

**apprec:ate**  
group plc

**JOY**  
creating



**Appreciate Group plc**  
Annual report & accounts 2021

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Appreciate Group is a financial services business providing individuals and businesses with solutions...

# ...for moments that matter.

We make giving, receiving and experiencing easier and more joyful.



# 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 business model

- Prepayment
- Gifting
- Engagement

▶ See more on page 8

### Our strategic priorities

- Productivity
- Appeal
- Clarity
- Experience

▶ See more on page 10

### Our Trademark Behaviours

- Collaborative
- Respectful
- Empathetic
- Dynamic

▶ See more on page 34

## Strategic Report

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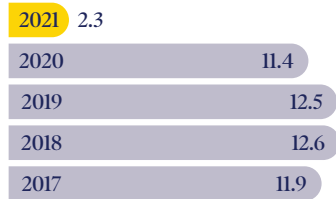
## 2021 Highlights

### How we've performed

Despite the challenges we have faced as a business during the pandemic, we achieved a resilient performance for the year, with strong Corporate demand, increased digital sales, and restructuring actions, mitigating the impacts of COVID, which were especially acute in the early months of the first national lockdown.

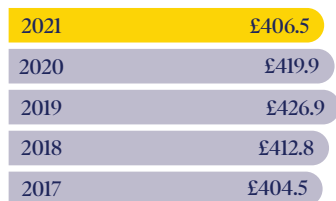
Profit before taxation  
before exceptional item\*\* (£m)

# £2.3



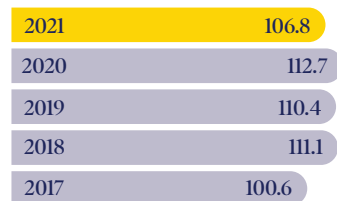
Group billings\* (£m)

# £406.5



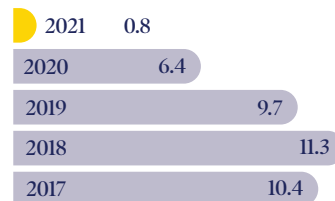
Group revenue (£m)

# £106.8



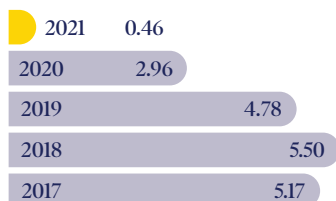
Operating profit (£m)

# £0.8



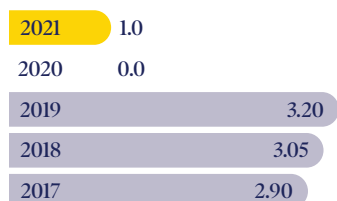
Total basic earnings per share (p)

# 0.46



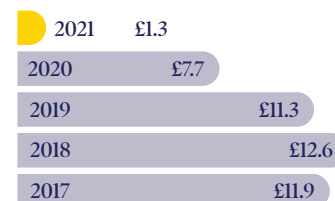
Dividends per share (p)

# 1.0



Profit before taxation (£m)

# £1.3



\* See page 78 in accounting policies for a reconciliation of billings to revenue.

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

## Operational highlights

### Growth in digital

Digital billings up almost four-fold to £68.5m (2020: £17.7m)

Love2shop Contactless Gift Card launched to Corporate clients

### Broader distribution

New partnership with PayPoint giving consumers opportunity to purchase products at 28,000 physical locations across the UK announced since year-end

### Award-winning workplace

Business Culture Award for Best Working Environment & Workplace Design

Great Place to Work certified for period from October 2020 to October 2021 with 67% Trust Index, ahead of average UK company

### Successful peak trading period

Underlying Q3 billings up by 13% to £96.3m (Q3 2020: £85.1m)

Our best ever December with 44% billings rise on previous year to £46.1m (Q3 2019: £32.1m)

### Further business simplification

Disposed of, or withdrawn from, hamper production, contract packing, operations in the Republic of Ireland, and the brand engagement agency, FMI

### New Corporate business up

Demand from new Corporate clients rises 157% from £7.5m to £19.3m

Prestigious new clients added such as B&Q, Sharps Bedrooms and Halfords

“  
Expanded range of products and solutions with flexible online, food outlets, gaming and entertainment, alongside increased retail options.  
”



## At a glance

# Giving & receiving, Consumer & Corporate

### How we do it

Appreciate Group's much loved gifting and engagement products include Park Christmas Savings, highstreetvouchers.com, Love2shop and Appreciate: The home of Love2shop, and we are fast-becoming a leader for digital innovation in gifting.

Whether it's saving towards the perfect family Christmas or celebrating with gift cards and vouchers, we create and supply products that millions of people trust when it comes to giving and receiving with family, friends or colleagues.

### Our rich heritage

We are the Company behind some of the nation's most loved pre-payment, gifting and engagement products. Our aim today – as it has been for more than 50 years – is to create 'wow' moments in our customers' lives.

Our family of brands is ever evolving and we're constantly refining and adapting our products – accelerating and innovating digitally – in order to suit the demands of modern consumers and businesses.

When our customers are looking for gifting solutions, we are there for them.

### Our business is split into two divisions:

#### Corporate

Providing around 39,000 business customers with market-leading incentive, recognition and rewards options for an estimated two million recipients through 190 redemption partners with thousands of outlets.





## Corporate

**£3.33bn\***

6.1% market share

## Consumer

**£3.66bn\***

5.6% market share

\* Source: Gift Card and Voucher Association, based on market in 2019.



## Consumer

Offers multi-retailer redemption product directly from our website [highstreetvouchers.com](https://highstreetvouchers.com) or via our leading Christmas savings offering, which currently helps approximately 350,000 families budget for Christmas.



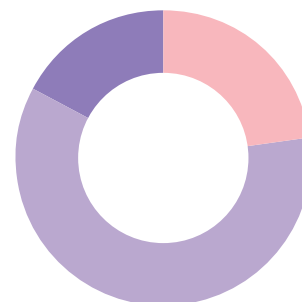
Division share of Group revenue  
for year ended 31 March 2021



■ Corporate 50.2%  
■ Consumer 49.8%

## Product mix FY2021

Appreciate provides products with three formats. The product mix is moving towards Card and Digital due to changing customer tastes and strategic initiatives.



■ Paper 23%  
■ Card 60%  
■ Digital 17%

## Investment case

# Ready for growth

### Rich heritage

Trusted by our 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.

▶ See more on page 5

### Experienced leadership team

Strong management team with a clear strategy to drive growth and demonstrated decisive action to evolve the business through COVID-19.

▶ See more on page 42

### Strong market position

Clear market leader in Christmas savings. Strong proposition for the Corporate and Gifting markets, customer base of more than 400,000 clients split across B2C and B2B markets.

▶ See more on page 5



### Growth opportunity

Foundations are being laid for future growth through a more robust and scalable business model.

### Well invested

Major investment in infrastructure and product development being delivered, in line with strategic plan. Well placed for digital growth which is expected to continue in the market.

► See more on page 17

### Attractive proposition

Multi-partner redemption product offering with around 190 redemption options with range of formats including digital, physical card and paper.

► See more on page 8

### Growth in digital

Opportunity to grow digital business following almost four-fold rise in 2021; and acceleration in consumer behaviour in pandemic.

► See more on page 17

## Business model

# Helping to create more joy for businesses and consumers

### Our resources

#### People

- We deliver success through our purpose-driven and inclusive culture.

#### Financial resources

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

#### Technology

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

#### Infrastructure

- Our infrastructure ensure systems are reliable, robust and resilient.

#### Governance

- Our risk management and governance provide controls and drive responsible behaviour, and are designed to help us follow relevant regulation.

### Our propositions

#### Prepayment

Helping consumers put money aside to ensure they can pay for key future events

#### Gifting

Helping consumers convert their kind thoughts into joyful gifts

#### Engagement

Helping businesses recognise and reward their employees and customers

### Our channels



**apprec:ate**  
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How we do things underpins our culture and

## Format



Digital



Card



Paper



## Revenue stream

- Partners benefit from increased footfall and basket value and pay a commission on the value of spend
- Businesses also purchase other 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 deliver for our customers

### Investors

- We build a strong, resilient business that can deliver growth and sustainable returns

### 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 our environment.

drives successful performance across the Group

## Strategy

In the financial year ending 31 March 2021, we made significant progress in our strategic business plan to build a robust and scalable platform on which to grow. We categorised these plans under four pillars: Productivity, Appeal, Clarity and Experience (PACE).



### Productivity

**We will be more efficient and effective**

#### 2020-21 Actions completed

- Improved peak season
- Great Place To Work certified
- Business Culture Award winner
- HM Treasury Women in Finance Charter signatory
- Seamless remote working maintained
- Grown Corporate client-base



#### Impact

Increased collaboration, enhanced talent pool and capability

▶ See more on page 25



### Appeal

**We will broaden our customer appeal**

#### 2020-21 Actions completed

- Launched Love2shop Contactless Gift Card to Corporate clients
- Rebranded B2B business
- Expanded e-codes and e-cards within our proposition
- Broadened multi-redemption options
- Enhanced Christmas Savings' agency commission structure
- Physical distribution through new partnership with PayPoint announced post year-end

#### Impact

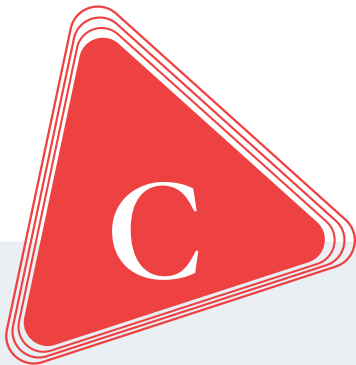
Digital billings up almost four-fold

▶ See more on page 17

We responded to the pandemic by accelerating key parts of our long-term strategy, in particular, simplification of the business and advancing our digital plans.

In addition we created a new Chief Marketing Officer role and reshaped our Marketing function to reflect the digital direction of the

business. Our plans to continue to make the proposition more attractive through a range of online, experiential and food options progressed with the combination of options across online and in store. All of this was achieved working in a largely remote environment, giving us encouraging signs for the future of the business.



## Clarity

**We will align all our efforts with clarity and focus**

2020-21 Actions completed

- Ceased hampers and contract packing
- Brand engagement agency, FMI, sold
- Republic of Ireland exited
- Sold Valley Road land and buildings
- Management focus dedicated to three core business lines
- Successful free school meals partnership

**appreciate**  
The home of LOVE2SHOP

### Impact

Simplification means focus and resources will be on our core business

▶ See more on page 18



## Experience

**We will be easier to work with for all of our customers**

2020-21 Actions completed

- Data centre migration completed
- Replaced company servers
- Enterprise Resource Planning (ERP) programme progressing
- Digital billings growth
- Paper down
- Reshaped marketing function with digital focus

### Impact

Customers now at centre of business decisions, data and product development

▶ See more on page 25



## Strategy in action

# Focused on our customers

We're dedicated in ensuring our customers are at the forefront of everything we do, and we constantly look for ways to enhance our products and customer experience.

### Flexible solutions

Love2shop gift cards offer the choice of when, where and how to redeem – whether online or in store; - for food outlets, gaming and entertainment, along with leading retailers and experiences at many of the UK's favourite attractions.



Card

### Showing care through reward

Care home workers have been unsung heroes during the pandemic and deserve to be recognised for their critical roles on the front-line to keep people safe and help the fight against the spread of Covid. As a large care home provider in the UK, Abbeyfield, chose Love2shop gift cards as a way to say thank you to around 1,500 employees for their efforts throughout 2020, allowing each one to choose to redeem with around 190 brands.

▶ See more online @ [www.appreciategroup.co.uk](http://www.appreciategroup.co.uk)





Digital gift cards have proven a flexible solution for customers to gift and reward at a time when so many have been unable to come together.

## Creative solutions

Love2shop Contactless gift cards can be sent instantly or scheduled for an upcoming special date; and delivered by SMS, email, WhatsApp or Facebook Messenger, and placed in a mobile wallet.



Digital

### Remote gifting

Retired Monica wanted to give her daughter a birthday present without putting her or her family at risk at a time when households could not mix. She chose to send a Love2shop Contactless Gift Card which was delivered via text message meaning she could create a moment of joy whilst keeping both her and her family safe.

► See more online @ [www.appreciategroup.co.uk](http://www.appreciategroup.co.uk)

## Message from the Chairman

# Rising to the challenge

### Overview

The last year has been a period unlike any other. The pandemic has had an impact on us all. Under the strong leadership of our CEO, Ian O'Doherty, the Group has navigated these challenges by making the wellbeing of our colleagues, and the needs of our customers, the priority throughout, remaining true to our purpose and values.

At the time of our last Annual Report I said that we were determined to emerge strongly from the pandemic and be ready for growth. I am pleased to say that Appreciate Group has risen to the challenge during the year, continuing to deliver our strategy and reshaping the business to lay the foundations for future years.

By accelerating initiatives in our long term plan, restructuring the business to focus on our core product and delivering for our customers in our key markets (prepayment, gifting and engagement) and building our digital capability, we are now better positioned to take advantage of future growth opportunities.

The onset of the pandemic caused a great deal of disruption and uncertainty in the early months of 2020. Despite this, our business has proved resilient as a result of the actions we have taken. We delivered an improved second-half performance with the usual swing to profitability following a higher than normal first-half loss due to the first lockdown. Our performance in the key Q3 Trading Period provided real signs of encouragement.

We believe this demonstrates that our response to the pandemic was well judged, and the reshaping of the business will provide the bedrock for future sustainable growth.

### Supporting customers through lockdown

The Group strengthened its products and proposition to enable Consumer and Corporate customers to gift and reward despite COVID-19 related restrictions.

We were able to make an important contribution to the Government's free school meals initiative, by working at pace to facilitate food retailer Iceland's participation in the scheme.

Corporate clients turned to our solutions to thank their hard-working employees during the pandemic, leading to record levels of new business and helping us deliver an improved peak season.

We also continued to focus on broadening the appeal of our products, adding new sectors such as hotels, and learning options, to the redemption choice; making essential retail available on digital products to support customers during lockdown; and adding some strong retail brands.

We extended expiry dates on paper vouchers, which could only be redeemed in-store, to ensure that customers did not lose the opportunity to spend them because of lockdown.



**Laura Carstensen**  
Chairman

## Digital growth

A key component of our long-term strategy has been to build our digital offering and capability. As the pandemic led to an acceleration in the adoption of digital by customers seeking alternative ways to gift and reward during lockdowns, we intensified, and brought forward many of our strategic initiatives. This included launching new digital solutions and broader choices for both the Corporate and Consumer segments that do not require physical cards.

We will continue to invest in our digital proposition to exploit future growth opportunities and use the important insights and learnings to sharpen our offering and enhance the customer experience.

## Colleagues, culture and ESG

We have been fortunate to have the commitment of so many dedicated and resilient colleagues. The majority have adapted remarkably to home-working; whilst those working in our fulfilment operations have embraced the changes of working in a COVID-secure environment. I want to thank all of our people for their efforts over the last year.

I have no doubt we would not have adapted so flexibly to the challenges over the last 12 months had we not made the earlier investments in infrastructure and our workplace.

We underlined our commitments to colleagues and to being a responsible business over the past year, by making tangible progress with a number of initiatives.

Our approach to fully embed the company purpose – to create joy – in our new head office was recognised with a prestigious Business Culture Award.

We strengthened our work with Everton in the Community by becoming an official partner. Through this partnership we became the main supporter in a new education programme that will help teach young people in the Liverpool City Region digital skills, such as coding.

Despite remote working, our colleagues have continued to explore opportunities to fund-raise for important causes, including Children in Need and Zoe's Place (a Liverpool-based children's hospice and long-term charity of choice for colleagues) as well as through activities to celebrate Red Nose Day.

We chose to repay all the funds received under the UK Government's Coronavirus Job Retention Scheme when it became clear that our performance had recovered sufficiently.

## Financial strength

Our balance sheet remains robust, with good levels of liquidity, which we continue to manage due to swings in free cash from month to month, driven by the timings of monies being moved in and out of trusts, and the purchasing of third party, single retailer redemption products. This is supported by our revolving credit facility with Santander that was put in place last year, a notable achievement in itself at such a time.

## Dividend

Following our decision not to pay a dividend for the previous financial year in light of uncertainty at the time, we reinstated the interim dividend in November as it became clear that trading had improved.

