2021 £'000
Deferred tax asset	**143**	109
Deferred tax liability	**(511)**	(368)
Net deferred tax liability	**(368)**	(259)

IAS 12 requires the offset of deferred tax balances meeting the offset criteria in the standard. All deferred tax liabilities were available for offset against deferred tax assets.

The rate of corporation tax was reduced to 19% from 1 April 2017 in the Budget of July 2015 and the rate change was substantively enacted on 26 October 2015. The rate was increased to 25% with effect from 1 April 2023 in the Budget of March 2021 and this rate change was substantively enacted on 24 May 2021. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2021: 19%).

The movement on the deferred tax account is shown below:

	2022 £'000	2021 £'000
At 1 April	**(259)**	(262)
Profit or loss charge	**(95)**	(15)
Statement of comprehensive income credit/(charge)	**(14)**	18
At 31 March	**(368)**	(259)

Deferred tax assets have been recognised in respect of other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered. Deferred tax assets have not been provided on capital losses of £nil (2021: £443,000) as, at the year end, the Company does not believe it is probable that they will be able to be utilised against future taxable income. The tax losses can be carried forward indefinitely.

Notes to the Accounts continued

For the Year Ended 31 March 2022

10 Deferred tax continued

The movements in deferred tax assets and liabilities are shown below:

	Retirement benefit obligation £'000
Deferred tax liabilities	
At 1 April 2021	(368)
Charged to profit or loss	(129)
Credited to statement of comprehensive income	(14)
At 31 March 2022	**(511)**
At 1 April 2020	(377)
Charged to profit or loss	(9)
Credited to statement of comprehensive income	18
At 31 March 2021	(368)

	PPE and other intangibles £'000	Share options £'000	Total £'000
Deferred tax assets			
At 1 April 2021	109	–	109
Credited/(charged) to profit or loss	28	6	34
At 31 March 2022	**137**	**6**	**143**
At 1 April 2020	105	10	115
Credited/(charged) to profit or loss	4	(10)	(6)
At 31 March 2021	109	–	109

11 Inventories

Group

	2022 £'000	2021 £'000
Finished goods	**5,201**	3,638
	5,201	3,638

The cost of inventories recognised as an expense in the year is £32,213,000 (2021: £40,530,000).

The reduction of write down of inventories credited to the income statement in the period is £1,000 (2021: write down of inventories recognised as an expense in the period £337,000).

Following the closure of the packing operations, including hamper packing, in the year ended 31 March 2021, the Group impaired raw materials and finished goods stock by £414,000, which is included within the £337,000 as detailed above.

12 Trade and other receivables

Group

	2022 £'000	2021 £'000
Trade receivables	**6,952**	5,798
Less: Expected credit loss provision	**(75)**	(73)
Net trade receivables	**6,877**	5,725
Other receivables	**2,790**	3,463
Prepayments and accrued income	**2,261**	2,217
	11,928	11,405

Of the trade receivables net balance above, £6,499,000 is due within one month (2021: £5,488,000), with the remaining £378,000 falling due in more than one but less than three months (2021: £237,000). Other receivables are due within one month.

	2022 £'000	2021 £'000
Credit quality of trade receivables		
Neither past due nor impaired	**5,598**	4,510
Past due but not impaired	**1,279**	1,687
Past due and impaired	**75**	73
Total	**6,952**	6,270

The Group has charged £110,000 in respect of ECLs during the year (2021: £52,000). Of this total, £2,000 is ECLs on trade receivables and £108,000 is ECLs on the other receivables balance.

Notes to the Accounts continued

For the Year Ended 31 March 2022

12 Trade and other receivables continued

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECLs) for trade receivables at an amount equal to lifetime ECLs. The ECLs on trade receivables are calculated based on actual credit loss experience over the preceding two years on the total balance of trade receivables before impairment and are adjusted for forward-looking information. The Group's credit loss experience has shown that ageing of receivable balances is primarily due to normal collection process issues rather than increased likelihood of non-recoverability. This is shown in the fact that the Group has only experienced credit losses of £1,000 in the preceding two years which is less than 0.0007% of the credit sales made in that period. Credit rating of debtors are carefully monitored when initially offering credit and the use of credit insurance and up-front payments further mitigate the risk of default. The Group has fully analysed the impact of Covid-19 on the future ECLs and concluded that with the safeguards outlined above and taking into consideration recent collection patterns that there has not been material impact on the assessment of ECLs.

The movement in the provision for ECLs on trade receivables is as follows:

	2022 £'000	2021 £'000
At 1 April	**(73)**	(21)
Additional provisions	**(2)**	(52)
Amounts used	**–**	–
Amounts recovered	**–**	–
At 31 March	**(75)**	(73)

The other receivables balance above of £2,790,000 (2021: £3,463,000) primarily relates to the float account payment arrangement that several of the Group's suppliers operate. The Group pays these suppliers in advance and is then able to utilise that balance for future orders.

Within the prepayments balance above, £160,000 (2021: £201,000) relates to the incremental costs of obtaining contracts with customers. Park Christmas Savings agents earn commission rewards on their orders and this is an incremental cost of obtaining their contracts.

For multi-retailer redemption products (vouchers, cards and e-codes), the commission costs are prepaid. The costs are recognised in cost of sales when the services are transferred to the customer, i.e. when the customer redeems their product or when charges are levied.

The prepayment at 31 March 2022 relates to Christmas 2022 and will be recognised in cost of sales over the forthcoming six months in proportion to the actual timing of redemption and charges.

Commission reward payments for single retailer redemption products and other goods are expensed as incurred.

The movement in the prepayment of costs of obtaining contracts with customers is as follows:

	2022 £'000	2021 £'000
At 1 April	**201**	156
Prepaid commissions	**160**	201
Commissions recognised in cost of sales	**(201)**	(156)
At 31 March	**160**	201

No impairment losses were recognised during the year (2021: £nil).

Company

	2022 £'000	2021 £'000
Receivables from related parties	**870**	22,457
Other receivables	**729**	214
Prepayments and accrued income	**237**	36
	1,836	22,707

Other receivables are due within one month.