As this improvement has been maintained in the second half of the financial year, the Board has recommended a proposed final dividend of 0.6p making a total dividend for the year of 1.0p per share (2020: 0p).

The dividend will be paid on 1 October 2021 to shareholders on the register on 27 August 2021, with an ex-dividend date of 26 August 2021.

## Regulation

As a regulated organisation we take our responsibility to our customers seriously and we always seek to comply with all applicable regulation. We welcome increased focus on the regulation of e-money issuers through annual audits of their safeguarding practices. The Board is committed to making improvements to controls and administrative and procedural practices in line with regulation.

## Summary

We are now a leaner, more digital-focused business, and we have shown we can respond to the toughest of challenges with agility and resilience. We have made considerable progress in reshaping the business over the last two years, which will provide the foundations on which to grow in future years.

We are determined to build on this momentum by enhancing our products and proposition to attract new customers, in line with regulation. The speed at which normal levels of activity will return is unclear, we believe that, as the economy emerges from lockdown, we are better positioned to support customers following the accelerated adoption of digital products.

We have a clear strategy of innovation-led growth to capture the potential in our markets and we are confident our approach and expertise will drive strong and sustainable growth for the long-term.

**Laura Carstensen**  
Chairman  
28 June 2021



## Chief Executive's Review

# Focused on the future

Corporate revenue

£53.7m

Consumer revenue

£53.1m



Ian O'Doherty  
Chief Executive Officer

### Introduction

Although the pandemic has had a significant impact on everybody, I have seen it bring the best out of our business and our people. We are now a more agile and resilient company than we were before COVID-19 struck and I am extremely proud of the dedication that our colleagues have shown to support our customers, as well as each other.

Importantly, the decisions taken by the leadership team to respond to the crisis have been guided by our company purpose and trademark behaviours, providing the compass to ensure we have always focused on driving outcomes that are aligned to the long-term interests of all our stakeholders.

### Results for the year

I am pleased to report that, despite the challenges we have faced as a business during the pandemic, we achieved a solid performance for the year, with strong corporate demand, increased digital sales and the benefits of previous restructuring actions partially mitigating the impacts of COVID, which were especially acute in the early months of the first national lockdown.

Profit before tax and exceptional items\*\* was £2.3m (2020: £11.4m) excluding exceptional costs of £1.1m (2020: £3.7m of exceptional items) relating to the impairments and redundancies net of profit on disposal of assets held for sale. This performance reflected a robust second half when we saw the usual swing to profitability that is typical for the seasonal nature of our business.

Group billings\* decreased by 3.2% to £406.5m (2020: £419.9m) despite growth from our Corporate business. Revenue decreased by 5.2% to £106.8m (2020: £112.7m) due to lower billings with a greater level of deferred revenue following delays in spending whilst customers had fewer options to redeem their products in stores. Some of this deferred revenue is expected to come through in the next financial year.

Operating profit before exceptional items\*\* for the year was £1.9m (2020: £10.1m), of which £7.2m was delivered in H2. Net interest income fell to £0.4m (2020: £1.3m) following lower interest rates on average cash balances (including cash held in trust) of £181.2m (2020: £177.0m).



Digital billings rose four-fold, from £17.7m in 2020 to £68.5m, driven by the introduction of a broad choice of Love2shop e-codes and the launch of a Love2shop Contactless Digital Gift Card to Corporate clients.

Total cash balances, including monies held in trust and bank deposits, at 31 March 2021, were £163.5m (2020: £132.3m).

Following the solid second half performance, and after the reintroduction of the dividend at half year, we are pleased to be in a position to declare a final dividend of 0.6p.

### Divisional review

We operate in dynamic markets, serving customers in both corporate and consumer channels. The UK gift card market was estimated to be worth approximately £7bn annually<sup>1</sup> in 2019 and predicted to grow to £8.7bn by 2025. The market in 2020 was impacted by COVID with data indicating trends of a move from stores to online; from physical to digital; and from B2C to B2B. Some of these trends were already present, with the pandemic serving to accelerate their development.

#### Corporate (50.2% (2020: 44.6%) of Group revenue in the year ended 31 March 2021)

Appreciate Group's Corporate business provides around 39,000 business customers with market-leading incentive, recognition and rewards options for an estimated two million recipients to use with around 190 redemption partners with almost 24,000 outlets.

Corporate billings of £201.3m were 1.8% higher than the prior year (2020: £197.7m), a stable performance having been driven by record levels of new business, a strong Q3 performance and billings through the free school meals scheme of £23.0m. Corporate revenue was £53.7m (2020: £50.3m) representing an increase of 6.8%. Segmental profit decreased by £4.0m to £2.6m (2020: £6.6m) reflecting the lower margin on billings through the free school meals initiative and higher administration costs.

In the year we continued to increase the clients we work with by adding organisations such as B&Q, Halfords and Sharps Bedrooms as new partners.

#### Consumer (49.8% (2020: 55.4%) of Group revenue in the year ended 31 March 2021)

Consumers can access Appreciate Group's multi-retailer redemption product directly from our website [highstreetvouchers.com](https://highstreetvouchers.com) or via our leading Christmas Savings offering, which currently helps approximately 350,000 families budget for Christmas.

Our Consumer business billings were £205.3m compared to £222.2m in the prior year. Consumer revenue was £53.1m (2020: £62.4m) with a segmental profit of £0.5m versus £5.3m in the prior year, which was impacted by the increase in deferred revenue due to lockdowns.

To support customers in lockdown, a broad range of e-codes were introduced, providing more appealing options to customers spending more time at home, such as Just Eat, xBox Live, Uber Eats and ASOS.

The Christmas Savings' order book for 2020 finished down 8% overall, with most savings plans in place before COVID struck. The book is currently predicted to be c.14% lower for 2021, having been held back by lockdown restrictions impacting face-to-face agent activity. In addition, unspent paper vouchers are £6.4m higher compared to last year due to shopping restrictions and we believe that some customers intend to use them towards Christmas 2021, rather than starting a new savings plan.

In response to this reduced predicted order book for 2021, a number of initiatives are underway to encourage customers to save and incentivise agents. We held a virtual event to engage agents in May and introduced a regular prize draw to encourage customers to add to their savings' plans. We also introduced new agency commission structure in 2020 to support plans.

The focus on digital has also led to growth in billings through [highstreetvouchers.com](https://highstreetvouchers.com) in the second half, up by over a third (36%) in our peak third quarter. We continued to optimise traffic, with visitors increasing 31.8% in the second half against the previous year; and a continued focus on conversion, with rates up from 3.5% in H2 2020 to 4.7% in H2 2021.

### Strategic progress

Since late 2018, Appreciate Group has been delivering a transformation focused on building a robust and scalable business model to support future growth. The strategy is underpinned by four strategic pillars of Productivity, Appeal, Clarity and Experience. Significant investments in infrastructure and technology had been made prior to the pandemic including the head office move, rebranding to Appreciate Group, launching a digital gift card and cloud technology. The Group focused on accelerating key elements of its business plan over the past year and has made excellent progress in a number of areas:

#### Digital growth

It is important that we have solutions that meet the demands of customers in an increasingly digital world. The pandemic has led to a more rapid advancement of consumer digital adoption and we responded by intensifying our own focus on digital.

Investments to strengthen our digital offering and capability helped us respond to the pandemic and boost digital billings during the year, which almost quadrupled. Digital billings represented 17.3% of the overall product mix, up from 4.4% in the previous year. We have also gained significant insight and learnings which will help us enhance our approach further, and we plan to make further investments to support growth in our digital offering. Paper billings were down 46% year on year to 22.5% of the overall product mix, although this will have been partially helped by lockdown.

\* See accounting policies for a reconciliation of billings to revenue.

\*\* See Financial Review for reconciliation of adjusted to statutory profit measure.

<sup>1</sup> Source: UK Gift Card and Voucher Association.

## Chief Executive's Review continued

### ***Simplifying our business***

Our long-term strategy is to focus on our core product and delivering for our customers and clients in the Prepayment, Gifting and Engagement markets which provide the vast majority of the Group's profits. During the year we accordingly disposed of, or withdrew from, a number of non-core activities including hamper production, contract packing, our operations in the Republic of Ireland, and the brand engagement agency, FMI. Management focus is now dedicated to improving and driving the core business where we see opportunities for scale and growth.

A sale of the land and buildings at Valley Road, Birkenhead, was completed for £3.1m during the first half of the year, freeing up funds for investment in the core business.

### ***Continuing to invest in IT***

The next phase of the Enterprise Resource Planning (ERP) programme remains on track to be delivered during the summer, with the following phase scheduled in the second half of the financial year. This is a cornerstone of our target to build a robust and scalable platform and will provide significant benefits through enhanced resilience and workflow. The scope of the project has evolved as the Group has accelerated and prioritised its digital focus during the pandemic, which together with the impact of COVID restrictions, has resulted in additional programme costs. Cumulative project costs total c.£5.9m, of which £3.5m was incurred in the financial year ended 31 March 2021.

The first phase involves replacing current back office systems for highstreetvouchers.com with Microsoft Dynamics 365, leading to enhanced efficiencies and improvements in the customer experience.

We migrated to a new state-of-the-art, out-sourced data centre in April 2021. This provides increased reliability and resilience.

The Group plans to continue to invest in enhancing its digital proposition to exploit future growth opportunities.

### ***Growth in Corporate***

We repositioned our B2B business to support our plans for growth, rebranding it to 'Appreciate: The home of Love2shop'. This places us as experts in rewards and recognition whilst retaining the well-recognised Love2shop brand. The business enjoyed a successful Q3 peak period including our busiest ever December, as clients explored alternatives to reward their workforces, leading to record levels of new business with £19.3m during the year.

We launched a Love2shop Contactless Gift Card, our in-wallet digital gift card, to Corporate clients in September building on insight from its consumer launch. Overall billings for this were £1.8m for the year.

Through our successful partnership with Iceland, we helped provide thousands of children with free school meals. By working at pace when the date of the scheme was extended, we were able to ensure recipients could shop at the supermarket.

Our Corporate business continues to achieve high customer satisfaction scores on Trustpilot with an average of 4.6 out of 5 and 83% of reviews rated as excellent, demonstrating the strength of our proposition in this growing market.

### ***Workplace culture***

During the year we received external recognition for the progress we are making on our workplace culture. I am proud that we became an accredited Great Place To Work and that our office relocation to Liverpool received a prestigious Business Culture Award.

### ***Strengthened marketing***

We are placing a greater focus on digital marketing and commercial planning as we seek to deliver future growth. The Marketing team has been restructured to support this and make better use of insight to provide analysis for product development, campaigns and strategy. A new Commercial Planning function will help deliver targets and campaigns alongside best practice planning and digital marketing.

### ***Improving customer choice***

We continued to expand our redemption partner range to offer a broader choice to customers. Food options such as Nando's, Bella Italia and RealFoodHub.co.uk have been added, alongside attractive brands such as Schuh and Superdry. Customers now have more flexibility between online and in store redemptions, and the ability to choose from food, hospitality, leisure and entertainment alongside leading retailers.

### ***Regulation***

We are committed to complying with all relevant regulations. All e-money providers are now required to undertake an annual audit of their safeguarding practices, with many of these initial sector-wide audits expected to identify areas for improvement to meet updated safeguarding regulations. Our safeguarding audit is ongoing. Findings to date have identified areas of administrative and procedural practices that should be improved, none of which resulted in any loss of funds. As a result, we have made changes, or are in the process of doing so, to improve these, whilst also strengthening our controls environment.

### ***Improved distribution***

In May 2021, we entered into a new distribution partnership with PayPoint that will provide consumers with the opportunity to purchase Love2shop e-codes from a network of 28,000 locations across the UK. This now gives us a physical presence to offer our products to customers in the heart of communities for millions of people across the UK.



We are working with PayPoint to develop a marketing strategy to leverage this exciting new partnership.

### Looking ahead

The actions taken to respond to the pandemic have helped us deliver a resilient performance during one of the most uncertain periods in the history of our business.

Appreciate Group remains well positioned in its markets with differentiated product and service offerings. Following the accelerated investments in digital and infrastructure, we now look forward to building on the progress we have made and navigating further uncertainties in the economic recovery.

Whilst there is optimism following the success of the vaccine rollout, uncertainty about the speed at which normal levels of

activity will return remains. Despite a slower than anticipated start to the new financial year, we expect a recovery for the year overall with an increasing benefit from the investments and innovations we have made over the last two years.

Overall, we have a clear strategic plan and our business model is better positioned than ever to deliver sustainable growth as the economy emerges from lockdown. The Board is, therefore, confident of the Group's future success.

**Ian O'Doherty**  
Chief Executive  
28 June 2021

## Chief Executive's Q&A

### Q. How much progress have you made with your digital proposition?

**A.** One of our key responses to the pandemic has been to focus on improving our digital capability. We enhanced our approach by providing a range of Love2shop e-codes and the Love2shop Contactless Digital Gift Card which was launched to Corporate clients in the second half of the year. It is pleasing to see that our digital billings almost quadrupled during the year. But we will not rest on this and are determined to make further progress. Our experience so far has provided considerable insight that is helping us strengthen our approach for the future and we plan to continue investing in our digital proposition. Combining this with the changes in customer behaviour during the pandemic, which are likely to be embedded for the longer term, we believe we are well positioned for future growth opportunities.

### Q. How have your colleagues fared over the last 12 months?

**A.** The last 12 months have been an uncertain period for everyone but our colleagues have truly responded to the challenges. I am extremely proud to lead the team at Appreciate Group. They have focused on ensuring we can continue to deliver for our customers, whilst adapting to new and different ways of working, whether that be from home, or in the socially distanced environment of our operations.

I know colleagues are looking forward to the return to a level of normality and being able to work again from our award-winning offices. Their commitment over the last 12 months gives me great confidence that we have a strong team that is determined to deliver the best possible experience for our customers.

### Q. What is the focus of the business for the year ahead?

**A.** We have made great progress over the last 12 months in reshaping and simplifying our business. This means we can now focus fully on the core activities of Prepayment, Gifting and Engagement. We are determined to build on our recent success in digital and, so, we will continue to improve our digital capability, and adapting our approach to marketing to support this. We have made good progress in Corporate and it was pleasing to see such a strong peak Q3 period. We want to build on this. I was delighted that we were able to achieve the Great Place To Work certification in 2020 and we are committed to making Appreciate Group an even better employer for our colleagues. At the heart of all we do is a determination to be a responsible business and play a positive role in society. We will continue to explore ways to work with organisations such as Everton in the Community to help bring positive benefits to society. And we want to leverage some of our great partnerships, such as the new agreement with PayPoint, which gives us a physical network for the first time to offer our products to consumers up and down the country.

## Chief Financial Officer Review

# Resilient performance



**Tim Clancy**  
Chief Financial Officer

### Impact of COVID-19

The impact of COVID-19 has had a significant impact on the financial results for the year. For the majority of the first quarter, we were in the first lockdown and our priority was to protect the safety of our employees and partners. Consequently, we closed our physical despatch facility that had an impact on our ability to sell products at that time.

To protect the financial health of the business, whilst the economic outlook was unclear, the Board took the decision to cancel the dividend relating to 2019/20, preserving £6.0m of cash. In November 2020, we announced our intention to reintroduce the dividend for 2020/21. Initially we furloughed up to 79 employees, receiving £0.3m from the Government's Job Retention Scheme, however the Board chose to repay these funds in December 2020.

Whilst demand levels remained low throughout Q1, as the UK came out of lockdown in Q2, business levels began to recover, and improved further during Q3, which included a record month for billings in December. Our billings benefitted from inclusion in the Government's Free School Meals campaign, where we supported Iceland and achieved billings of £23.0m in the year.

The order book for our Christmas Savers business is normally complete by March and this did not experience any significant level of cancellations, and finished, as expected 8% lower than the prior year.

A number of strategic projects were delivered during the year. In August 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 will provide 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.

We completed the sale of the land and buildings of our former head office in Valley Road, Birkenhead for £3.1m, in line with the net book value of the asset. At the same time we announced the closure of our hamper production and third party packing business. The redundancy and stock impairment costs of £1.1m are included within exceptional items. There are further losses relating to our hamper packing business, costs of decommissioning our previous head office and losses in FMI that suppress the underlying result this year but will be non-recurring next year.

Total revenue

**£106.8m**

In Q3 we concluded the disposal of FMI, our brand engagement agency, reporting a profit on the sale of £0.2m.

In the final quarter of the year, as the UK entered 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 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 (£11.2m in 2021 vs 7.4m in 2020). This is because revenue and profit are recognised when products are redeemed. We expect some of this deferred revenue to come through in the next financial year.

### 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** – hampers, merchandise and consultancy fees. Hampers and merchandise operations were closed during the year.

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 breakage 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                            | 2021<br>£m   | 2020<br>£m   | Change<br>%  |
|-------------------------------------|--------------|--------------|--------------|
| Multi-retailer redemption products  | 351.8        | 354.3        | (0.7)        |
| Single retailer redemption products | 50.8         | 52.9         | (4.0)        |
| Other                               | 3.9          | 12.7         | (69.3)       |
| <b>Total</b>                        | <b>406.5</b> | <b>419.9</b> | <b>(3.2)</b> |

Multi-retailer redemption product billings includes 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                             | 2021<br>£m   | 2020<br>£m   | Change<br>%  |
|-------------------------------------|--------------|--------------|--------------|
| Multi-retailer redemption products  | 24.7         | 37.9         | (34.8)       |
| Single retailer redemption products | 78.2         | 62.1         | 25.9         |
| Other                               | 3.9          | 12.7         | (69.3)       |
| <b>Total</b>                        | <b>106.8</b> | <b>112.7</b> | <b>(5.2)</b> |

\* See page 78 in accounting policies for a reconciliation of billings to revenue

The mix of in-house, multi-retailer products remains high within billings, in line with the strategy of promoting our own products. The mix of multi-retailer redemption products was 86.5% of total billings, marginally higher than last year's 84.4%.

Revenue decreased by 5.2% to £106.8m. There was a greater mix of single retailer redemption products that are reported gross in revenue as opposed to multi-retailer redemption products that are reported net. This was due to a high level of conversions of digital e-codes that are categorised as multi-retailer products when billed to customer but later converted to single store use. The increase in single store revenue was offset by lower multi-retailer product revenue, due to more conversions, and lower other income due to the cessation of hamper production and contract packing.

### 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](https://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 and property costs which are shown separately in order to give a more meaningful view of divisional performance.

|                         | 2021<br>£'000 | 2020<br>£'000 | Change<br>£'000 |
|-------------------------|---------------|---------------|-----------------|
| Consumer                | 532           | 5,327         | (4,795)         |
| Corporate               | 2,638         | 6,581         | (3,943)         |
| All other segments      | (2,340)       | (5,512)       | 3,172           |
| <b>Operating profit</b> | <b>830</b>    | <b>6,396</b>  | <b>(5,566)</b>  |

#### Consumer

In the Consumer business, customer billings have decreased by 7.6% from £222.2m to £205.3m. Billings for Christmas savers were down by 8.4%, partially offset by an improved performance in other Consumer billings, derived through the [highstreetvouchers.com](https://highstreetvouchers.com) website, which were 18.2% higher. Revenue has decreased 14.9% to £53.1m (2020: £62.4m) because of delayed redemptions by customers due to the closure of non-essential retail in the final quarter of the financial year.

Operating profit was £0.5m, a decrease of £4.8m from the £5.3m achieved in the prior year. This was primarily due to lower revenue and an increase in administration costs, as explained below, relating to the closure of our hamper packing business.

#### Corporate

In the Corporate business customer billings have increased by 1.8%, from £197.7m to £201.3m. This increase includes £23.0m of Free School Meal codes redeemable through Iceland which offset the lower demand experienced during the first half of the year during the first lockdown. Corporate revenue increased by 6.8% over the prior year, from £50.3m to £53.7m due to higher billings and more conversions to single retailer products that is reported gross in revenue.

Operating profit decreased to £2.6m (2020: £6.6m) due to lower margin business and higher administration costs.

## Chief Financial Officer Review continued

### All other segments

Central and property costs reduced from £5.5m to £2.3m. This is due to the impairment cost of the Valley Road site at £1.8m included in the prior year number.

### Administration Costs

Administration costs increased from £20.0m to £21.1m due to consultancy and advisory costs relating to projects completed in the year.

### Reconciliation of adjusted to statutory profit

The Board believes that adjusted profit excluding non-recurring items such as impairments and redundancy costs is the best measure of the underlying performance of the Group. This gives stakeholders a better understanding of the Group's trading position in the year by adjusting for items which are significant in value, infrequent and in the case of impairments, do not have a cashflow impact in the year.

|  | Operating profit<br>£'000 | Profit before tax<br>£'000 | Profit after tax<br>£'000 |
|--|---------------------------|----------------------------|---------------------------|
| 2021                                   |                           |                            |                           |
| Profit before exceptional items        | 1,896                     | 2,319                      | 1,917                     |
| Impairment of goodwill                 | (218)                     | (218)                      | (218)                     |
| Redundancy costs                       | (639)                     | (639)                      | (639)                     |
| Impairment of obsolete stock           | (414)                     | (414)                      | (414)                     |
| Profit on sale of assets held for sale | 205                       | 205                        | 205                       |
| <b>Statutory profit</b>                | <b>830</b>                | <b>1,253</b>               | <b>851</b>                |

|   | Operating profit<br>£'000 | Profit before tax<br>£'000 | Profit after tax<br>£'000 |
|---|---------------------------|----------------------------|---------------------------|
| 2020  |                           |                            |                           |
| Profit before exceptional items   | 10,072                    | 11,446                     | 9,187                     |
| Impairment of property, plant and equipment and available for sale assets | (1,813)                   | (1,813)                    | (1,813)                   |
| Impairment of goodwill  | (1,316)                   | (1,316)                    | (1,316)                   |
| Impairment of obsolete stock  | (124)                     | (124)                      | (124)                     |
| Redundancy costs  | (423)                     | (423)                      | (423)                     |
| <b>Statutory profit</b>   | <b>6,396</b>              | <b>7,770</b>               | <b>5,511</b>              |

### Exceptional Costs

Exceptional costs for the year were £1.1m compared with £3.7m in the prior year. In the year, we closed hamper production and our contract packing business based at Valley Road. Following consultation with staff we made 40 roles redundant and have incurred exceptional costs of £0.6m. Additionally, we impaired the value of hamper stock by £0.4m.

### Finance income

Finance income decreased to £0.8m from £1.5m due to the lowering of the Bank of England base rate. Average total cash held by the Group, including cash held in trust during the year increased by 2.4% to £185.0m (2020: £177m).

### Taxation

The effective tax rate for the year was 32.1% (2020: 28.4%) of profit before tax. The rate is higher than the standard rate of corporation tax of 19% due primarily to legal fees, property, plant and equipment additions and the share option charge not attracting tax relief.

### VAT deferral

The Company took advantage of the government's COVID-19 VAT deferral scheme, and owed £697,954 as at 31 March 2021. This will be repaid in full during the new financial year.

### Earnings per share

Basic earnings per share (EPS) fell by 84.5% from 2.96p in 2020 to 0.46p. Excluding the exceptional charge basic EPS is 1.03p (2020: 4.93p), down 79.1%.

### 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. Following the cancellation of the dividend for the financial year 2019/20, the Board is pleased to reintroduce this policy for the current year and recommends a full year dividend of 1.0p (2020: nil).

### Cash flows and treasury

Cash flows from operating activities were £4.9m, £2.0m (29.0%) lower than the prior year, due to the decrease in profit and an increase in monies held in trust, offset by a working capital cash inflow. Monies in trust grew from £102.7m in 2020 to £132.1m. This growth was primarily in the Park Card Services Limited e-money Trust (PCSET) to support the e-money float in accordance with regulatory requirements. This increased by £25.2m to £69.4m due to higher levels of card and digital business.

In addition, £51.5m (2020: £55.1m) was held by the Park Prepayments Trustee Company Limited. The trust holds payments received in respect of orders for delivery the following Christmas. The conditions for the release of this money to the Group are detailed in the trust deed, which is available at [www.getpark.co.uk](http://www.getpark.co.uk).

Also, at 31 March 2021, the Group held £11.1m of other ring fenced funds (2020: £3.4m).

At the end of March 2021, £31.4m (2020: £29.6m) of cash was held by the Group. This was £1.8m (6.1%) higher than last year due to lower redemptions by customers offset partly by lower profit.

The total amount of cash and deposits net of any overdraft position held by the Group, combined with the monies held in trust, has increased in the year by 23.6% to £163.5m from £132.3m. These total balances peaked at just under £236m in the year, representing a marginal increase of £1.3m from the prior year.

During the financial year, 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 will provide additional financial flexibility enabling longer term growth, as well as investing in the continued switch to digital products.

### Intangible Assets

As part of the Board's strategy to develop a scalable and resilient platform to enable future growth, we have continued to invest in our technology platform in the year with £5.0m of additions (prior year £3.3m). This included investment in a new ERP platform, Microsoft Dynamics 365, of £3.5m in the year, taking cumulative spend on this project to £5.9m.

### 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 breakage, net of discount. The amount of revenue deferred at March 2021 has increased to £11.2m from £7.4m in the prior year due the closure of non-essential retail in Q4 causing much slower redemptions by customers.

### Provisions

At 31 March 2021, provisions have increased to £77.9m from £53.8m. This was mainly due to an increase in the amounts provided in respect of flexecash® cards of £20.0m and an increase in the amounts provided for unspent vouchers of £4.1m.

### 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 £2.1m based on the valuation under IAS19 performed at 31 March 2021 (2020: surplus of £4.2m).

Following a High Court ruling in November 2020 in respect of Guaranteed Minimum Payments (GMP) equalisation uplifts to historic transfer values, our actuaries have calculated that the expected impact of this for the group is £73,000 and this has been recognised in the statement of profit or loss.

The Group has recognised net interest income of £99,000 (2020: £44,000) in the statement of profit or loss in respect of the pension schemes. In addition, the Group has recognised a re-measurement loss in the statement of comprehensive income (SOC1) of £1.7m (2020: gain of £1.9m) net of tax.

In the year ended 31 March 2021, there were no contributions by the Group to the schemes (2020: 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.

### Tim Clancy

Chief Financial Officer  
28 June 2021



## Stakeholder engagement

# Our stakeholders

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 to 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: employees, customers, suppliers, the community, the environment and shareholders.
- 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.



| Key stakeholders  | Why they matter to us   | How we engage  |
|---|---|--|
| <b>People</b>   | <ul style="list-style-type: none"> <li>Colleagues play an integral role in delivering our success.</li> <li>We want to be a leading employer, supporting colleague wellbeing and career development.</li> <li>We want to attract and retain the talent required to support the future needs of our business.</li> </ul>                   | <ul style="list-style-type: none"> <li>Great Place to Work annual employee engagement survey.</li> <li>Feeds from monthly Colleague Forum meeting - these represent workforce on plans and provide views and feedback.</li> <li>Bi-monthly video calls with CEO and management team covering strategy, performance and activities.</li> <li>A wellbeing campaign to support colleagues largely working from home has ran throughout 2020.</li> </ul>   |
| <b>Customers</b>  | <ul style="list-style-type: none"> <li>We seek to have two-way dialogue with customers to understand their needs and ambitions.</li> <li>Delivering a great customer experience is key to building advocacy.</li> <li>We want to understand how they experience our products and services; and where improvements can be made.</li> </ul> | <ul style="list-style-type: none"> <li>Customer insight and analysis.</li> <li>Feedback to colleagues, contact centres and external data sources.</li> <li>Regular customer reports produced for management.</li> <li>Customer segment owners assigned in the business to develop plans and strategy.</li> </ul>   |
| <b>Partners</b>   | <ul style="list-style-type: none"> <li>We work with key partners to ensure that we have common goals and strategy.</li> <li>Our partners are essential in allowing customers to have options to redeem our products.</li> <li>Having a broad range of partners strengthens the attractiveness of our proposition.</li> </ul>              | <ul style="list-style-type: none"> <li>Feedback from regular review meetings through dedicated partnership team.</li> <li>Redemption reporting and management information.</li> <li>Operational updates.</li> </ul>  |
| <b>Suppliers</b>  | <ul style="list-style-type: none"> <li>Having good relationships with suppliers ensures we receive the services needed to support our business.</li> <li>We want to maintain continuity of critical services.</li> </ul>  | <ul style="list-style-type: none"> <li>New Head of Procurement reviewing overall approach.</li> <li>Policy in place to always pay suppliers on or before the agreed term (will vary with each contract).</li> </ul>  |
| <b>Investors</b>  | <ul style="list-style-type: none"> <li>Help investors understand the company, how it is performing; and the potential future opportunities and risks.</li> <li>Provide regular flow of news to keep investors informed on performance.</li> </ul>   | <ul style="list-style-type: none"> <li>Communications such as trading updates, Regulatory News Service (RNS) and annual reports.</li> <li>One-to-one meetings with shareholders and the CEO and CFO.</li> <li>Roadshow events organised by the brokers who provide analyst coverage of the Group.</li> <li>Information on the investor section of our corporate website, <a href="http://www.appreciategroup.co.uk">www.appreciategroup.co.uk</a>.</li> <li>Discussions held during the Annual General Meeting (AGM).</li> </ul> |
| <b>Regulatory bodies</b>                                    | <ul style="list-style-type: none"> <li>We want to meet our regulatory obligations.</li> <li>Provide trust to customers as a regulated entity.</li> </ul>  | <ul style="list-style-type: none"> <li>Regular returns.</li> <li>Engagement with the Financial Conduct Authority formally and informally.</li> <li>Participation in consultation responses as a Group or as a member of industry bodies.</li> </ul>  |
| <b>Community, environment, central and local government</b> | <ul style="list-style-type: none"> <li>We are committed to supporting our local communities.</li> <li>Understand any changes and impacts to our business from local and central government activity.</li> <li>Be a responsible corporate citizen in contributing to all aspects of society.</li> </ul>                                    | <ul style="list-style-type: none"> <li>Colleague volunteering.</li> <li>Engagement with local business groups.</li> <li>ESG plan considers the interests of the communities in which the business operates and potential impacts on the environment.</li> <li>Lobby on issues that could affect the gift card sector.</li> </ul>   |

## Stakeholder engagement continued

# Significant decisions in 2021

Examples of how the Board has considered stakeholders in some of its decisions during the year:

### 1) Wind-down of hampers

| Significant decision  | Reasons for the decision   | Stakeholders impacted and engagement  | Anticipated effects  |
|---|--|---|--|
| We took the decision to exit hamper production and contract packing in the year. This had been deemed a non-core, legacy part of business, despite it having been the key activity of the business when originally founded around 50 years ago. | The Board's strategy has been to re-focus the business on its core, more profitable activities of prepayment, gifting and engagement, and to build the Group's digital capability, in order to lay strong foundations for future years of growth. Set against this context, hamper production was a declining business. During the pandemic, there were additional factors to consider as it became clear that it would be difficult to protect the health of our people during the peak period of hamper production whilst maintaining safe social distancing guidelines. There was also potential for disruption to the broad supply chain from COVID outbreaks. | <p><b>Employees:</b> An option to sell this part of our business was preferred to minimise the risk of redundancy to impacted colleagues. Whilst such options were explored, no agreement could be reached. The Board ensured plans were in place to fully engage with colleagues, and entered into a period of consultation where there was an opportunity to put forward views and alternatives. The Board also felt it was important that colleagues were supported with a smooth exit from the business as well as to prepare those impacted by redundancy.</p> <p><b>Shareholders:</b> Having originally set out our strategy to re-focus the business in late 2018, we updated shareholders of this significant decision in a regulatory news service update as part of our full year results announcement. This included the wider context of how the Board had reached its decision and how it supported our long-term plans to focus on the more profitable core business for the future where there are opportunities for growth.</p> <p><b>Customers:</b> We recognised that some customers would be disappointed by the outcome of this decision. However, the Board also understood that the company could continue to offer customers help with saving towards the cost of their Christmas groceries and merchandise through other products, which should reduce the impact. The Board, therefore, ensured that plans were in place for all impacted customers to be contacted to let them know the rationale for the decision and to offer alternative ways that the Group could continue to support them.</p> <p><b>Partners:</b> The Board understood that a large number of partners, such as suppliers, were impacted by this decision. These would also be dealing with similar challenges due to COVID. The Board, therefore, ensured that partners were informed as early as possible, so that they could put in place plans to mitigate the impacts of the decision.</p> | By making the decision at an early stage, we were able to avoid any situation where we might not be able to deliver for customers, which would have coincided with subsequent rises in Coronavirus cases in the autumn and winter of 2020. This also avoided the potential of reputational risk from not being able to deliver on customer orders when Christmas came closer, and when they would have had less time to make alternative arrangements. Outreach with all stakeholders was handled sensitively given it was the heritage of our business. |