The receivables from subsidiaries' balances stated above are shown net of the following provisions:

	2022 £'000	2021 £'000
Provision against inter-company loans	**10,967**	10,967

The movement in the provision against inter-company loans is as follows:

	2022 £'000	2021 £'000
At 1 April	**(10,967)**	(10,967)
Additional provisions	**–**	–
Amounts used	**–**	–
Amounts recovered	**–**	–
At 31 March	**(10,967)**	(10,967)

Notes to the Accounts continued

For the Year Ended 31 March 2022

12 Trade and other receivables continued

Management have considered the probability of default, the loss-given default when the borrower is not capable of repaying on demand and the discount rate when calculating ECLs. The Company has fully analysed the impact of Covid-19 on the future ECLs and concluded that there has not been a material impact on the assessment of ECLs.

13 Monies held in trust

Group

	2022 £'000	2021 £'000
Park Prepayments Protection Trust	**49,782**	51,534
E-money Trust	**69,754**	69,374
Ring-fenced funds	**1**	11,146
Monies held in trust	**119,537**	132,054

On 13 August 2007 a declaration of trust constituted PPPT to hold customer prepayments. Park Prepayments Trustee Company Limited, as trustee of the trust, holds this money on behalf of the agents.

The conditions of the trust that allow the release of money to the Group are summarised below:

1 Purchase of products to be supplied to customers.
2 Supply of products to customers less any amounts already received under condition 1 (above).
3 Amounts required as a security deposit to any credit card company or other surety.
4 Amounts payable for VAT.
5 Amount equal to any bond required by the Christmas Prepayments Association (CPA).
6 Amounts to meet its working capital requirements.
7 Residual amounts upon completion of despatch of all orders in full.

Products for this purpose means goods, vouchers, prepaid cards or other products ordered by customers.

Prior to any such release of monies under condition 6 above, the trustees of PPPT require a statement of adequacy of working capital from the directors of Park Retail Limited, stating that it will have sufficient working capital for the year.

A summary of the main provision of the deeds and a copy of the trust deed is available at www.getpark.co.uk.

On 16 February 2010 a declaration of trust constituted the PCSET to hold the e-money float in accordance with regulatory requirements. The e-money float represents the value of the obligations of the Company to cardholders and redeemers.

The ring-fenced funds, represent amounts segregated from Group cash balances in respect of monies held on code which are not subject to regulatory requirements. As a result the amounts are not held within the e-money Trust. Given there is no regulatory, Trust or other contractual requirement to hold these in Trust, a decision was taken in the year to release them to cash.

The release of these funds is disclosed within working capital movements in monies held in trust. This ensures the inflow to cash is consistent with the previous outflow postings, as these amounts represented day-to-day transactional activity.

Monies held in trust are invested in deposit accounts with maturity dates of up to two years. The timing of the release of the monies to the Group from PPPT is as detailed above and is expected to be within 12 months of the year end. The release of monies from the e-money Trust occurs as the obligations fall due.

14 Cash

Group

	2022 £'000	2021 £'000
Cash at bank and in hand	**20,842**	31,415

All cash held at bank at 31 March 2022 and 31 March 2021 was held in instant access accounts.

Company

	2022 £'000	2021 £'000
Cash at bank and in hand	**20,124**	32,501

All cash held at bank at 31 March 2022 and 31 March 2021 was held in instant access accounts.

15 Assets held for sale

Group

	2022 £'000	2021 £'000
Asset held for sale at 1 April	**–**	3,153
Additions	**–**	1,024
Disposals	**–**	(4,177)
Asset held for sale at 31 March	**–**	–

Notes to the Accounts continued

For the Year Ended 31 March 2022

15 Assets held for sale continued

	2022 £'000	2021 £'000
Liabilities directly associated with assets held for sale at 1 April	–	–
Additions	–	1,077
Disposals	–	(1,077)
Liabilities directly associated with assets held for sale at 31 March	–	–

The assets held for sale balance as at 1 April 2020 related to the Valley Road property, held by the Group's subsidiary at the time, Budworth Properties Limited. This subsidiary was sold on 11 August 2020 to HP (Valley Road) Limited for cash consideration generating a profit on sale of £41,000 as shown below. As part of the transaction the Group has leased back space for the small number of remaining operational staff. The gain is included in the profit for the prior year in the statement of other comprehensive income.

	2022 £'000	2021 £'000
Proceeds	–	3,118
Less NBV of subsidiary at date of disposal	–	(3,077)
Profit on disposal	–	41

The assets transferred to assets held for sale on 30 September 2020, and associated liabilities relate to the Group's then subsidiary Fisher Moy International Limited (FMI). These were both also disposed of during the prior year as the Group sold Fisher Moy International on 7 December 2020 to Neon Agency Ltd for £50,000 cash consideration and £134,000 deferred consideration. This generated a profit on sale of £164,000 as shown below. This gain is included in the profit for the prior year in the statement of other comprehensive income.

	2022 £'000	2021 £'000
Proceeds	–	184
Less NBV of subsidiary at date of disposal	–	(20)
Profit on disposal	–	164

At the time of its sale, FMI had cash in the bank of £52,000. This had been deducted from the proceeds from the sale of Budworth (£3,118,000) and cash consideration from the sale of FMI (£50,000) in arriving at the Sale of assets held for sale figure of £3,116,000 per the Statement of Cash Flows.

£94k receipt in the current year relates to the inflow of prior year debtors in relation to the aforementioned sale.

16 Trade and other payables

Group

	2022 £'000	2021 £'000
Non-current		
Lease liabilities (note 18)	**4,500**	4,666
	4,500	4,666

	2022 £'000	2021 £'000
Trade payables	**52,036**	52,776
Payables in respect of card and vouchers	**22,035**	25,302
Bank overdraft	**660**	–
Lease liabilities (note 18)	**569**	563
Other taxes and social security payable	**916**	1,211
Other payables	**2,456**	2,765
Accruals	**2,161**	2,501
Other payables	**6,102**	7,040
Deferred income	**7,816**	11,152
	88,649	96,270

Trade payables fall due as follows:

	2022 £'000	2021 £'000
Not later than one month	**52,036**	52,683
Later than one month and not later than three months	**–**	93
	52,036	52,776

Trade payables include savers' prepayments for products that will be supplied prior to Christmas 2022, upon confirmation of order. Until orders are confirmed savers' prepayments are repayable on demand.

Within the other taxes and social security payable balance at 31 March 2021 is £697,954 of VAT deferred after taking advantage of the government's Covid-19 VAT deferral scheme. This was repaid in full during the year.

Notes to the Accounts continued
For the Year Ended 31 March 2022

16 Trade and other payables continued
Payables in respect of cards and vouchers fall due as follows:

	2022 £'000	2021 £'000
Not later than one month	**21,512**	24,822
Later than one month and not later than three months	**523**	480
	22,035	25,302

Payables in respect of cards and vouchers include balances due to both customers (£18.7m (2021: £19.9m)) and retailers in respect of flexecash® cards, and amounts due to retailers for Love2shop vouchers.

Other payables are due within one month.

Deferred income is in respect of multi-retailer redemption products (vouchers, cards and e-codes). Revenue is deferred for service fees and non-redemption income, net of discount.

The movement in deferred revenue is as follows:

	2022 £'000	2021 £'000
At 1 April	**11,152**	7,359
Revenue deferred in the period	**6,281**	8,363
Revenue recognised in the period	**(9,617)**	(4,570)
At 31 March	**7,816**	11,152

Revenue is recognised when the customer redeems their product or when charges are levied. Over 85% of multi-retailer redemption products are redeemed within 12 months of issue, with the associated revenue being recognised in the same period.

Company

	2022 £'000	2021 £'000
Current		
Other taxes and social security payable	**614**	675
Payables to subsidiaries	**16,921**	46,131
Other payables	**109**	148
Accruals and deferred income	**303**	448
Other payables	**17,947**	47,402

Other payables are due within one month.

Payables to subsidiaries are not interest bearing, unsecured and are repayable on demand.

17 Provisions
Group

	Vouchers			Corporate gifted cards			
	Gross £'000	Impact of discounting £'000	Net £'000	Gross £'000	Impact of discounting £'000	Net £'000	Total £'000
At 1 April 2021	34,843	(23)	34,820	43,124	(29)	43,095	77,915
Arising on vouchers/cards despatched in period at date of despatch	13,676	(105)	13,571	38,255	(256)	37,999	51,570
Increase in provision arising from the unwind of the discount recorded on initial recognition	–	(16)	(16)	–	(5)	(5)	(21)
Vouchers/cards issued in prior periods, utilised in current period	(29,744)	–	(29,744)	(38,213)	–	(38,213)	(67,957)
At 31 March 2022	**18,775**	**(144)**	**18,631**	**43,166**	**(290)**	**42,876**	**61,507**

The voucher provision is made in respect of unredeemed vouchers which are included at the present value of expected redemption amounts. This comprises the anticipated amounts payable to retailers on redemption after applying an appropriate discount rate to take into account the expected timing of payments. The anticipated amounts payable to retailers are arrived at by reference to historical data as to voucher redemption patterns. Whilst the voucher redemption provision covers a number of years of expected redemptions, over 85% of vouchers are redeemed within 12 months of issue.

Provision is made for redemption of corporate gifted cards where the cardholder does not have the right of redemption.

The unwinding of the discount recorded on initial recognition in respect of vouchers and cards is included within cost of sales in the statement of profit or loss. The discount rate used is 1.35% (2021: 0.11%).

Notes to the Accounts continued

For the Year Ended 31 March 2022

18 Leases

Group as a lessee

The Group leases assets including land and buildings and plant and equipment. Information about leases for which the Group is a lessee is presented below.

Right of use assets	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost or valuation			
At 1 April 2021	4,307	642	4,949
Additions	–	180	180
Remeasurement	–	11	11
At 31 March 2022	**4,307**	**833**	**5,140**
Accumulated depreciation			
At 1 April 2021	522	54	576
Charge in year	337	233	570
Disposals	–	–	–
At 31 March 2022	**859**	**287**	**1,146**
Net book amount			
At 31 March 2022	**3,448**	**546**	**3,994**

Right of use assets	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost or valuation			
At 1 April 2020	4,003	75	4,078
Additions	404	641	1,045
Disposals	(100)	(74)	(174)
At 31 March 2021	4,307	642	4,949
Accumulated depreciation			
At 1 April 2020	262	17	279
Charge in year	344	78	422
Disposals	(84)	(41)	(125)
At 31 March 2021	522	54	576
Net book amount			
At 31 March 2021	3,785	588	4,373

The Group's largest land and buildings leases relate to floors 3 and 4, 20 Chapel Street, Liverpool.

The lease remeasurement is the result of the renewal of the rolling 12-month lease for hosting services from the prior year at a higher rate.

There are no securities held or financial covenants required to be maintained in respect of these leases.

There is a dilapidation provision of £50,000 (2021: £50,000) related to the Chapel Street lease. The debit is held within leasehold improvements in Property, plant and equipment (note 9), and the credit with Trade and other payables (note 16).

Lease liabilities	Land and buildings £'000	Plant and equipment £'000	Total £'000
At 1 April 2021	4,657	572	5,229
New leases	–	174	174
Remeasurements	–	11	11
Interest expense	244	16	260
Lease payments	(347)	(258)	(605)
At 31 March 2022	**4,554**	**515**	**5,069**

Lease liabilities	Land and buildings £'000	Plant and equipment £'000	Total £'000
At 1 April 2020	4,293	58	4,351
New leases	404	621	1,025
Interest expense	238	7	245
Lease payments	(262)	(80)	(342)
Disposals	(16)	(34)	(50)
At 31 March 2021	4,657	572	5,229

The cost relating to variable lease payments that do not depend on an index or a rate amounted to £nil in the period.

There were no leases with residual value guarantees or leases not yet commenced to which the Group is committed.

Notes to the Accounts continued
For the Year Ended 31 March 2022

18 Leases continued

Maturity analysis – contractual undiscounted cash flows

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	2022 £'000	2021 £'000
Less than one year	569	563
One to five years	2,686	2,563
More than five years	3,481	4,021
Undiscounted lease liabilities at 31 March	**6,736**	7,147

Lease liabilities included in the Statement of Financial Position

	2022 £'000	2021 £'000
Current	569	563
Non-current	4,500	4,666
Discounted lease liabilities at 31 March	**5,069**	5,229

Amounts recognised in the statement of profit or loss

	2022 £'000	2021 £'000
Interest on lease liabilities	260	245
Expenses relating to short-term leases (included within administrative expenses)	7	305
Total amount recognised in the statement of profit or loss for the year ended 31 March	**267**	550

Amounts recognised in the statement of cash flows

	2022 £'000	2021 £'000
Total cash outflows for leases for the year ended 31 March	**605**	342

i. Real estate leases

The Group leases land and buildings for its head office and operations facilities. The lease for the Group's head office runs for 10 years, and operations facilities for between 5 and 7 years. The head office lease includes an option to renew the lease for a period of up to 5 years at the end of the contract term.