## 2) Sale of FMI

| Significant decision  | Reasons for the decision   | Stakeholders impacted and engagement   | Anticipated effects  |
|---|--|--|--|
| The Board took the decision to sell its brand engagement agency, FMI, during the financial year to Neon Agency Ltd. | The Board is focused on simplification of the business as a key part of its strategy. Its future plans are to grow three core lines of more profitable business: prepayment, gifting and engagement. Whilst FMI is an expert in brand engagement, the majority of its activities were not in the Group's core areas of focus so the Board took the decision to explore options to dispose of the business. | <p><b>Shareholders:</b> The Board has communicated with shareholders, since late 2018, the Group's focus on the three core lines of business which it believes will offer future years of sustainable growth, and therefore support shareholder value, and the decision to sell FMI was taken as another step in line with that strategy.</p> <p><b>Colleagues:</b> The Board recognised that this would impact a small number of colleagues employed by FMI and sought to achieve the best possible outcome for them. The Board also understood the challenges of this exercise being carried out whilst colleagues were working remotely during the pandemic. The Board sought an acquirer that would be a good fit for FMI in terms of alignment of business and location, allowing for the smooth transfer of all employees. It also made sure we remained true to the company's Trademark Behaviours, one of which is Empathy, throughout the process.</p> <p><b>Customers:</b> FMI's customers include large, global brands which it supports through brand, incentives and events. The Board ensured that customer disruption was minimised where possible.</p> | As part of a wider range of activities that have simplified the business during the year, the Board believes the management can now focus its efforts on driving the core business in markets which offer significant opportunities for future growth. |

## 3) Reshaping our ERP plans

| Significant decision  | Reasons for the decision  | Stakeholders impacted and engagement   | Anticipated effects  |
|---|---|--|--|
| A key element of the Group's strategy to build a robust and scalable platform for future growth is to deliver a new Enterprise Resource Planning (ERP) system. Following the intensified focus on accelerating our digital plans in response to the pandemic, it needed to consider changes to the scope, delivery plan and timeframe to ensure the ERP would support the more rapid evolution of the business. | Due to the pandemic, we accelerated our digital plans. This meant that the original aims of the ERP programme needed to align with the progress the business had made in bringing forward initiatives as well as key learnings from its digital activities. | <p><b>Colleagues:</b> The ERP is a major change programme in our transformation plan and its success is dependent on colleagues supporting the change. The Board ensured key colleagues involved in the programme directly, along with vital contributors, were consulted on the high level changes, enabling their engagement to help deliver our altered plans and ensure more rapid adoption of the new systems.</p> <p><b>Shareholders:</b> The programme will deliver a more reliable and scalable platform to support our future plans for growth. The focus placed on ensuring the revised plans were robust, meant we retained our commitment to supporting sustainable, long term growth, in line with the interests of our shareholders, whilst adapting to meet the Group's rapidly evolving needs.</p> <p><b>Customers:</b> The new ERP will deliver benefits through improved workflows. Whilst we remained committed to this, the decisions made by the Board also strengthened the proposition for customers by aligning to changes in customer behaviour following the pandemic.</p> | The Board believed changes to the plan were necessary following the Company's response to COVID. The revisions to the plan deliver better outcomes for all stakeholders in the long-term, by better supporting a more sustainable and successful business through a more robust and scalable platform. |

# ESG

Our company purpose is to create more joy in the world and this includes a commitment to being a responsible business. Our approach is embedded throughout the organisation and we always seek to bring a positive impact to all stakeholders, including the environment, through our activities.

We seek to build a sustainable future which benefits all. 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, including business conduct.

**E** Minimising our environmental impact

**S** Valuing our people and communities

**G** Working responsibly



| Reporting section  | Policies and standards which govern our approach  | Information necessary to understand our business and its impact, policy, due diligence and outcomes.             |
|--|---|--|
| Environmental matters  | <ul style="list-style-type: none"> <li>• Company purpose and Trademark Behaviours</li> <li>• Environmental Policy</li> </ul>  | <ul style="list-style-type: none"> <li>• Environment <b>p.30</b></li> </ul>                                      |
| Employees  | <ul style="list-style-type: none"> <li>• Company purpose and Trademark Behaviours</li> <li>• Employee Code of Conduct</li> <li>• Great Place to Work engagement survey</li> </ul>   | <ul style="list-style-type: none"> <li>• People <b>p.30-35</b></li> </ul>  |
| Respect for Human Rights                                       | <ul style="list-style-type: none"> <li>• Company purpose and Trademark Behaviours</li> <li>• Employee Code of Conduct</li> <li>• Privacy Policy</li> <li>• Recruitment Policy</li> <li>• Modern Slavery Statement</li> <li>• Information Security Policy</li> </ul> |  |
| Social matters   | <ul style="list-style-type: none"> <li>• Company purpose and Trademark Behaviours</li> <li>• Employee Code of Conduct</li> </ul>  | <ul style="list-style-type: none"> <li>• Customers <b>p.31</b></li> <li>• Community <b>p.30-32</b></li> </ul>    |
| Anti-corruption and bribery                                    | <ul style="list-style-type: none"> <li>• Anti-corruption and bribery policy</li> </ul>  |  |
| Description of principal risks and impact of business activity | <ul style="list-style-type: none"> <li>• Monies held in trust</li> </ul>  | <ul style="list-style-type: none"> <li>• Risk Management <b>p.36-38</b></li> </ul>                               |
| Description of business model                                  |   | <ul style="list-style-type: none"> <li>• Overview <b>p.1</b></li> <li>• Our business model <b>p.8</b></li> </ul> |
| Non-financial key performance indicators                       |   | <ul style="list-style-type: none"> <li>• Operational performance <b>p.17</b></li> </ul>                          |

## ESG continued

### Environment

Appreciate Group is committed to reducing its impact on the environment. Our carbon footprint has reduced considerably over the last 12 months following the disposal of our land and buildings in Birkenhead; where our presence has scaled back considerably to just c.20 people in our remaining fulfilment and redemption operation.

Having only been in the new head office for several months prior to lockdown, we have been unable to develop accurate benchmarking of our energy usage and areas for potential efficiency on which to set future targets. As we return to the office later in the year, we will gain a better understanding and will set our future ambitions.

However, we plan to implement LED lighting at the remaining site used in Birkenhead, following their successful introduction at Chapel Street in the previous financial year. The Group is also planning to implement an energy monitoring system for all its sites to provide more effective measurement, and is seeking ISO 50001 certification.

In preparation for the return of colleagues to the office, we have introduced a new flexible working policy which will enable them to work from home for part of their working week. We no longer require colleagues to be in the office each working day, and this will help both reduce our energy usage at the site and reduce emissions from colleagues' travel to the office. At all our operations, we are determined to reduce our waste, energy and water usage and will set appropriate targets to drive this when we have a full understanding of the impact of our operations following the changes made over the past 18 months.

Our strategy is to develop our digital proposition which will help further reduce use of paper products, and result in fewer plastic cards and reduced transportation / delivery, thereby supporting our aim to lower environmental impact. Gift cards are often an environmentally-friendly gift option compared to physical gifts and offer businesses and consumers with solutions that can help reduce their own impact.

We recognise that demand remains for physical cards. We recently began a pilot using environmentally friendly paperboard, compostable cards, as a potential alternative to plastic. We will review the success of the exercise to consider use of these more widely with customers.

### Our people and their communities

Throughout lockdown, we have remained determined to contribute positively on societal issues both locally and more broadly. We became an official partner of Everton in the Community (EitC) during the year, building on earlier initiatives, such as donating hampers for distribution to families in the previous year. This relationship has deepened further and we have funded equipment for a new education programme that will help teach young people in the Liverpool City Region digital skills, such as coding. Appreciate Group's contribution is expected to generate a societal value of over £470,000 and is being rolled out to over 60 schools. It will illustrate how tackling the skills gap that exists in young people in subjects such as technology can be addressed using innovative teaching methods.

Supporting young people within the communities in which we operate will continue to be one of our areas of focus. We sponsored EitC's Breakthrough Awards which seek to recognise achievements of young people who have made significant personal achievements. The physical awards' event could not be held during the pandemic and has been rescheduled for later in 2021.

The Group donated toys and gifts to EitC for families with children as part of an initiative that helped deliver more than 1,300 festive meals and gifts to those most in need at Christmas. We also donated office furniture which is no longer used following our exit from Valley Road, to the charity, extending the equipment's use lifetime and preventing it from going to waste.





### Supporting colleagues through uncertain times

Throughout the past year we have made colleague wellbeing a priority for the business.

With the majority of colleagues working from home, regular insight was sourced through surveys and focus groups to understand their concerns and how and what support could be made available. This led to a range of wellbeing initiatives being developed such as podcasts, webinars and guest speakers to help colleagues deal with challenges of remote working. This included promoting healthy habits in a digital world and support tools around physical wellbeing.

To assist colleague financial wellbeing, anyone not able to work due to the impact of COVID was supported with extra measures such as additional paid parental leave, enhanced maternity, paternity and sickness policies.

With colleague annual leave take-up initially at lower levels than normal during the year, we encouraged colleagues to take time off to support their wellbeing, whilst allowing some flexibility through holiday carryover.

Our Colleague Forum has been reinvigorated, with regular routines where representatives from across the company can share insights and raise questions, and input on organisational plans and decisions.

A company-wide step challenge with colleagues being split into teams to compete over 4 weeks was held in January. This helped raise funds for charity whilst promoting physical health with participating colleagues making almost 18 million steps.

We will look to build on our focus on health and wellbeing of our people in 2021 and we are exploring ways to broaden this commitment into our community as one of our future priority ESG themes.

### Great place to work

Appreciate Group was certified as a Great Place to Work (GPTW) for the period from October 2020 to October 2021. This was achieved in our first GPTW employee engagement survey with almost nine in 10 colleagues taking part. The survey measures engagement as a form of trust, providing an overall Trust Index score, which for the Group was 67% – above that for the average company in the UK. We want to continue this progress and have used the survey results to identify priorities. Our aim is to build on this and to maintain certification in 2021.

### Award-winning workplace

Our workplace was recognised with a prestigious award for Best Working Environment & Workplace Design at the Business Culture Awards. The accolade was for our head office move from Birkenhead to Chapel Street and the approach that was taken to enhance collaboration and create a joyful workplace in line with our company purpose. The awards showcase outstanding examples of organisational culture and were attended by some of the biggest brands in UK and global business such as Volkswagen, Lloyds Banking Group, Sainsbury's, Tata and Barclays. In presenting the award the judges said: *"What was being done here was much more than creating a new workspace, but thinking through culture, vision and values of the organisation."*

### Helping disadvantaged groups

The pandemic has illustrated the important role gift cards can play in supporting disadvantaged groups within society. Appreciate Group has made an important contribution to the Government's Free School Meals initiative, helping bring tens of thousands of meals to meet the needs of schoolchildren up and down the country at a time when the issue was elevated through the campaigning work of footballer Marcus Rashford.

We have helped a number of charities by providing gift card solutions that enabled them to safely support vulnerable people during COVID, providing access to ways to shop for essentials. We also introduced a Volunteer Shopping Card to allow those who are vulnerable in society to send money in a safe, secure way digitally to a volunteer who could shop on their behalf.



## ESG continued



### Supporting good causes

Our communities have never been as important as they were in the last year. Our approach needed to alter due to social distancing and remote working, but we have remained committed to doing good. Colleagues held a virtual coffee morning in aid of Children in Need; supported Christmas Jumper Day to raise funds for Zoe's Place, a Wirral-based children's hospice and long-term charity of choice for colleagues, and held activities to celebrate Red Nose Day. With company match-funding added this helped raise more than £1,000 for important causes.

Going forward, and as colleagues return to the office, we will have a greater focus on supporting good causes.

Whilst our colleague volunteering scheme has been impacted as a result of lockdown, we will set targets for colleague involvement in the community, once it is safe to do so.

We continued to support All Together Now – a printed newsletter for people with disabilities which is distributed throughout the North West. Historically, we have sponsored the newsletter, which runs about c.5 editions each year, but moved our commitment to advertising in the publication from 2021.

To mark Random Acts of Kindness Day on 17 February, we donated an arts and crafts care package to Alder Hey Children's Hospital for use with patients to help create joy in line with our purpose.

We were the main sponsor of the cancelled 2020 Liverpool 5k Santa Dash, usually held in December each year. This partnership was carried forward to 2021 due to COVID. It provides an opportunity for brand activation whilst supporting health and wellbeing in our local community. We also sponsored a children's football team; Ormskirk-based TQ Sports U'9s began displaying the Appreciate Group logo on their jerseys and provided another opportunity for us to support young people and physical wellbeing.

We are an active member of the Liverpool business community and engage locally with other organisations based in the City through networks and we support the Liverpool Business Improvement District which seeks to create the best possible local trading environment.

## Diversity and inclusion

We are committed to creating a workplace and culture that is welcoming and inclusive for all. We value the contribution of all our people and recognise that diverse backgrounds, experiences and ideas enable us to grow and remain resilient.

Our Board currently has a 40% female representation. The Board is made of five people of which our Chairman is female and a former commissioner of the Equality and Human Rights Commission; along with a non-executive director, who is Chair of the Remuneration Committee.

In 2020, we became signatories of the HM Treasury Women in Finance Charter and committed to promoting gender balance within our senior management. We have a published target to achieve a 40% share of women in senior management positions by August 2022 - from 38% in September 2020. We are making good progress and as of March 2021 our percentage of women in senior roles stood at 41.2%. Our aims also take account of gender representation in the digital skills market and skills we will require as a future digital-first business.

We are also pleased to report improvements on gender pay gap. The hourly mean pay gap has reduced by over 2% from 24.0% to 21.9%. There has also been a number of key female appointments across the business, and the percentage of women receiving a bonus has almost doubled. We continue to focus on further positive change.

Diversity metrics are key to our ability to track progress and we are investing time into developing these metrics this year.

Diversity, equality and inclusion has been embedded throughout our recruitment lifecycle and we work proactively with recruitment partners to ensure shortlists for all roles across the business are well balanced. In 2020, we introduced a gender bias decoder into all of our job role advertisements, and developed interview guides and competency frameworks to eliminate unconscious bias.

A diversity, equality and inclusion module was added to the annual mandatory training calendar for all colleagues within the organisation, ensuring every person undergoes learning to strengthen their awareness.

In our Great Place To Work survey results, we were positioned above the average company in the UK for Fair Treatment. Of the top 7 statements, diversity and inclusion metrics factored as three of the top scores; with fair treatment regardless of race receiving a 97% favourable score, sexual orientation receiving a 96% favourable score and gender receiving a 91% favourable score.

We also signed up to the Business Disability Forum's Accessible Technology Charter, making a commitment to an inclusive technology strategy and improving accessibility.

## Governance

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](https://www.appreciategroup.co.uk).

As part of our approach to tax, we do not participate in aggressive tax planning, or 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.

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 Risk Committee.

We have a defined risk appetite which enables us to effectively manage the potential upside and downside risks to our strategy. 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.

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.

See pages 48 to 53 for more information on Corporate Governance.

## Looking forward

We are determined to build on the progress made in adding value to society. For our customers and stakeholders, we are exploring ways we can enhance our proposition and offer solutions which meet their needs.

We will pursue an energy efficiency and positive environmental strategy and look to set appropriate and ambitious targets once we have been able to develop consistent benchmarks following changes to the organisation.

We plan to adopt the Task Force on Climate-related Financial Disclosures (TCFD) recommendations into our risk management framework and use learnings from our experiences during COVID-19 to help us mitigate potential future risks and crises.

Our Community Strategy will be enhanced to increase our community investment and we will identify suitable volunteering opportunities for colleagues. Our focus on colleague wellbeing and employee experience will be maintained and we will continue to develop initiatives that raise awareness and understanding around diversity, and proactively enhance our own diversity and inclusion practices.

## Responsible business

# Trademark Behaviours

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 all our stakeholders. They are founded on the original principles on which the company was set up more than 50 years ago.