Extension options

The 10-year head office lease contains an extension option of 5 years. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the option if there is a significant event or significant change in the circumstances within its control. The head office has been accounted for on the basis that the extension option will be taken and is therefore accounted for on a 15-year basis.

ii. Other leases

During the year Group signed a new lease relating to a direct internet line which had a term of 3 years, and leased a printer with a term of 5 years.

Extension options

The 12-month rolling lease for data hosting equipment signed in the prior year was renewed in the year at a higher rate, which caused the lease liability and right-of-use asset to be remeasured. The term the lease has been capitalised over has remained consistent at 3 years, as this is the length of time the Group believe it will be renewed for.

iii. Finance lease

In November 2019 the Group sublet a portion of its Oxford office building. The Group classified the sub-lease as a finance lease, because the sub-lease was for the whole remaining term of the head lease, which ended 31 January 2021. This lease was disposed of in December 2020 when the Group sold its subsidiary company FMI, which held both the Oxford office building lease and sub-lease.

	2022 £'000	2021 £'000
Finance lease income (Land and buildings)	**–**	7

The Group has no lease receivables, with no lease payments to be received after the reporting date.

Notes to the Accounts continued

For the Year Ended 31 March 2022

19 Pension and other schemes

Group and Company

Defined benefit plan

The Group operates two defined benefit pension schemes, Park Food Group plc Pension Scheme (PF) and Park Group Pension Scheme (PG), providing benefits based on final pensionable pay. Both schemes are closed to future accrual of benefit based on service. The assets of the schemes are held separately from those of the Company in trustee-administered funds. Contributions to the schemes are determined by a qualified actuary on the basis of triennial valuations.

The Company operates the PF defined benefit scheme.

Both schemes are subject to the funding legislation which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, the Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK. The trustees of the schemes are required to act in the best interests of the schemes beneficiaries and are responsible for setting the investment, funding and governance policies of the fund. The schemes are administered by an independent trustee appointed by the Group. Appointment of the trustees is determined by the schemes' trust documentation.

The Group and Company has applied IAS 19 Employee Benefits (revised 2011) and the following disclosures relate to this standard. The present value of the scheme liabilities is measured by discounting the best estimate of future cashflows to be paid out of the scheme using the projected unit credit method. All actuarial gains and losses have been recognised in the period in which they occur in other comprehensive income. There have been no scheme amendments, curtailments or settlements in the year.

For the purposes of IAS 19 the results of the actuarial valuation as at 31 March 2019, for both schemes, which was carried out by a qualified independent actuary, have been updated on an approximate basis to 31 March 2022. There have been no changes in the valuation methodology adopted for this year's disclosures compared to the previous year.

The schemes typically expose the Group to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk.

The amounts recognised in the statement of financial position are as follows:

	Group			Company	
	2022 £'000	Restated* 2021 £'000	Restated** 1 April 2020 £'000	**2022 £'000**	2021 £'000
Present value of pension obligation	**(23,898)**	(24,956)	(21,279)	**(1,560)**	(1,577)
Fair value of scheme assets	**25,225**	25,446	23,889	**3,606**	3,515
Net pension surplus	**1,327**	490	2,610	**2,046**	1,938
– comprising schemes in asset surplus	**2,046**	1,938	2,610	**–**	–
– comprising schemes in asset deficit	**(719)**	(1,448)	–	**–**	–

* The 2021 results have been restated as set out in the Statement of significant accounting policies.
** The 2020 results have been restated as set out in the Statement of significant accounting policies.

Details with regards to originally reported numbers and the adjustments made to them are included in the tables below.

The amounts recognised in the statement of profit or loss are as follows:

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Past service cost	**–**	73	**–**	–
Net interest income	**31**	(99)	**(41)**	(47)
Components of defined benefit income recognised in the statement of profit or loss	**31**	(26)	**(41)**	(47)

Following a High Court ruling in October 2018 the Group is required to equalise Guaranteed Minimum Payments (GMPs) for men and women. The impact of this for the year to 31 March 2022 was £nil (2021: £73,000).

The costs are all recognised within administration expenses in the income statement.

Notes to the Accounts continued

For the Year Ended 31 March 2022

19 Pension and other schemes continued

Analysis of amount to be recognised in the SOCI:

	Group		Company	
	2022 £'000	Restated* 2021 £'000	2022 £'000	2021 £'000
Return on scheme assets	**(260)**	1,525	**119**	4
Experience gains arising on the defined benefit obligation	**(337)**	147	**(23)**	23
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	**(386)**	(377)	**(7)**	2
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	**1,851**	(3,441)	**(22)**	(122)
Remeasurements of defined benefit schemes recognised in the SOCI	**868**	(2,146)	**67**	(93)

Scheme assets

It is the policy of the trustees of the Company to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme's investment strategy are documented in the scheme's Statement of Investment Principles.

Fair value of scheme assets:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Fixed Interest Gilt Fund	**1,863**	1,483	**–**	–
Diversified Growth Assets (DGA)	**1,981**	3,393	**–**	–
Gilts	**3,525**	3,473	**3,525**	3,473
LDI	**2,303**	3,110	**–**	–
Loan Fund	**1,866**	3,012	**–**	–
Multi Asset Credit	**3,553**	4,463	**–**	–
Index Linked Gilts	**6,069**	5,433	**–**	–
Cash and other	**4,065**	1,079	**81**	42
Total assets	**25,225**	25,446	**3,606**	3,515

None of the fair values of the assets shown above include any of the Company's own financial instruments or any property occupied by, or other assets used by, Appreciate Group plc. All of the scheme's assets have a quoted market price in an active market with the exception of the property and the trustee's bank account balance.

The movement in the fair value of scheme assets is as follows:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Fair value of scheme assets at the start of the period	**25,446**	23,889	**3,515**	3,528
Interest income	**529**	566	**73**	83
Return on scheme assets	**(260)**	1,525	**119**	4
Contributions by employer	**–**	–	**–**	–
Contributions by employees	**–**	–	**–**	–
Benefits paid	**(490)**	(534)	**(101)**	(100)
	25,225	25,446	**3,606**	3,515

Actual return on scheme assets for the year to 31 March 2022 was (£273,000) (2021: £2,004,000) for the PG scheme and £127,000 (2021: £87,000) for the PF scheme.

Notes to the Accounts continued

For the Year Ended 31 March 2022

19 Pension and other schemes continued

Present value of obligations

The movement in the present value of the defined benefit obligation is as follows:

	Group		Company	
	2022 £'000	Restated* 2021 £'000	**2022 £'000**	2021 £'000
Opening defined benefit obligation as originally reported	**24,956**	19,683	**1,577**	1,544
Prior year restatement**	**–**	1,596	**–**	–
Opening defined benefit obligation (restated)**	**24,956**	21,279	**1,577**	1,544
Interest cost	**560**	467	**32**	36
Actuarial losses/(gains) due to scheme experience	**337**	(147)	**23**	(23)
Actuarial losses due to changes in demographic assumptions	**386**	377	**7**	(2)
Actuarial (gains)/losses due to changes in financial assumptions	**(1,851)**	3,441	**22**	122
Benefits paid	**(490)**	(534)	**(101)**	(100)
Past service costs	**–**	73	**–**	–
	23,898	24,956	**1,560**	1,577

The average duration of the defined benefit obligation at the period ended 31 March 2022 is 8 years for the PF scheme and 19 years for the PG scheme.

Significant actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

The following information relates to the PG scheme:

	2022 % per annum	2021 % per annum
Financial and related actuarial assumptions:		
Discount rate	**2.80**	2.10
Inflation (RPI)	**3.60**	3.30
Inflation (CPI)	**3.20**	2.70
Future salary increases	**3.60**	3.30
Allowance for revaluation of deferred pensions of CPI or 5% pa if less	**3.20**	2.70
Allowance for revaluation of deferred pensions of CPI or 2.5% pa if less	**2.50**	2.50
Allowance for pension in payment increases of CPI or 5% pa if less	**3.10**	2.70
Allowance for pension in payment increases of CPI or 3% pa if less	**2.40**	2.20
Allowance for pension in payment increases of CPI or 2.5% pa if less	**2.10**	1.90
Allowance for commutation of pension for cash at retirement	**80% of Post A Day**	100% of Post A Day

The following information relates to the PF scheme:

	2022 % per annum	2021 % per annum
Financial and related actuarial assumptions:		
Discount rate	**2.70**	2.10
Inflation (RPI)	**4.10**	3.30
Allowance for revaluation of deferred pensions of CPI or 8.5% pa if less	**4.10**	3.30

The mortality assumptions adopted for the PG scheme are 105% of the standard tables S2PxA, year of birth, no age rating for males and females, projected using Continuous Mortality Investigation (CMI)_ 2021 converging to 1.25% pa. These imply the following life expectancies:

	2022 Years	2021 Years
Life expectancy at age 65 for:		
Male – retiring in 2022	**21.3**	21.3
Female – retiring in 2022	**23.2**	23.2
Male – retiring in 2042	**22.3**	22.3
Female – retiring in 2042	**24.4**	24.5

Notes to the Accounts continued

For the Year Ended 31 March 2022

19 Pension and other schemes continued

The mortality assumptions adopted for the PF scheme are 89% of the standard tables S2PxA, year of birth, no age rating for males and females, projected using Continuous Mortality Investigation (CMI)_ 2021 converging to 1.25% pa. These imply the following life expectancies:

	2022 Years	2021 Years
Life expectancy at age 65 for:		
Male – retiring in 2022	**22.7**	22.5
Female – retiring in 2022	**24.6**	24.4
Male – retiring in 2042	**24.0**	23.5
Female – retiring in 2042	**26.2**	25.7

Sensitivity analysis on significant actuarial assumptions:

The following table summarises the impact on the defined benefit obligation at the end of the reporting period, if each of the significant actuarial assumptions above were changed, in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth. The sensitivities shown below are approximate.

	Change in assumption	Change in liabilities
PG scheme:		
Discount rate	decrease of 0.25% pa	increase by 4.8%
Discount rate	increase of 0.25% pa	decrease by 4.5%
Rate of inflation	decrease of 0.25% pa	decrease by 2.7%
Rate of inflation	increase of 0.25% pa	increase by 2.8%
Rate of mortality	decrease in life expectancy of 1 year	decrease by 3.1%
Rate of mortality	increase in life expectancy of 1 year	increase by 3.1%
PF scheme:		
Discount rate	decrease of 0.25% pa	increase by 2.4%
Discount rate	increase of 0.25% pa	decrease by 2.3%
Rate of inflation	decrease of 0.25% pa	decrease by 1.7%
Rate of inflation	increase of 0.25% pa	increase by 1.8%
Rate of mortality	decrease in life expectancy of 1 year	decrease by 5.5%
Rate of mortality	increase in life expectancy of 1 year	increase by 5.7%

The sensitivity assumption used in the year was 0.25% (2021: 0.25%). This is in line with the standard sensitivity analysis used by pension advice providers in their disclosures to clients.

The schemes typically expose the Group to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to the schemes liabilities. This would detrimentally impact on the statement of financial position and may give rise to increased charges in future income statements. This effect would be partially offset by an increase in the value of the scheme's bond holdings. Additionally, caps on inflationary increases are in place to protect the scheme against extreme inflation.

Funding

The Group expects to contribute £nil to the PG scheme for the accounting period commencing 1 April 2022. This is based upon the current schedule of contributions following the actuarial valuation carried out as at 31 March 2019. The best estimate of contributions to be paid to the PF scheme is £nil per annum.

Defined contribution plan

The Group makes contributions to a defined contribution pension scheme which is insured with Aviva. It also makes contributions to a defined contribution stakeholder pension plan, insured with NEST, for employees who are not eligible to join the Aviva defined contribution scheme, as well as to individual personal pension plans for certain employees.