## Our Trademark Behaviours

The Trademark Behaviours are helping build a new culture as we transform the business for the future. 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.**



## Making wellbeing our priority

The Group made the wellbeing of colleagues a priority throughout the pandemic. With the majority of the colleagues working from home, we introduced resources to promote physical wellbeing, including podcasts, webinars and external speakers.

We introduced extra measures such as additional paid parental leave, enhanced maternity, paternity and sickness policies to make extra support available. Colleagues unable to work when their workplace was closed received 100% pay until it was safe to return.

We also run a series of activities to promote physical health including a company-wide 'Step Challenge' over four weeks in January.

### Team Steps Challenge

**17,992,110**  
**total steps**





## Principal Risks & Uncertainties

# Financial risks

| Risk area   | Potential impact   | Mitigation  |
|---|--|---|
| <b>Group funding</b>                                  | The Group, like many other companies, 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.<br>The 5 year RCF secured by the Group last year 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.   |
| <b>Treasury risks</b>                                 | 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, utilising forward contracts, to minimise any potential impact. Some funds are placed on fixed term deposits to mitigate interest rate fluctuations.<br>Our exit from the Ireland market has considerably reduced our exchange rate exposure.  |
| <b>Banking system</b>                                 | 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.   |
| <b>Pension funding</b>                                | The Group may be required to increase its contributions to cover any funding shortfalls.   | 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.  |
| <b>Financial services and other market regulation</b> | The business model may be compromised by changes in existing regulation or by the introduction of new regulation or expectations of regulators expressed in guidance.<br>Possible new regulation could include a requirement to ring fence funds for vouchers sold to consumers. This would adversely affect the Group's cash position.<br>The FCA has recently been carrying 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. | 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 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. The Board has oversight of the regulated business and safeguarding practices. Following an ongoing audit of safeguarding practices, which identified some specific administrative and procedural practices that did not comply with applicable regulations or meet FCA expectations as set out in its Approach Document, the Board has increased its scrutiny of the safeguarding practices. Part of management's action plan has either already made changes necessary to address the matters identified or is in the process of doing so. |
| <b>Credit risks</b>                                   | 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.<br>Credit insurance is used in the majority of cases where customers do not pay in advance.   |



# Operational risks

| Risk area  | Potential impact  | Mitigation  |
|--|---|---|
| <b>Business continuity</b>                                 | Failure to provide adequate service levels to customers, retail partners or other suppliers, resulting in a failure to maintain services that generate revenue.   | <p>The Group has a hybrid technology resiliency strategy incorporating on premise and Cloud high availability services. We have three 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 have implemented Microsoft Office 365 which supports full remote working capability for all office based staff.</p> <p>The Group has decided to upgrade its IT Systems by implementing a new ERP system, Microsoft Dynamics, which will provide scalability, resilience and efficiency.</p> <p>The Group plans and tests its business continuity procedures in preparation for catastrophic events and also to deal with the existence of counterfeit vouchers or cards.</p> <p>To further enhance our readiness and resilience, the Group has established a Business Continuity Steering Group embedded as a formal governance routine to implement a BC Management System.</p> |
| <b>Cyber security</b>                                      | 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 cybersecurity 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 are ISO 27001 certified.  |
| <b>Data management</b>                                     | Incorrect data retention, data management or data loss with customer, financial, regulatory, reputational impact.   | We have implemented a new Data Warehouse with automated data cleansing and active data management per GDPR rules; we have Active Data loss prevention protocols in messaging platforms and have deployed Microsoft Office 365 with higher encryption standards; we are PCI and ISO 27001 certified.   |
| <b>Technology risk</b>                                     | <p>Hardware and software obsolescence causing system failure with customer, financial, regulatory, reputational impact.</p> <p>Implementation of new hardware, software, managed services causing system failure with customer, financial, regulatory, reputational impact.</p>   | <p>The Group is actively addressing hardware and software obsolescence and is implementing a new ERP system, Microsoft Dynamics as well as hybrid Cloud solutions which will improve scalability, resilience and efficiency.</p> <p>Developed and purchased software and services are extensively tested prior to implementation. There is a robust vendor management process for critical service suppliers.</p>   |
| <b>Loss of key management</b>                              | 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.  |
| <b>Relationships with high street and online retailers</b> | 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. | <p>The Group has a dedicated team of managers whose role it is to ensure that the Group's products have 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 which provide minimum notice periods for withdrawal are in place with all retailers and are designed to mitigate any potential impact on our business.</p> <p>We are a Mastercard issuer and use the services of a transaction processor for some of our products to be accepted at retailers.</p>   |

## Principal Risks & Uncertainties continued

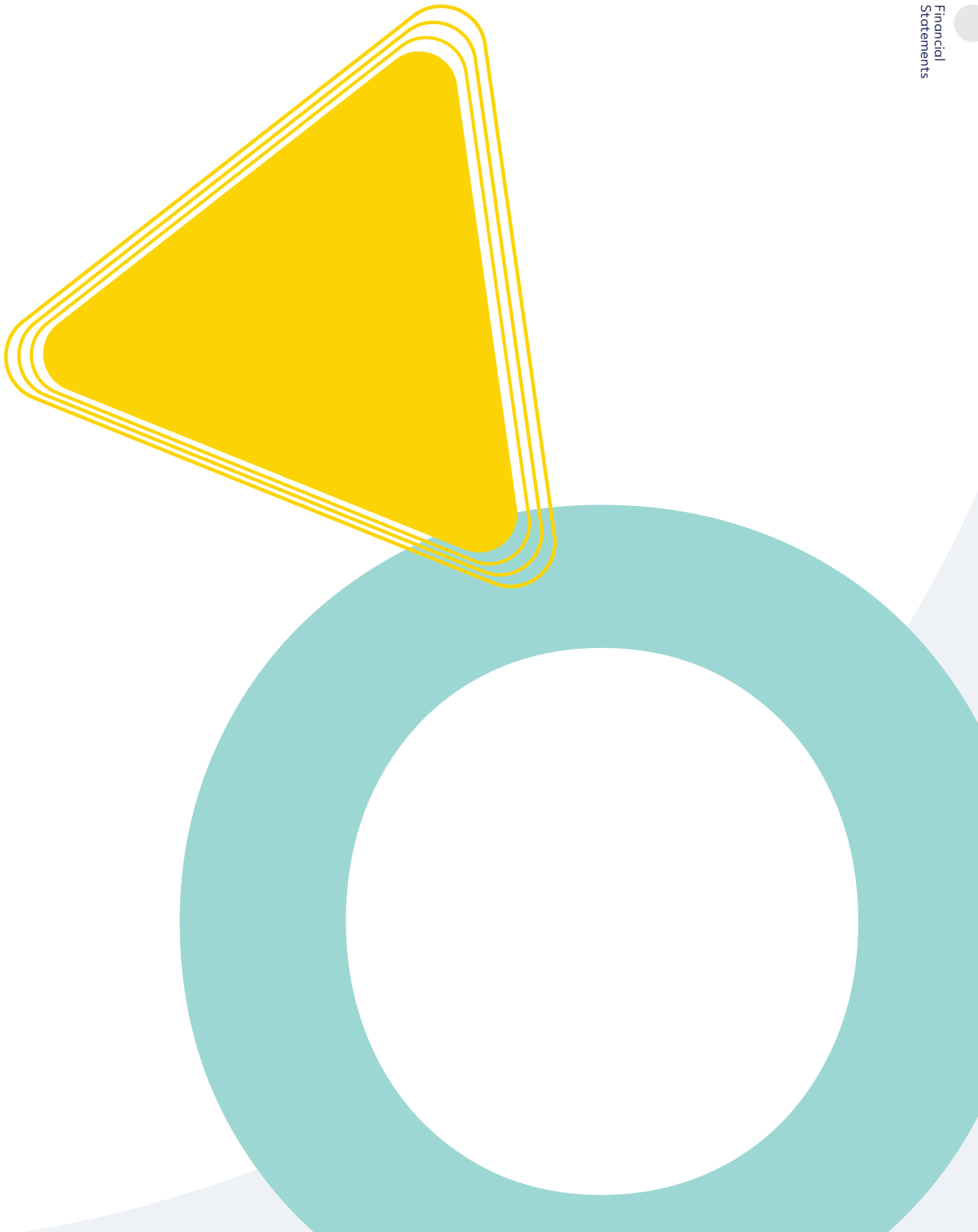
# Operational risks continued

| Risk area                                  | Potential impact  | Mitigation  |
|--|---|---|
| <b>Failure of the distribution network</b> | 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 seeks to utilise a wide range of geographically spread carriers to mitigate the failure of a single operator.<br>The strategy towards digital will also help mitigate this risk.  |
| <b>Brand perception and reputation</b>     | Adverse market perception in relation to the Group's products or services, for example, following the collapse of a competitor. This could result in a downturn in demand for its products and services.                          | Operation of a process of continual review of all marketing media, material and websites to promote transparency to customers.<br>Extensive testing and rigorous internal controls exist for all Group systems to maintain continuity of online customer service.   |
| <b>Promotional activity</b>                | The success of the Group's promotional campaign is essential to ensure the continued recruitment of customers. Failure to recruit would result in loss of revenue to the Group. Promotional activity must also be cost effective. | Detailed management processes that are designed to optimise the cost of recruiting customers are in place.  |
| <b>Competition</b>                         | Loss of margins or market share arising from increased activity from competitors.   | The Group has a broad base of customers and no single customer represents more than 6% of total customer billings.<br>Significant resources are dedicated to developing and maintaining strong relationships with customers and to developing new and innovative products which meet their precise needs.   |
| <b>Coronavirus (COVID-19)</b>              | Coronavirus poses a threat to both the health of employees and the businesses of Appreciate Group.  | Plans for business continuity, working practices, staff deployment and welfare across sites, working from home and hygiene precautions have been implemented. They are reviewed on an ongoing basis.<br>With the easing of lockdown measures and the success of the continuing vaccination programme, our operations are returning to normal, with the safety of our staff of paramount concern as they start returning to the office, and as high street shops are now open. |

Pages 2 to 38 of the annual report form the Strategic Report. The Strategic Report was approved by the Board and signed on its behalf on 28 June 2021.

**Ian O'Doherty**  
Chief Executive Officer





# Corporate Governance

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## The Board



### Committee membership

-  Audit committee
-  Nomination committee
-  Remuneration committee
-  Chairman

### 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.

### Laura Carstensen Non-Executive Chairman

Laura was appointed to the Board as a non-executive director on 23 September 2013 and became Non-Executive Chairman on 3 June 2016. She has a service agreement with the Company entered into on 13 September 2013 which requires three months' notice of termination by either party. She is a former partner in city law firm Slaughter and May, a former member and deputy chairman of the UK Competition Commission (now the Competition and Markets Authority) and a former commissioner of the Equality and Human Rights Commission. She was formerly a non-executive director of The Co-operative Bank plc where she chaired the Values & Ethics Committee and is currently Senior Independent Director of A J Bell plc. She was educated at Withington Girls School in Manchester and read English at St Hilda's College, Oxford. Mrs Carstensen is chairman of the Group's nomination committee and a member of the audit and remuneration 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. He has a service agreement with the Company entered into on 11 May 2018 which requires six months' notice of termination by either party.



## 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.



## Directors' Report

The directors submit their report for the year ended 31 March 2021 for Appreciate Group plc, registration number 01711939 (the Company).

### Profit and dividend

The Group profit for the financial year, after taxation, was £0.9m (2020: £5.5m).

The directors have declared a dividend as follows:

|   | £m         |
|---|------------|
| Approved interim dividend of 0.40p per share (2020: 0.00p)      | 0.7        |
| Proposed final dividend of 0.60p per share (2020: 0.00p)        | 1.1        |
| <b>Total ordinary dividend of 1.00p per share (2020: 0.00p)</b> | <b>1.8</b> |

### Principal activities

A statement describing the business activities of the Company and its subsidiary undertakings is set out on pages 16 to 19 with comments on current and future developments in the Chairman's Statement on pages 14 to 15. 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 14 to 15 and in the Chief Executive's Review on pages 16 to 19.

### 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.

#### 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.

#### 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 57.

### Major shareholders

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

|                                      | No. of shares | %     |
|--------------------------------------|---------------|-------|
| Premier Miton Group plc              | 20,075,204    | 10.77 |
| Schroders plc                        | 18,374,612    | 9.86  |
| Artemis Investment Management LLP    | 15,996,056    | 8.58  |
| SFM UK Management LLP                | 15,660,000    | 8.40  |
| Unicorn Asset Management Limited     | 13,208,797    | 7.09  |
| Investec Wealth & Investment Limited | 9,428,815     | 5.06  |
| The Ramsay Partnership Fund Limited  | 7,486,300     | 4.02  |
| Investec Asset Management Limited    | 7,250,000     | 3.89  |
| Cazenove Capital Management Limited  | 6,925,875     | 3.72  |
| Janus Henderson Group plc            | 5,890,047     | 3.16  |

## Directors and their interests

The directors who were in office during the year ended 31 March 2021, are shown on pages 42 and 43.

Details of directors' and connected persons' share interests in the Company are shown in the Remuneration Report on page 55.

## Going Concern Disclosures

The financial statements are prepared on a going concern basis.

The Group 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 RCF in the year to 31 March 2021 nor to the date of signing 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 must not be less than 1.0:1.

The Directors have modelled management's best estimate of financial results for the Going Concern assessment period to 31 December 2022 (the "Going concern period") and adopted the plan as the Board approved budget. Alongside the Board approved budget, the Board have identified and approved cost control measures; and together these form our Base Case.

The Base Case assumes:

- A decrease in Year 1 billings compared to 2020/2021 actuals, with then an 8% increase in Year 2 (over Year 1).
- Christmas savers order book £170m in both years.
- A reduction in paper redemptions compared to 2020/2021, followed by a significant decrease in Year 2 in line with the decrease in paper product mix. Increased card and digital redemptions in both years.
- Product Mix: Paper billings for Consumer assumed to be 21% in Year 1 and 15% in Year 2; paper billings for Corporate assumed to be 7% in Year 1, with minimal levels assumed in Year 2. Remaining billings are assumed to be card/digital.
- A flat cost base compared to the prior year for administrative expenses and staff costs in both years.
- Capital spend is restricted to that required to complete the ERP system and only further essential IT development in Year 2.
- Dividend payment of £1.5m is assumed in October 2021 in line with our stated dividend policy, with future dividend payments subject to trading results and so not modelled in the Base Case.

The Base Case requires the group to draw down on the RCF in the period, with the lowest headroom being £4.9m in September 2022.

The Directors have modelled six plausible downside scenarios to test the sensitivity of the Base Case. The scenarios are as follows:

1. Corporate and Gifting billings remain flat against the 2020/2021 actuals.
2. Christmas Savers order book £165m in Year 1 and £150m in Year 2.
3. A combination of 1 and 2 above.
4. An additional 10% shift from paper to digital products above the Base Case in Year 1 and 2.
5. 25% faster redemption of paper products and 25% slower redemption of card and digital products than Base Case in Year 1 and 2.
6. A combination of 3, 4 and 5 above.

In scenarios 1 to 5 the Group would not breach its headroom in the period to 31 December 2022, and would be fully compliant with all of its RCF covenants. In the most extreme downside scenario 6, the Group would breach its headroom by £2.3m, but would be fully compliant with all of its RCF covenants in the period to 31 December 2022.

Current trading for the year to mid-June 2021 shows billings levels lower than the Base Case. When the % reduction in current billings versus Base Case are run in conjunction with current trends on product mix and redemptions, the outcome is not as severe as sensitivity 6, and the Group remains compliant with its covenants and does not breach its headroom.

Management have identified mitigating actions, additional to those in the Base Case, to provide headroom, if necessary during the going concern period. These include:

- Cost saving initiatives that would result in cash savings of £2.3m in the going concern period, relating to reductions in administrative and staff costs. A decision will be taken at the end of July 2021, dependent on trading, with implementation from October 2021 should they be deemed necessary.
- Two strategy changes, which could generate significant additional headroom in key months. The first reduces marketing spend in respect of Christmas Savers whilst maintaining the paper voucher mix; and the second maintains the paper voucher mix currently being experienced in our Corporate customer base by avoiding moving Corporate accounts away from paper vouchers. These will be implemented with immediate effect.