The total pension charge for the year to 31 March 2022 was £731,000 (2021: £834,000) for the defined contribution pension schemes. At 31 March 2022, contributions of £66,000 (2021: £71,000) were outstanding, which represented the contributions for the month of March.

20 Staff costs

Employee benefit expense for the Group during the year (including executive directors)

	2022 £'000	2021 £'000
Wages and salaries	**13,559**	14,997
Social security costs	**1,387**	1,510
Other pension costs	**762**	807
Share-based payments	**259**	247
Other benefits	**47**	60
	16,014	17,621

Included within the above are staff costs of £1,232,000 (2021 restated*: £1,492,000) which have been capitalised as intangible assets.

* The 2021 results have been restated as set out in the Statement of significant accounting policies.

Notes to the Accounts continued

For the Year Ended 31 March 2022

20 Staff costs continued

Included in the above for prior year there were redundancy costs of £639,000 which relate to a one-off redundancy exercise. The driving force behind this exercise was the closure of the hamper packing part of the business.

Average monthly number of people (including executive directors) employed

	2022 No.	2021 No.
Consumer	**132**	174
Corporate	**162**	170
All other segments	**9**	11
Average number employed	**303**	355

Key management compensation

	2022 £'000	2021 £'000
Salaries and short-term employee benefits	**1,706**	1,689
Post employment benefits	**44**	49
Share-based payments	**220**	204
	1,970	1,942

Key management are deemed to be the Group's executive and non-executive directors and the senior leadership team.

Details of directors' emoluments (including those of the highest paid), pension contributions and details of share awards (including options) can be found in the Remuneration Report on page 45.

21.a Share capital

Group and Company	No of shares	£'000
Authorised: Ordinary shares of 2p each		
At 31 March 2021 and 2022	**195,000,000**	**3,900**
Allotted, called up and fully paid		
At 31 March 2021 and 2022	**186,347,228**	**3,727**

21.b Share-based payments

SGP

On 21 December 2018, the Park Group Strategic Growth Plan was adopted by the remuneration committee. This plan is for the benefit of certain employees selected at the discretion of the committee. The plan provides the participants with a pool of shares with a value equal to 10% of any cumulative shareholder value created above a compound hurdle of 10% per annum over a performance period between 1 October 2018 and 30 September 2023. Each participant is allocated a share of the pool. An overall cap on the maximum number of shares that can be granted under the SGP is set at 5% of the outstanding share capital at grant, to prevent excessive payouts or dilution. Further details can be found in the Remuneration Report on pages 43 to 45.

In January 2021 an Incentive Plan was adopted by the remuneration committee (AGIP). This plan was for the benefit of certain employees at the discretion of the committee. The awards consist of an allocation of shares, the final distribution of which is dependent on certain profit targets. Each participating employee can be awarded shares up to a maximum percentage of their salary, determined by the committee at the date of notification of eligibility for the award.

Subsequent to the year end, Tim Clancy (Group CFO) tendered his resignation and will leave the business at the end of July 2022. Following his departure from the Group in FY23, the total accumulated SGP charge (31 March 2022: £0.2m) will be released to the income statement in line with the requirements of the accounting standard.

Appreciate Group plc 2009 LTIP

In June 2010, an LTIP was adopted by the remuneration committee ('2009 LTIP'). This plan was for the benefit of certain employees selected at the discretion of the committee. The awards consist of allocations of shares, the final distribution of which is dependent on market performance targets. Each participating employee can be awarded shares up to a maximum value of 100% of salary.

SAYE

This scheme is open to all employees. Under this scheme employees enter into a savings contract for a period of three years and agree to save a regular amount each month between £5 and £500. Options are granted on commencement of the contract and exercisable using the amount saved under the contract at the time it terminates. Options under the scheme are granted at a discount of 10% to the market price at the start of the contract and are not subject to performance conditions.

Exercise of options is subject to continued employment. Options lapse if an individual leaves the Company by resigning or if they choose to stop paying into their savings accounts. In either instance they can withdraw their money they have already saved but cannot exercise their options. Options must be exercised within six months after the end of the three-year savings period.

Notes to the Accounts continued
For the Year Ended 31 March 2022

21.b Share-based payments continued
The tables below summarise the outstanding options and awards:

SGP

	2022 Number	2022 Weighted average exercise price (p)	2021 Number	2021 Weighted average exercise price (p)
Outstanding at 1 April and 31 March	**6,520,942**	**–**	6,520,942	–
Exercisable at 31 March	**–**	**–**	–	–

	2022	2021
SGP awards outstanding at end of period Weighted average remaining contractual life	**1.5 years**	2.5 years

LTIP

	2022 Number	2022 Weighted average exercise price (p)	2021 Number	2021 Weighted average exercise price (p)
Outstanding at 1 April	**–**	**–**	162,877	–
Granted	**402,209**	**–**		–
Expired	**–**	**–**	(162,877)	–
Outstanding at 31 March	**402,209**	**–**	–	–
Exercisable at 31 March	**–**	**–**	–	–

	2022	2021
LTIP awards outstanding at end of period Weighted average remaining contractual life	**2.2 years**	0.0 years

SAYE

	2022 Number	2022 Weighted average exercise price (p)	2021 Number	2021 Weighted average exercise price (p)
Outstanding at 1 April	**319,750**	**12.20**	619,176	12.20
Cancelled	**–**	**12.20**	(107,782)	12.20
Lapsed	**(319,750)**	**12.20**	(191,644)	12.20
Outstanding at 31 March	**–**	**12.20**	319,750	12.20
Exercisable at 31 March	**–**	**–**	–	–

	2022	2021
SAYE awards outstanding at end of period Weighted average remaining contractual life	**0.0 years**	0.9 years

Details of the weighted average fair value of the awards made in the year, together with how this value was calculated, can be found below.