When overlaying these mitigating actions and assumed outcomes, which includes an associated reduction in Christmas Savers Year 2 order book to £145m; these provide significant headroom across the going concern period, with the lowest forecast headroom in Year 1 being £5.2m in September 2021, and lowest forecast headroom in Year 2 being £6.3m in July 2022.

Management have modelled a number of reverse stress tests which consider whether the reduced marketing spend could more severely impact Year 2 Christmas Savers billings; and consider adverse movements on the Christmas Savers product mix in Year 1. Assuming product mix remains in line with Base case and the current Year 1 order book then it would take a 40% reduction against Base case in the order book in year one and 56% reduction against Base case in Year 2 for the Group to run out of headroom. The Group would remain compliant with its covenants, as they are less sensitive than the liquidity headroom to these changes in billings and product mix. The Board consider those variances over Base Case to be implausible.

## Directors' Report continued

### Conclusion

Having carefully considered the Base Case, downside scenarios, current trading and trends since the year-end, and further mitigating actions available, as well as the £15m committed RCF, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 31 December 2022. Therefore, the directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

### Employee Engagement

The Group is committed to involvement with its employees and has continued to keep them informed on matters that affect them as employees as well as other factors relating to the performance of the Group. This is achieved through a series of formal and informal meetings and internal communications. During the year, the Group launched a new employee forum where employee representatives are consulted on a monthly basis on matters of interest as well as the factors affecting the Group's performance. The Group uses a mobile enabled internal communications platform called Connect to share information regularly. Employees are also kept informed on business matters through regular all staff calls. During the year the Group carried out its first Great Place To Work employee engagement survey, for which it received an accreditation based on the results. The Group has prioritised actions based on the survey to help boost employee engagement further, with particular focus on recognition and new reward systems. The Group is committed to motivating employees and encourage them to become involved in the Company's performance via its Employee Share Save Scheme when opportunities to join are open. The Group is now placing more emphasis on employee learning and development. It introduced mandatory learning covering a range of relevant topics such as diversity, anti-fraud & bribery and phishing. A new management development programme has also been introduced to enhance organisational leadership. The Group places significant importance on employee wellbeing and during the year executed a campaign to share tips and techniques with employees as well as bringing in external guest speakers to support employees, the majority of whom have been working from home. The Group believes in equal opportunities regardless of gender, age, religion or belief, sexual orientation, race and disability. 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 31 and 33 of the Strategic report.

### Market value of land and buildings

As at 31 March 2021, 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 2021 the Group contributed to charity £33,000 (2020: £20,000). 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 the parent company had no third party creditors (2020: no of days of parent company purchases outstanding was 10 days).

### 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

There have been no important events affecting the group which have occurred since the end of the financial year.

### Business relationships with key stakeholders

See pages 24 to 27, our S172 statement, for details of business relationships with key stakeholders.

### 2021 energy and carbon report for Appreciate Group plc

| Emissions Scope  |   | Global 12 months ending 31 March 2021 | UK 12 months ending 31 March 2021 | Global 12 months ending 31 March 2020 | UK 12 months ending 31 March 2020 |
|--|---|---------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|
|  |   | Tonnes CO <sub>2</sub> e              | Tonnes CO <sub>2</sub> e          | Tonnes CO <sub>2</sub> e              | Tonnes CO <sub>2</sub> e          |
| Emissions from combustion of gas   | 1 | 118                                   | 118                               | 227                                   | 227                               |
| Emissions from combustion of fuel for transport purposes   | 1 | 0.3                                   | 0.3                               | 2                                     | 2                                 |
| Emissions from purchased electricity   | 2 | 382                                   | 382                               | 485                                   | 485                               |
| Emissions from other activities which the company own or control including operation of facilities                                 | 1 | 3                                     | 3                                 | 3                                     | 3                                 |
| <b>Scope 1 + 2</b>   |   | <b>503</b>                            | <b>503</b>                        | <b>717</b>                            | <b>717</b>                        |
| Emissions from business travel in rental cars or employee-owned vehicles where the business is responsible for purchasing the fuel | 3 | 1                                     | 1                                 | 27                                    | 27                                |
| <b>Scope 1 + 2 + 3</b>   |   | <b>504</b>                            | <b>504</b>                        | <b>744</b>                            | <b>744</b>                        |
| <b>Underlying energy (kWh)</b>   |   | <b>2,283,887</b>                      | <b>2,283,887</b>                  | <b>3,255,336</b>                      | <b>3,255,336</b>                  |
| <b>Tonnes CO<sub>2</sub>e / £ m billings (Scope 1 + 2)</b>   |   | <b>1.2</b>                            | <b>1.2</b>                        | <b>1.7</b>                            | <b>1.7</b>                        |
| <b>Tonnes CO<sub>2</sub>e / £ m turnover (Scope 1 + 2 + 3)</b>   |   | <b>1.2</b>                            | <b>1.2</b>                        | <b>1.8</b>                            | <b>1.8</b>                        |

Data based on 12 months up to 31 March 2021.



## Streamlined Energy and Carbon Reporting (SECR)

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 ending 31 March 2021.

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. Our underlying energy usage reduced by 30% in the financial year and, whilst we are pleased with this reduction, it is important to note that it has been helped by a combination of significant factors.

Our operational presence at the site at Valley Road, Birkenhead reduced considerably during 2020 and early 2021 following the decision to cease hamper production and third-party contract packing. Our operations are now significantly smaller and we lease the space having sold the land and premises during the year.

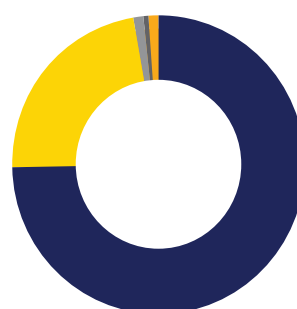
The scaled down presence was also driven by our move to the new head office in Liverpool in late 2019. With the majority of our colleagues working from home during the pandemic, use of our head office has been limited throughout the financial year. Gross emissions have fallen by 30% as a result these changes to our business and the impact of COVID.

Whilst we are focused on reducing our energy usage and aim to be a leader for sustainability in the gift card industry, we have been unable to develop consistent benchmarks for our energy use on which to base future targets. As we return to the office, alongside a regular period of our current and future requirements at Valley Road, we will focus on gathering the insight to set realistic targets for the future. This will also help improve our understanding of exposure to the risks of climate change.

### Future energy efficiency plans

- We plan to implement LED lighting at the remaining site used in Birkenhead, following the successful introduction at Chapel Street in the previous financial year.
- The Group is also planning to implement an energy monitoring system for all its sites to provide more effective measurement and will seek ISO 50001 certification.
- In preparation for the return of colleagues to the office, we have introduced a new flexible working policy which will enable colleagues to work from home for part of their working week. This will help both reduce our energy usage at the site.
- Our future strategy is focused on developing our digital proposition which will help further reduce use of paper products, and result in fewer plastic cards and reduced transportation / delivery, thereby supporting our aim to lower environmental impact.
- We recently began a pilot using environmentally friendly paperboard, compostable cards, as a potential alternative to plastic. We will review the success of the exercise to consider use of these more widely with customers.

## Energy footprint



### kWh for the 12 months ending 31 March 2021

|                    |      |
|--------------------|------|
| Electricity        | 76%  |
| Natural gas        | 23%  |
| Fugitive emissions | 0.6% |
| Owned transport    | 0.1% |
| Staff vehicles     | 0.3% |

### Methodology

A location-based calculation of CO<sub>2</sub> equivalent emissions was made using energy data collected from energy suppliers. Energy and carbon from transport were modelled using different average UK vehicles. A screening method was used to model the fugitive emissions from refrigerant systems. Of the disclosed energy use, 6,521 kWh, or 0.3%, is on a net calorific value basis.

The methodology is consistent with the 2020 edition of the UK Government GHG Conversion Factors for Company Reporting.

## 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 reappointment of Ernst & Young LLP as auditors of the Group is to be proposed at the forthcoming AGM.

By order of the Board.

**Tim Clancy**  
Chief Financial Officer  
28 June 2021

## Corporate Governance

### 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;



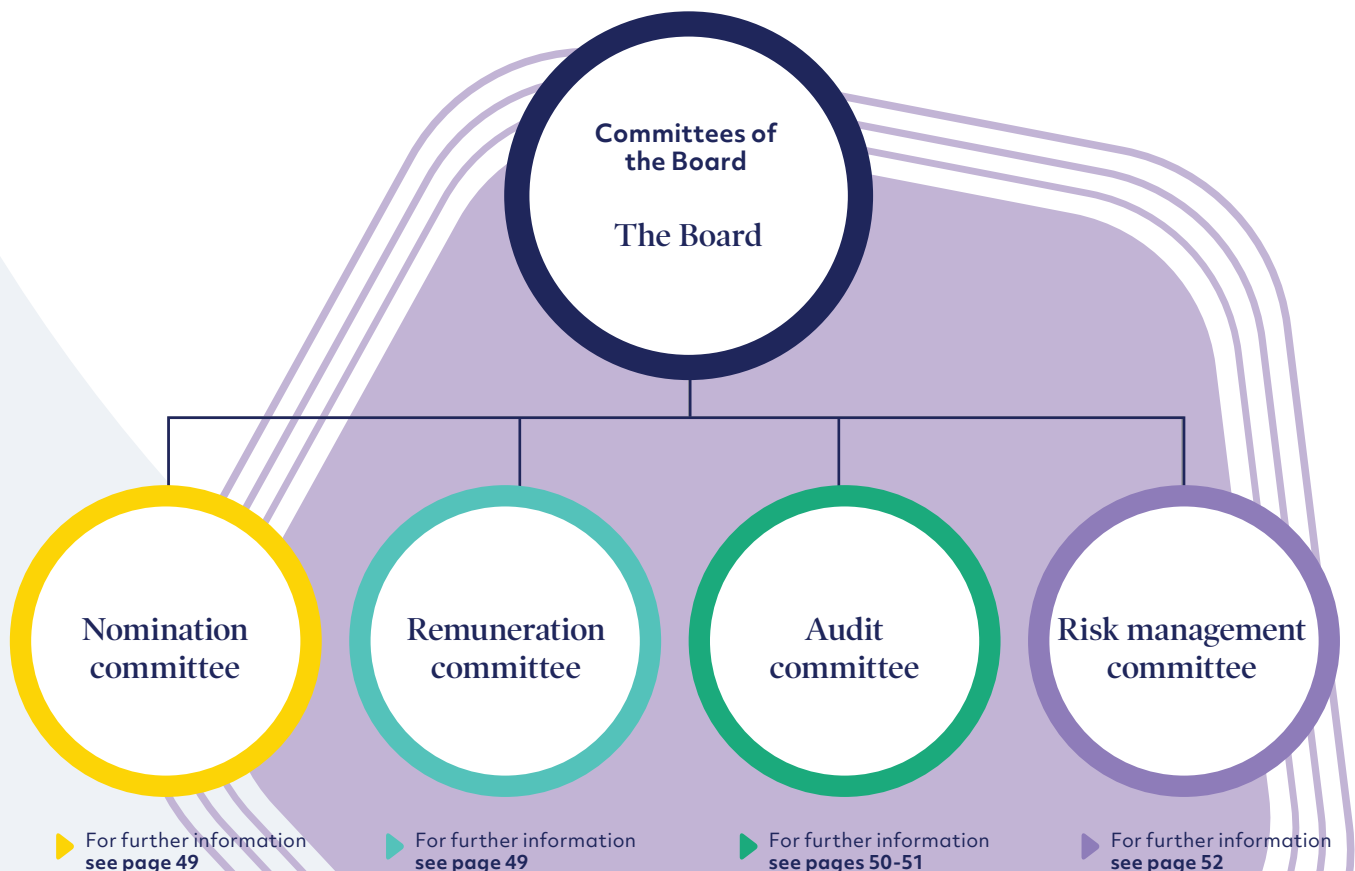
- monitoring the liquidity risk of the business and the going concern basis of preparation;
- reviewing operational and financial performance;
- approving entering into financing arrangements;



- 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.



## Nomination committee

Members

04

Meetings

00

During the year the nomination committee comprised Laura Carstensen (Chairman), 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.

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

## Remuneration committee

Members

03

Meetings

05

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

### The remuneration committee's principal responsibilities are:



- setting, reviewing and approving individual remuneration packages for executive directors and the Chairman 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 54 to 57 of the annual report.

## Corporate Governance continued



Audit  
committee

Members

03

Meetings

05

During the year the audit committee comprised our non-executive directors. These were John Gittins (Chairman), 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 five 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 2021 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; and
- considering the results to date of the ongoing safeguarding audit and approving management's proposed response to the issues identified.

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 75 to 78, 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.

### Accounting for leases

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 committee considered the key assumptions relating to lease terms applied by management and were comfortable with the conclusions.

### Impairment of intangible assets

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. The committee considered the key assumptions used in assessing the value of the assets and any potential impairment and were comfortable that they were appropriate.

### Breakage

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 breakage amount. In order to calculate the expected breakage 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. The committee have reviewed the estimates used in these calculations and are satisfied with the methodology used.

### 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 31 December 2022, along with a range of downside scenarios and reverse stress tests. 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 Board approved mitigating actions, the facility and headroom were considered sufficient and covenant compliance demonstrated. Further details of the going concern review are given on pages 45 and 46.

### 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 FCA has been conducting a review of the e-money and payment service provider sector over a number of months into the effects of the coronavirus pandemic on e-money firms, with a focus on ensuring customer funds are appropriately protected. In July 2020, the FCA introduced a requirement for firms in the payment services and electronic money sectors to have an annual audit of compliance with safeguarding requirements, with the findings to be reported to the FCA. The committee has considered the results to date from the ongoing audit of PCS'

safeguarding practices, which identified specific administrative and procedural practices that did not comply with applicable regulations or meet FCA expectations as set out in its Approach Document, although none of these have resulted in any loss of funds. The committee also reviewed and approved management's action plan arising from these findings. Having regard to the FCA's Principle 11 that requires firms to deal with its regulators in an open and cooperative way, PCS will inform the FCA of these findings in advance of the final report being issued, and, as part of management's action plan, has either already made changes necessary to address the matters identified or is in the process of doing so. The Committee will continue to monitor any further sector-wide areas for focus, and the FCA has stated its intention to update its Approach Document in this area.

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 nine years and the committee remains satisfied with their effectiveness and independence. The committee has adopted a policy of tendering external audit services at least once every ten years. Accordingly, the committee intends to conduct an external audit tender process within the next twelve months to select an external auditor to start from the 2022 financial year, subject to the phasing of significant finance system changes arising from the Group's ERP programme.

The audit committee reviews arrangements by which staff of the Company 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 monitors regularly 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 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 internal audit function.

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 is satisfied with their performance. The Board continues to keep under review the need for a more formally constituted internal audit programme.



## Corporate Governance continued

### Risk management committee

Members

8

Meetings

12

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 |
|--------------------------------|-------------|-----------------|------------------------|----------------------|
| <b>Executive directors</b>     |             |                 |                        |                      |
| Ian O'Doherty                  | 9           |                 |                        |                      |
| Tim Clancy                     | 9           |                 |                        |                      |
| <b>Non-executive directors</b> |             |                 |                        |                      |
| Laura Carstensen (Chairman)    | 9           | 5               | 4                      |                      |
| John Gittins                   | 9           | 5               | 4                      |                      |
| Sally Cabrini                  | 9           | 5               | 4                      |                      |
| <b>Scheduled meetings</b>      | <b>9</b>    | <b>5</b>        | <b>4</b>               | <b>0</b>             |

### 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 Chairman, two independent non-executive directors and two executive directors. The names of the directors, together with their biographical details, are set out on pages 42 and 43.

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 Chairman 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 pages 42 and 43;
- 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 Chairman 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 Chairman 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 strategic, operational, reputational, financial or environmental. 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; and
- the appointment of a risk management sub-committee.

The risk management sub-committee's terms of reference are shown on page 52.

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 International Accounting Standards in conformity with the Companies Act 2006 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 International Accounting Standards in conformity with the Companies Act 2006; 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

**Laura Carstensen**  
Chairman  
28 June 2021

## Remuneration Report

This report sets out details of remuneration for the directors of Appreciate Group plc during the year ended 31 March 2021. 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 49.

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 (linked to performance), long term incentives (Strategic Growth Plan – linked to performance), 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.