The fair values of awards under the LTIP and the SAYE are calculated at the date of grant using the Monte Carlo simulation model and the binomial option pricing model respectively. The significant inputs into the model and assumptions used in the calculations are as follows:

	LTIP 2017-20	SAYE 2018-21	SGP 2018-23	LTIP 2021-24
Grant date	02.10.17	23.07.18	21.12.18	22.06.21
Share price at grant date	82.00p	72.75p	71.50p	26.90p
Exercise price	Nil	67.30p	Nil	Nil
Number of shares under option or provisionally awarded	1,483,583	811,734	N/A	402,209
Option/award life (years)	2.69	3.11	5.00	3.00
Vesting period (years)	2.69	3.00	4.88	3.00
Expected volatility	33%	28%	29%	N/A
Risk-free rate	0.76%	0.80%	0.91%	N/A
Expected dividend yield	4.00%	4.19%	4.34%	N/A
Forfeiture rate	0%	0%	0%	0%
Fair value per option/award	42.80p	12.00p	N/A	26.90p
Total fair value of awards	N/A	N/A	£990,000	N/A

Notes to the Accounts continued
For the Year Ended 31 March 2022

21.b Share-based payments continued
In respect of 2009 LTIP awards the expected volatility of the share price was based on historical movements in the share price, calculated as the standard deviation of percentage returns on the shares in the period since 2006. The risk-free interest rate is based on the yield available on zero coupon UK Government bonds of a term consistent with the assumed option life. Projected dividend yield was based on historical dividend payments in the three years prior to the dates of the awards, relative to the average annual share prices in that period. A forfeiture rate of nil is assumed on the basis that awards are granted to senior management.

In respect of the AGIP a valuation of the deferred awards is not necessary as the fair value of the awards are equal to the share price at grant and the awards are in the form of nil-cost options with no share price based performance conditions.

In respect of SGP, the expected volatility of the share price has been calculated using the volatility of the Company's TSR using daily data over a period commensurate with the remaining performance period as at the date of grant. The risk-free interest rate has been set as the yield as at the calculation date on zero coupon Government bonds with remaining term commensurate with the projection period of the award life. Projected dividend yield was based on actual dividend yield at the date of grant. A forfeiture rate of nil is assumed on the basis that awards are granted to senior management.

The scheme rules for the LTIP includes a provision which gives the remuneration committee the discretion to settle up to 50% of the value of shares to be awarded in cash. On the assumption that Appreciate intends to settle the entire obligation in shares, there is considered to be no present obligation and so these awards have been valued and accounted for as equity-settled share-based payments.

All 2009 LTIP awards and the SGP incorporate a market condition (TSR), which is taken into account in the grant date measurement of fair value.

The Group recognised a total charge of £260,000 (2021: £247,000) related to equity-settled share-based transactions during the year ended 31 March 2022. This charge was split across the schemes as follows:

	2022 £'000	2021 £'000
LTIP 2016-19	**–**	–
LTIP 2017-20	**–**	5
LTIP 2021-24	**22**	15
LTIP 2022-25	**34**	–
SGP 2018-23	**198**	198
SAYE 2018-21	**6**	29
	260	247

22 Dividends
Amounts recognised as distributed to equity holders in the year:

	2022 £'000	2021 £'000
Interim dividend for the year ended 31 March 2021 of 0.40p (31 March 2020: 0.00p)	**745**	–
Final dividend for the year ended 31 March 2021 of 0.60p (31 March 2020: 0.00p)	**1,118**	–
	1,863	–

An interim dividend of 0.60p per share in respect of the financial year ended 31 March 2022 was paid on 6 April 2022 and absorbed £1,118,083 of shareholders' funds. In addition, the directors are proposing a final dividend in respect of the financial year ended 31 March 2022 of 1.20p per share which will absorb an estimated £2,236,000 of shareholders' funds. The final dividend will be paid on 3 October 2022 to shareholders who are on the register of members at the close of business on 26 August 2022. Neither of these dividends were paid or provided for in the year.

Notes to the Accounts continued

For the Year Ended 31 March 2022

23 Reconciliation of profit/(loss) for the year to net cash (outflow)/inflow from operating activities

	Group		Company	
	2022 £'000	Restated* 2021 £'000	**2022 £'000**	2021 £'000
Profit/(loss) for the year	**4,392**	(275)	**(2,357)**	(2,233)
Adjustments for:				
Tax	**1,251**	138	**(390)**	(441)
Interest income	**(379)**	(783)	**(26)**	(58)
Interest expense	**451**	360	**–**	–
Research and development tax credit	**–**	(98)	**–**	–
Depreciation and amortisation	**1,866**	1,791	**114**	184
Impairment of other intangibles	**869**	–	**–**	–
Impairment of goodwill	**77**	218	**–**	–
Profit on sale of investments	**–**	–	**–**	757
Profit on sale of assets held for sale	**–**	(205)	**–**	–
Loss on sale of property, plant and equipment and other intangibles	**–**	544	**–**	6
Increase in inventories	**(1,563)**	(798)	**–**	–
(Increase)/decrease in trade and other receivables	**(970)**	(1,841)	**(708)**	286
(Decrease)/increase in trade and other payables	**(8,243)**	9,500	**(245)**	680
Movement in balances with related parties	**–**	–	**(5,733)**	5,740
Impairment of investment	**–**	–	**–**	(924)
(Decrease)/increase in provisions	**(16,408)**	24,113	**–**	–
Decrease/(increase) in monies held in trust	**12,517**	(29,360)	**–**	–
Movement in retirement benefit asset	**31**	(26)	**(40)**	(46)
Translation adjustment	**5**	3	**–**	–
Share-based payments	**260**	247	**260**	247
Net cash (outflow)/inflow from operating activities	**(5,844)**	3,528	**(9,125)**	4,198

* The 2021 results have been restated as set out in the Statement of significant accounting policies.

The movement in Monies held in trust account includes the following:

a) A one-off transfer of £4.8m from Cash to Monies held in trust was made during May 2021.
b) Release of ring-fenced funds to Cash amounting to £11.1m in September 2021. Further information is provided in note 13.

24 Capital and other financial commitments

Group and Company	**2022 £'000**	2021 £'000
Contracts placed for future capital expenditure not provided in the financial statements	**–**	220

25 Related party transactions

Group

Transactions between the Group's wholly owned subsidiaries, which are related party transactions, have been eliminated on consolidation and are therefore not disclosed in this note.

There are no transactions with key management personnel other than those disclosed in the Directors' Remuneration Report and note 20.

Company

The following transactions with subsidiaries occurred in the year:

	2022 £'000	2021 £'000
Dividends received	**–**	–

The Company did not charge for any intercompany IT services, interest or rental income in the year.