### COVID-19 update

At the time of our last annual report we said that we were determined to emerge strongly from the pandemic and be ready for growth. As outlined in our wider commentary, Appreciate Group responded by making considerable progress in these aims, delivering our strategy and reshaping the business to lay the foundations for future years. We initially used the furlough scheme for colleagues who could not work from home when our operations were closed. However, we chose to repay all £0.3m of the funds used from the Government support scheme when it became clear that our performance was recovering as we moved further into the financial year. We also treated colleague financial wellbeing as a priority by topping up furlough pay, offering additional parental leave, enhancing maternity leave, and being agile in working arrangements. In addition we promoted the use of holidays as well as offering wellbeing support to all colleagues to help them through the lockdown challenges.

We responded to the challenges by accelerating initiatives in our long term plan; restructuring the business to focus on core activities of prepayment, gifting and engagement; and building our digital capability to respond to a rapidly changing world.

Following our decision not to pay a dividend for the previous financial year ended March 2020 in light of uncertainty created by the pandemic, we reinstated the dividend at half year in November as it became clear that trading had improved. As this improvement has been maintained in the second half of the financial year, the Board has recommended a proposed final dividend of 0.6p making a total dividend for the year of 1.0p per share (2020: 0p).

### 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 in June 2021. Salaries for executive directors were not changed during 2020, and salaries were reviewed in March 2021 and it was determined that no increase would be made. A wider workforce review has been deferred for consideration later in the year.

### 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 2020/2021 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. Bonuses for the 2021 financial year will be payable at 65% of eligibility for executive directors as business performance for the year is better than might have been expected given the challenges of COVID-19. A number of strategic goals have been delivered including: restructuring of the business, digital acceleration both for customers and colleagues and successful delivery of the peak season, and financial measures linked to PBT performance are ahead of the budget for the year. When agreeing final bonus amounts, the Remuneration Committee looked to ensure that executive remuneration is aligned to the experience of the wider workforce and shareholders. Accordingly, the Remuneration Committee has considered ways in which to recognise the hard work of colleagues during the year.

### Long-term incentives

The current executive directors participate in the Group's SGP and SAYE full details of which are shown in note 21b.

### Strategic Growth Plan (SGP) awards

As detailed in last year's annual report SGP awards are equity settled awards in the form of nil-cost options. These 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. This value is based on the growth in market capitalisation plus dividends over the five year period.

The awards for the executive directors were:

- CEO – 45% share of the pool;
- CFO – 25% share of the pool.

Based on performance to 31 March 2021, none of the SGP award would vest. The Committee will be reviewing the long term incentive arrangements over the course of the financial year with a view to considering new long term incentive awards that vest post 30 September 2023 following final determination of the SGP.

### Directors' share interests

The beneficial interests in the share capital of the Company of the directors in office at 31 March 2021 and connected persons were as follows:

|              | Beneficial shareholding |                  |
|--------------|-------------------------|------------------|
|              | 31 March<br>2021        | 31 March<br>2020 |
| I O'Doherty  | 70,000                  | 30,000           |
| T Clancy     | 20,000                  | 20,000           |
| J Gittins    | 10,000                  | 10,000           |
| L Carstensen | 70,000                  | 70,000           |
| S Cabrini    | –                       | –                |

### Contracts

Details of executive directors' service contracts are given on pages 42 and 43. No contract provides for compensation payments on loss of office.

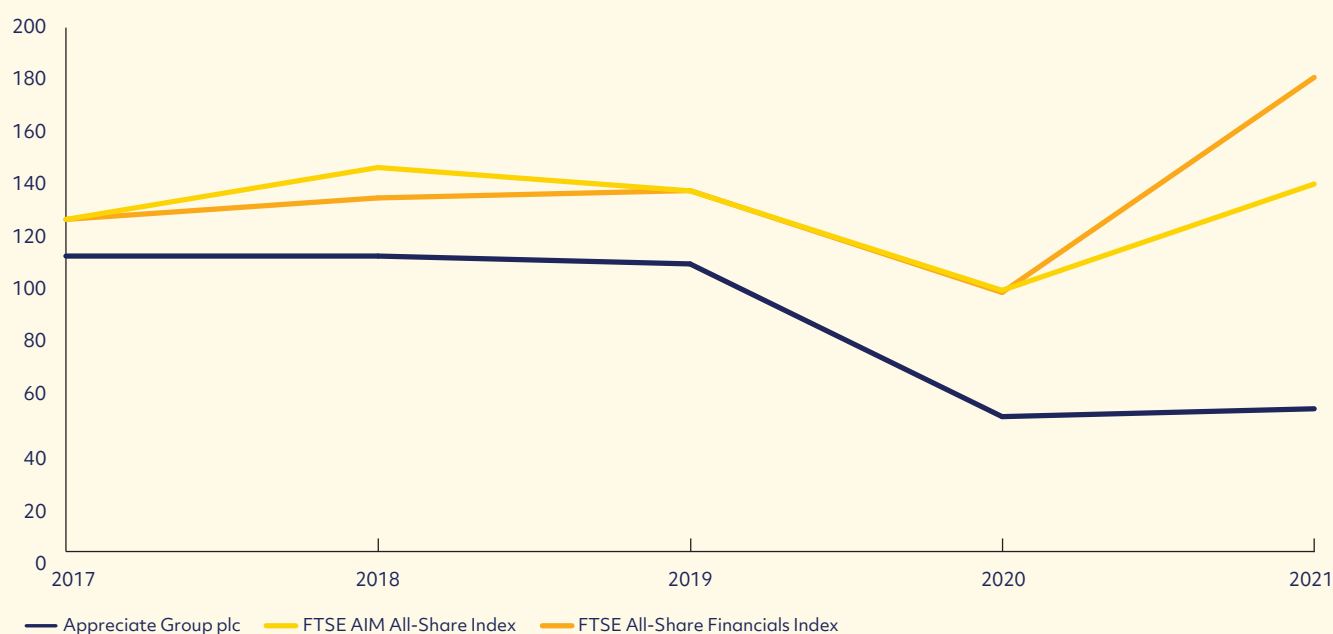
### Non-executive directors

The independent non-executive directors receive fees as directors which are determined by the Board, each director abstaining from decisions affecting their own remuneration.

## Remuneration Report continued

### 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. The chart illustrates that over the period the TSR has underperformed on the two indices.



### Audited information

#### Directors' emoluments

The emoluments of directors for the year ended 31 March 2021 were:

|                      | Salary or fees<br>£'000 | Performance related<br>payments<br>£'000 | Benefits<br>£'000 | Total         |               | Pension costs |               |
|----------------------|-------------------------|--|-------------------|---------------|---------------|---------------|---------------|
|                      |                         |  |                   | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| <b>Executive</b>     |                         |  |                   |               |               |               |               |
| I O'Doherty          | 325                     | 169                                      | 65                | 559           | 390           | –             | –             |
| T Clancy             | 240                     | 117                                      | 52                | 409           | 292           | –             | –             |
|                      | 565                     | 286                                      | 117               | 968           | 682           | –             | –             |
| <b>Non-executive</b> |                         |  |                   |               |               |               |               |
| L Carstensen         | 73                      | –  | –                 | 73            | 73            | –             | –             |
| M de Kare-Silver***  | –                       | –  | –                 | –             | 22            | –             | –             |
| J Gittins            | 42                      | –  | –                 | 42            | 42            | –             | –             |
| S. Cabrini****       | 40                      | –  | –                 | 40            | 21            | –             | –             |
|                      | 155                     | –  | –                 | 155           | 158           | –             | –             |
|                      | 720                     | 286                                      | 117               | 1,123         | 840           | –             | –             |

\*\*\* Michael de Kare-Silver resigned as a director of Appreciate Group plc on 24 September 2019. The prior year figures represent remuneration up to that date.

\*\*\*\* Sally Cabrini was appointed as a director of Appreciate Group plc on 25 September 2019. The prior year figures represent remuneration from that date.



### Directors' share options

The individual interests of the executive directors under the SAYE is as follows:

|             | SAYE - options over ordinary shares |                |                  |             |
|-------------|-------------------------------------|----------------|------------------|-------------|
|             | 31 March 2021                       | Exercise price | Date exercisable | Expiry date |
| I O'Doherty | 26,745                              | 67.3p          | 01.09.21         | 01.03.22    |

In addition, the executive directors have the following interests in the SGP:

|             | SGP – share of pool    |                           |
|-------------|------------------------|---------------------------|
|             | Share at 31 March 2021 | 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  
28 June 2021

## Independent Auditor's Report

### To the Members of Appreciate Group plc

#### 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 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and 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 2021 which comprise:

| Group   | Parent company   |
|---|--|
| Consolidated Statement of financial position as at 31 March 2021  | Company Statement of financial position as at 31 March 2021  |
| 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   | The Accounting Policies and related notes 1 to 26 to the financial statements including a summary of significant accounting policies |
| Consolidated Statement of cash flows for the year then ended  |  |
| The Accounting Policies and related notes 1 to 26 to the financial statements, including a summary of significant accounting policies |  |

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 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 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 also provided feedback to management to ensure all key risk factors were considered in their assessment;
- We obtained and reviewed the going concern assessment prepared by management for the period to 31 December 2022, being the going concern review period;
- We obtained evidence of board approval of the base case and cash savings strategies;
- We obtained management's forecasts for the period to 31 December 2022 and checked the appropriateness of the model, including the arithmetical accuracy, as well as the starting cash position as at 1 April 2021;
- We considered past historical accuracy of management's forecasting by comparing budget to actual for the year ended 31 March 2021;
- 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;
- Management has modelled six downside scenarios in order to assess the impact of a decline in billings, product mix and redemptions on covenant compliance and liquidity position. We evaluated and challenged the headroom under management's downside scenarios, which formed the basis of management's conclusions regarding going concern;

- We evaluated and challenged the sensitivities on the forecast to understand how severe any further downside scenario would have to be to result in a covenant breach and/or elimination of the liquidity headroom;
- We confirmed to the agreement the availability 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;
- We assessed current trading performance by inspecting the May 2021 period end management accounts in addition to making inquiries of management to identify any issues 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 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 reverse stress testing. The revolving credit facility is in place until July 2025. The most severe downside scenario showed negative liquidity headroom in the final six months of the going concern period; for which management identified a number of cash saving initiatives, including reduced costs and a strategy shift to maintain the current paper product mix being experienced. Management will make a decision on the reduced cost saving actions (over and above those in the Base Case) in July 2021, with time to implement in advance of October 2021; the strategy shift initiatives are to be implemented with immediate effect. After these mitigating actions are implemented the most severe downside scenario showed headroom throughout the going concern period to 31 December 2022.

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 over the forecast period to 31 December 2022.

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

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 or the parent company's ability to continue as a going concern.

## Overview of our audit approach

|                   |   |
|-------------------|---|
| Audit scope       | <ul style="list-style-type: none"> <li>• We performed an audit of the complete financial information of four components.</li> <li>• The components where we performed full or specific audit procedures accounted for 118% of Profit before tax, 99% of Revenue and 100% of Total assets.</li> </ul>                              |
| Key audit matters | <ul style="list-style-type: none"> <li>• Going concern</li> <li>• Revenue recognition – occurrence of revenue during the last six months of the year</li> <li>• Completeness of provisions for redemption of vouchers and corporate gifted cards, including measurement of income resulting from estimates of breakage</li> </ul> |
| Materiality       | <ul style="list-style-type: none"> <li>• Overall group materiality of £413,500 which represents 5% of normalised earnings between 2019 – 2021; where earnings are deemed to be profit before tax and exceptional impairments.</li> </ul>  |

## Independent Auditor's Report

To the Members of Appreciate Group plc continued

### 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 and changes in the business environment 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 nine reporting components of the group, we selected four components which represent the principal business units within the group.

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

The reporting components where we performed audit procedures accounted for 118% (2020: 123%) of the group's Profit before tax, 99% (2020: 100%) of the group's Revenue and 100% (2020: 100%) of the group's Total assets.

Of the remaining five components that together represent 1% of the group's revenue and contributed a loss 18% of the group's profit before tax, none are individually greater than 1% of the group's revenue or 11% of the group's profit before tax. For these components, we performed other procedures, including analytical review of 'review scope' components, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

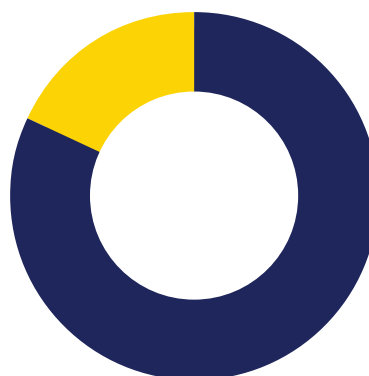
The charts below illustrate the coverage obtained from the work performed by our audit teams.

#### Revenue



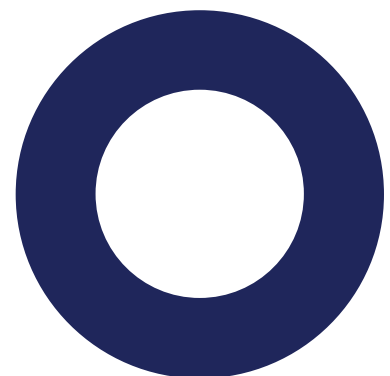
■ Full scope components 99%  
■ Specific scope components 0%  
■ Other components 1%

#### Profit before tax



■ Full scope components 118%  
■ Specific scope components 0%  
■ Other components 18%

#### Total assets



■ Full scope components 100%  
■ Specific scope components 0%  
■ Other components 0%

### Changes from the prior year

The changes from the prior year are:

- two entities that were designated as specific scope components in the prior year were disposed of by the group and as a result are designated as review scope in the current year; and
- one entity that was designated as a full scope component in the prior year has been designated as review scope as a result of the coverage obtained in the year from other components and that it is an intermediary holding company. Consolidation adjustments were reported as a component last year and are included within the parent company component this year.

### Involvement with component teams

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

## Key audit matters

Key audit matters are those matters that, in our professional judgment, 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. In addition to going concern, the following were designated as Key Audit Matters.

| Risk  | Our response to the risk   | Key observations communicated to the Audit Committee  |
|---|--|---|
| <p><b>Revenue recognition – occurrence of revenue during the last six months of the year £107 million (2020 - £113 million)</b></p> <p>Refer to the Accounting policies (pages 75 to 78 and pages 84 and 85); and Note 1 of the Consolidated Financial Statements (pages 87 and 88)</p> <p>With the seasonal nature of the group's business, three-quarters 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 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.</p> <p>Revenue includes breakage in respect of vouchers and corporate gifted cards. Our risk in respect of this element of revenue is described below.</p> <p>This risk is unchanged from the previous year</p> | <p>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.</p> <p>We filtered using key criteria to identify, and then test, higher risk manual journals to revenue in the last six months of the year.</p> <p>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 performed a comparison of such journals to those recorded in the previous year to identify new or non-recurring journals that might have been recorded by management.</p> <p>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.</p> <p>We performed a reconciliation between the value of sales orders received for Christmas 2020 and the revenue reported within the Consumer segment. We performed substantive audit procedures in respect of revenues recorded after December 2020 by which time we expected all revenues related to Christmas 2020 to have been recognised.</p> <p>We tested a sample of transactions from throughout the year to invoice and evidence of despatch or payment.</p> <p>We tested the service fee recognised as revenue in respect of vouchers and corporate gifted cards. We did this by predicting service fee income using contracted rates and redemption volumes and comparing this to the amounts recorded.</p> <p>We analysed gross margin for the Corporate segment on a daily basis in March 2021 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.</p> <p>Revenue includes breakage in respect of vouchers and corporate gifted cards. Our procedures in respect of this element of revenue are described below.</p> | <p>Based on the procedures performed we did not identify evidence of material misstatement in the revenue recognised in the year.</p> |



## Independent Auditor's Report

To the Members of Appreciate Group plc continued

| Risk   | Our response to the risk  | Key observations communicated to the Audit Committee  |
|--|---|---|
| <p><b>Completeness of provisions for redemption of vouchers and corporate gifted cards £78 million (2020: £54 million) including measurement of income resulting from estimates of breakage</b></p> <p>Refer to the Accounting policies (pages 75 to 78, 82 and 84 to 86); and Notes 16 and 17 of the Consolidated Financial Statements (pages 104 to 106).</p> <p>The group records a provision in respect of unredeemed vouchers and corporate gifted cards for the anticipated amounts payable to retailers on redemption.</p> <p>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.</p> <p>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 breakage, which could lead to manipulation by management</p> <p>This risk is unchanged from the previous year.</p> | <p>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').</p> <p>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.</p> <p>We compared the card provision to the total obligation reported by the group's and third party applications and investigated any large reconciling items.</p> <p>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.</p> <p>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 2021 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.</p> <p>We tested for manual journal entries recorded against the provision for unredeemed vouchers and corporate gifted cards, investigating any that looked unusual.</p> <p>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 the provision as appropriate.</p> <p>We tested a sample of sales orders processed in March 2021 to ensure that the vouchers or cards were recorded in the liability at year-end.</p> <p>We re-performed the calculation of vouchers and cards that will not be redeemed to ensure that it had been computed accurately when applying management's assumptions.</p> <p>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.</p> <p>We assessed management's assumptions relating to breakage by:</p> <ul style="list-style-type: none"> <li>• making enquiries of management to understand changes in breakage rates since prior year and their rationale;</li> <li>• considering the accuracy of management's forecasts applied in previous years by comparing them to actual rates of expiry;</li> <li>• comparing the trends in historic breakage rates that have now crystallised to the rates forecast by management on open vouchers and cards; and</li> <li>• 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.</li> </ul> <p>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.</p> <p>We reviewed for reasonableness the disclosure in the financial statements of policies and judgements regarding voucher and card provisions.</p> | <p>Based on the procedures performed, we concluded that:</p> <ul style="list-style-type: none"> <li>• the provision for the redemption of vouchers and corporate gifted cards are not materially misstated; and</li> <li>• the estimates relating to the breakage of vouchers and corporate gifted cards have been prepared on a reasonable basis.</li> </ul> |

In the prior year, our auditor's report included key audit matters in relation to Assumptions used in determining the pension liability valuation and Classification and valuation of assets held for sale. In the current year, we do not consider that pension liability valuation is a Key Audit Matter as this is not an area where significant difficulties were identified or significant time was spent during the audit. In the current year we have not identified Classification and valuation of assets held for sale as a Key Audit Matter as it is no longer relevant.