Year-end balances arising from transactions with subsidiaries

	2022 £'000	2021 £'000
Receivables from subsidiaries (note 12)	**870**	22,457
Payables to subsidiaries (note 16)	**16,921**	46,131

The receivables balances stated above are shown net of provisions, as set out in note 12.

The payables to subsidiaries arise mainly due to cash collected on behalf of other subsidiaries. All balances are repayable on demand.

Appreciate Group plc acts as a treasury management function for the other Group companies, hence why the related party balances move despite no related party transactions taking place.

Notes to the Accounts continued
For the Year Ended 31 March 2022

26 Financial instruments
The Group's activities expose it to a variety of risks: market risk (including interest rate and foreign currency risk), credit risk and liquidity risk. The Group has in place risk management policies that seek to limit the adverse effect on the financial performance of the Group by using various instruments and techniques.

The financial assets and financial liabilities of the Group and the Company are detailed below:

Group	Notes	2022 £'000	2021 £'000
Financial assets			
Monies held in trust	13	**119,537**	132,054
Cash at bank and in hand	14	**20,842**	31,415
Trade receivables	12	**6,877**	5,725
Other receivables	12	**2,790**	3,463
		150,046	172,657
Financial liabilities			
Trade payables	16	**52,036**	52,776
Payables in respect of cards and vouchers	16	**22,035**	25,302
Other payables	16	**2,456**	2,765
Lease liabilities	18	**5,069**	5,229
		81,596	86,072

Company	Notes	2022 £'000	2021 £'000
Financial assets			
Cash at bank and in hand	14	**20,124**	32,501
Receivables from subsidiaries	12	**870**	22,457
Other receivables	12	**729**	214
		21,723	55,172
Financial liabilities			
Trade payables	16	**–**	–
Amounts due to related parties	16	**16,921**	46,131
Other payables	16	**109**	148
		17,030	46,279

For further details of each of the financial assets and financial liabilities, see note numbers as detailed above.

Due to their relatively short maturity, the carrying amounts of all financial assets and financial liabilities approximate to their fair values.

The provisions for unredeemed vouchers and corporate gifted cards are not a financial liability and are therefore excluded from the table above.

Interest rate risk
Due to the significant levels of cash and cash equivalents held by the Group and in trust, the Group has an exposure to interest rates. In respect of all other financial assets and liabilities, the Group does not have any interest rate exposure.

A 0.5% movement in the interest rate applied to cash and cash equivalents, monies held in trust and other current financial assets would change the profit before tax (PBT) by approximately £846,000 (2021: 0.5% movement would change the PBT by approximately £884,000).

Foreign currency risk
The Group buys and sells goods denominated in non-sterling currencies, principally euros. As a result, movements in exchange rates can affect the value of the Group's income and expenditure. The Group's exposure in this area is not considered to be significant.

Credit risk
Credit risks arise principally from the Group's cash and cash equivalents, monies held in trust and trade receivables.

The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. The Group seeks to limit the level of credit risk on its cash balances by only placing funds with UK counterparties that have high credit ratings.

Credit evaluations are performed for all customers. Management has a policy in place and the exposure to credit risk is monitored on an ongoing basis. The majority of trade receivables are subject to credit insurance, which further reduces credit risk.

At the year end there were no significant concentrations of risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Notes to the Accounts continued

For the Year Ended 31 March 2022

26 Financial instruments continued

Liquidity risk

The Group manages liquidity risk by continuously monitoring actual and forecast cash flows and by matching the maturity profiles of financial assets and liabilities. The Group generates operational cash flows which enable it to meet its liabilities as they fall due. The Group maintains an e-money float, regulated by the Financial Conduct Authority, to hold e-monies totally separate from Group funds. The Group is entitled to make limited drawdowns from the PPPT subject to specific conditions being met as set out in the trust deed available from www.getpark.co.uk, and as part of the RCF covenants.

In August 2020, the Group agreed a committed £15m revolving credit facility with Santander. This facility will provide the additional financial flexibility to protect against downside risk in the short term; whilst enabling longer-term growth, as well as investing in the continued switch to digital products.

Details of the maturity of financial liabilities can be found in note 16. Comments on the Group liquidity position and financial risk are set out on page 16 of the Financial Review and pages 26 to 29, the Group risk factors. Comments on provisions, an area of concentration of risk, can be found in note 17.

Capital management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group's capital management focus is to ensure that it has adequate working capital, including management of its draw-down facility with the PPPT and the extent to which net cash inflows from prepaid corporate customers are available to meet the Group's liabilities as they fall due.

27 Subsequent events

a) Appreciate Group plc acquired the entire share capital of MBL Holdco Ltd (MBL) on 24 June 2022. MBL is a Gift Card processing and management business supplying gift cards to businesses and consumers in the UK.

The acquisition will allow the Group to accelerate our technology plans. The Group will use the MBL platform to deliver our modular technology plans earlier, and at a lower cost. This will allow the Group to realise commercial benefits from the development sooner than originally planned. MBL also offers a new business line in the form of end-to-end card processing solutions, with white label B2B card management, in addition to creating cross-sell opportunities.

The consideration consists of upfront cash payment of £1,650k in addition to an element of deferred consideration. The amount of deferred consideration will be based on the financial performance of MBL in the first year following acquisition, i.e. the year ending 31 March 2023. The maximum amount the Group would have to pay under this arrangement is £1,800k. The deferred consideration will be paid in cash not later than 2 months after completion of the FY23 audited accounts of MBL.

The total consideration will include an element of goodwill which represents the expected synergies from combining the operations, cross-sell capabilities and use of the MBL platform to accelerate the modular technology plans of the Group.

As the acquisition occurred so close to the announcement date, various details are still being finalised and therefore it is impracticable at this stage to disclose the following:

- Details in respect of fair value of assets and liabilities acquired; and
- The goodwill that has arisen on acquisition.

b) Subsequent to the year end, Tim Clancy (Group CFO) tendered his resignation and will leave the business at the end of July 2022. For impact on SGP, please see note 21.b.

Directors and Advisers

Directors:
I O'Doherty ◊
T Clancy
G Parsons (Non-Executive Chairman) o ∞ ◊
J Gittins (Non-Executive) o ∞ ◊
S Cabrini (Non-Executive) o ∞ ◊

Secretary:
G Griffiths

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o Member of the audit committee
∞ Member of the remuneration committee
◊ Member of the nomination committee

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