### 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 £413,500 (2020: £541,000), which is 5% of normalised earnings over the past three years, where earnings are deemed to be profit before tax and exceptional impairments. (2020: 5% of profit before tax and exceptional impairments). We believe that normalised earnings provides us with an appropriate basis where, an entity has been profitable historically but is currently making a loss; the entity has incurred unusual transactions that are unlikely to reoccur, or market conditions are fluctuating in a way that is not expected to continue. Given the unprecedented impact of COVID 19, we have concluded that a more appropriate, 'normalised' measure in the current year is the three year average of profit before tax and exceptional impairments in respect of the years ended 31 March 2019 through to 31 March 2021.

We determined materiality for the Parent Company to be £883,000 (2020: £1,031,000), which is 5% (2020: 5%) of Total Equity. We have not used profit before tax as adjusted for impairments (as is used for the group) as this business is not a trading company and thus a capital basis is most appropriate.

|                |  |
|----------------|--|
| Starting basis | <ul style="list-style-type: none"> <li>Profit before tax of £1,253k</li> <li>Add back exceptional items of £218k</li> <li>Total profit before exceptional impairments for the year ended 31 March 2021 is £1,471k</li> </ul> |
| Adjustments    | <ul style="list-style-type: none"> <li>Profit before tax adjusted for exceptional impairments in 2019 and 2020:</li> <li>2019 - £12,515k</li> <li>2020 - £10,829k</li> </ul>   |
| Materiality    | <ul style="list-style-type: none"> <li>Average over 2021 - 2019: £8,272k (being normalised profit before tax adjusted for exceptional impairments)</li> <li>Materiality at 5%: £413.5k</li> </ul>                            |

During the course of our audit, we reassessed initial materiality and the actual profit before tax and exceptional impairments for the year ended 2021 was lower than initially used in our normalised calculations by £2,229,000. This decrease was due to the actual result for the year being lower than the budgets used to set our planning materiality. Once normalised the impact to materiality was £37,000 for which we updated our materiality and testing thresholds during the course of the audit and as such we considered that our materiality is appropriate.

#### 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 50% (2020: 50%) of our planning materiality, namely £206,750 (2020: £270,000). 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 £40,994 to £153,729 (2020: £52,000 to £196,000).

#### 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 £20,500 (2020: £27,000), 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.

## Independent Auditor's Report

### To the Members of Appreciate Group plc continued

#### Other information

The other information comprises the information included in the annual report set out on pages 1 to 57, 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 there is 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 53, 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 (International Accounting Standards in conformity with the requirements of the Company's Act 2006), 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.
- 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.
- Two of the group's subsidiaries are 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 36 and Corporate Governance on page 51.

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

29 June 2021

# Financial Statements

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## Consolidated Statement of Profit or Loss

For the year to 31 March 2021

|   | Notes | 2021<br>£'000  | 2020<br>£'000 |
|---|-------|----------------|---------------|
| <b>Billings</b>   | 1     | <b>406,532</b> | 419,857       |
| <b>Revenue</b>  | 1     |                |               |
| – Goods – Single retailer redemption products                           |       | 78,154         | 62,142        |
| – Other goods   |       | 259            | 6,240         |
| – Services – Multi-retailer redemption products                         |       | 24,736         | 37,870        |
| – Other services  |       | 3,509          | 6,371         |
| – Other   |       | 147            | 101           |
|   |       | <b>106,805</b> | 112,724       |
| Cost of sales excluding exceptional items                               |       | (82,055)       | (79,778)      |
| Impairment of obsolete stock  | 11    | (414)          | (124)         |
| <b>Gross profit</b>   |       | <b>24,336</b>  | 32,822        |
| Distribution costs  |       | (1,784)        | (2,838)       |
| Administrative expenses   |       | (21,070)       | (20,036)      |
| Impairment of property, plant and equipment                             | 9     | –              | (163)         |
| Impairment of assets held for sale                                      | 15    | –              | (1,650)       |
| Impairment of goodwill  | 6     | (218)          | (1,316)       |
| Redundancy costs  | 20    | (639)          | (423)         |
| Profit on sale of assets held for sale                                  | 15    | 205            | –             |
| <b>Operating profit</b>   |       | <b>830</b>     | 6,396         |
| Finance income  | 3     | 783            | 1,481         |
| Finance costs   | 3     | (360)          | (177)         |
| <b>Profit before taxation</b>   | 1,2   | <b>1,253</b>   | 7,700         |
| Taxation  | 4     | (402)          | (2,189)       |
| <b>Profit for the year attributable to equity holders of the parent</b> |       | <b>851</b>     | 5,511         |
| Earnings per share  | 5     |                |               |
| – basic   |       | 0.46p          | 2.96p         |
| – diluted   |       | 0.46p          | 2.96p         |

All activities derive from continuing operations.

## Consolidated Statement of Comprehensive Income

For the year to 31 March 2021

|   | Notes | 2021<br>£'000  | 2020<br>£'000 |
|---|-------|----------------|---------------|
| <b>Profit for the year</b>  |       | <b>851</b>     | 5,511         |
| Other comprehensive (expense)/income  |       |                |               |
| Items that will not be reclassified to profit or loss:  |       |                |               |
| Remeasurement of defined benefit pension schemes  | 19    | (2,146)        | 2,235         |
| Deferred tax on defined benefit pension schemes   | 4     | 408            | (383)         |
|   |       | <b>(1,738)</b> | 1,852         |
| Items that may be reclassified subsequently to profit or loss:  |       |                |               |
| Foreign exchange translation differences  |       | 3              | 18            |
| <b>Other comprehensive (expense)/income for the year net of tax</b>                                   |       | <b>(1,735)</b> | 1,870         |
| <b>Total comprehensive (expense)/income for the year attributable to equity holders of the parent</b> |       | <b>(884)</b>   | 7,381         |

# Statements of Financial Position

As at 31 March 2021

|  | Notes | Consolidated  |               | Company       |               |
|--|-------|---------------|---------------|---------------|---------------|
|  |       | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| <b>Assets</b>  |       |               |               |               |               |
| <b>Non-current assets</b>                                  |       |               |               |               |               |
| Goodwill   | 6     | 582           | 800           | –             | –             |
| Other intangible assets                                    | 7     | 8,861         | 4,757         | 23            | 44            |
| Investments  | 8     | –             | –             | 7,963         | 7,981         |
| Property, plant and equipment                              | 9     | 2,188         | 2,662         | 175           | 350           |
| Right of use assets  | 18    | 4,373         | 3,799         | –             | –             |
| Retirement benefit asset                                   | 19    | 2,086         | 4,206         | 1,938         | 1,984         |
|  |       | 18,090        | 16,224        | 10,099        | 10,359        |
| <b>Current assets</b>                                      |       |               |               |               |               |
| Inventories  | 11    | 3,638         | 2,840         | –             | –             |
| Trade and other receivables                                | 12    | 11,405        | 9,457         | 22,707        | 28,005        |
| Tax receivable   |       | 738           | 266           | –             | –             |
| Monies held in trust                                       | 13    | 132,054       | 102,693       | –             | –             |
| Cash   | 14    | 31,415        | 29,632        | 32,501        | 28,769        |
|  |       | 179,250       | 144,888       | 55,208        | 56,774        |
| Assets held for sale                                       | 15    | –             | 3,153         | –             | –             |
|  |       | 179,250       | 148,041       | 55,208        | 56,774        |
| <b>Total assets</b>  |       | 197,340       | 164,265       | 65,307        | 67,133        |
| <b>Liabilities</b>   |       |               |               |               |               |
| <b>Current liabilities</b>                                 |       |               |               |               |               |
| Trade payables   | 16    | (52,776)      | (57,150)      | –             | (2)           |
| Payables in respect of cards and vouchers                  | 16    | (25,302)      | (17,060)      | –             | –             |
| Deferred income  | 16    | (11,152)      | (7,359)       | –             | –             |
| Other payables   | 16    | (7,040)       | (5,294)       | (47,402)      | (47,162)      |
| Provisions   | 17    | (77,915)      | (53,802)      | –             | –             |
|  |       | (174,185)     | (140,665)     | (47,402)      | (47,164)      |
| <b>Non-current liabilities</b>                             |       |               |               |               |               |
| Deferred tax liability                                     | 10    | (779)         | (1,121)       | (259)         | (262)         |
| Lease liabilities  | 16    | (4,666)       | (4,132)       | –             | –             |
|  |       | (5,445)       | (5,253)       | (259)         | (262)         |
| <b>Total liabilities</b>                                   |       | (179,630)     | (145,918)     | (47,661)      | (47,426)      |
| <b>Net assets</b>  |       | 17,710        | 18,347        | 17,646        | 19,707        |
| <b>Equity attributable to equity holders of the parent</b> |       |               |               |               |               |
| Share capital  | 21a   | 3,727         | 3,727         | 3,727         | 3,727         |
| Share premium  |       | 6,470         | 6,470         | 6,470         | 6,470         |
| Retained earnings  |       | 7,824         | 8,461         | 7,449         | 9,510         |
| Other reserves   |       | (311)         | (311)         | –             | –             |
| <b>Total equity</b>  |       | 17,710        | 18,347        | 17,646        | 19,707        |

The company reported a loss for the financial year ended 31 March 2021 of £2,233,000 (2020 profit : £7,095,000).

The financial statements were approved and authorised for issue by the Board of Directors on 28 June 2021 and were signed on its behalf by:

**I O'Doherty**  
Chief Executive Officer

## Consolidated Statement of Changes in Equity

|  | Notes | Share capital<br>£'000 | Share premium<br>£'000 | Other reserves<br>£'000 | Retained earnings<br>£'000 | Total equity<br>£'000 |
|--|-------|------------------------|------------------------|-------------------------|----------------------------|-----------------------|
| Balance at 1 April 2020                                      |       | 3,727                  | 6,470                  | (311)                   | 8,461                      | 18,347                |
| <b>Total comprehensive income for the year</b>               |       |                        |                        |                         |                            |                       |
| Profit   |       | –                      | –                      | –                       | 851                        | 851                   |
| Other comprehensive (expense)/income                         |       |                        |                        |                         |                            |                       |
| Remeasurement of defined benefit pension schemes             | 19    | –                      | –                      | –                       | (2,146)                    | (2,146)               |
| Tax on defined benefit pension schemes                       | 4     | –                      | –                      | –                       | 408                        | 408                   |
| Foreign exchange translation adjustments                     |       | –                      | –                      | –                       | 3                          | 3                     |
| Total other comprehensive expense                            |       | –                      | –                      | –                       | (1,735)                    | (1,735)               |
| <b>Total comprehensive loss for the year</b>                 |       | –                      | –                      | –                       | (884)                      | (884)                 |
| <b>Transactions with owners, recorded directly in equity</b> |       |                        |                        |                         |                            |                       |
| Equity settled share-based payment transactions              | 21b   | –                      | –                      | –                       | 247                        | 247                   |
| <b>Total contributions by and distribution to owners</b>     |       | –                      | –                      | –                       | 247                        | 247                   |
| <b>Balance at 31 March 2021</b>                              |       | <b>3,727</b>           | <b>6,470</b>           | <b>(311)</b>            | <b>7,824</b>               | <b>17,710</b>         |
| Balance at 1 April 2019                                      |       | 3,727                  | 6,470                  | (311)                   | 6,824                      | 16,710                |
| <b>Total comprehensive income for the year</b>               |       |                        |                        |                         |                            |                       |
| Profit   |       | –                      | –                      | –                       | 5,511                      | 5,511                 |
| Other comprehensive income/(expense)                         |       |                        |                        |                         |                            |                       |
| Remeasurement of defined benefit pension schemes             | 19    | –                      | –                      | –                       | 2,235                      | 2,235                 |
| Tax on defined benefit pension schemes                       | 4     | –                      | –                      | –                       | (383)                      | (383)                 |
| Foreign exchange translation adjustments                     |       | –                      | –                      | –                       | 18                         | 18                    |
| Total other comprehensive income                             |       | –                      | –                      | –                       | 1,870                      | 1,870                 |
| <b>Total comprehensive income for the year</b>               |       | –                      | –                      | –                       | 7,381                      | 7,381                 |
| <b>Transactions with owners, recorded directly in equity</b> |       |                        |                        |                         |                            |                       |
| Equity settled share-based payment transactions              | 21b   | –                      | –                      | –                       | 233                        | 233                   |
| Tax on equity settled share-based payment transactions       | 4     | –                      | –                      | –                       | (14)                       | (14)                  |
| Dividends  | 22    | –                      | –                      | –                       | (5,963)                    | (5,963)               |
| <b>Total contributions by and distribution to owners</b>     |       | –                      | –                      | –                       | (5,744)                    | (5,744)               |
| <b>Balance at 31 March 2020</b>                              |       | <b>3,727</b>           | <b>6,470</b>           | <b>(311)</b>            | <b>8,461</b>               | <b>18,347</b>         |

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

## Company Statement of Changes in Equity

|  | Notes | Share capital<br>£'000 | Share premium<br>£'000 | Retained earnings<br>£'000 | Total parent equity<br>£'000 |
|--|-------|------------------------|------------------------|----------------------------|------------------------------|
| Balance at 1 April 2020                                      |       | 3,727                  | 6,470                  | 9,510                      | 19,707                       |
| <b>Total comprehensive loss for the year</b>                 |       |                        |                        |                            |                              |
| Loss   |       | –                      | –                      | (2,233)                    | (2,233)                      |
| Other comprehensive (expense)/income                         |       |                        |                        |                            |                              |
| Remeasurement of defined benefit pension scheme              | 19    | –                      | –                      | (93)                       | (93)                         |
| Tax on defined benefit pension scheme                        |       | –                      | –                      | 18                         | 18                           |
| Total other comprehensive expense                            |       | –                      | –                      | (75)                       | (75)                         |
| <b>Total comprehensive loss for the year</b>                 |       | –                      | –                      | (2,308)                    | (2,308)                      |
| <b>Transactions with owners, recorded directly in equity</b> |       |                        |                        |                            |                              |
| Equity settled share-based payment transactions              | 21b   | –                      | –                      | 247                        | 247                          |
| <b>Total contributions by and distribution to owners</b>     |       | –                      | –                      | 247                        | 247                          |
| <b>Balance at 31 March 2021</b>                              |       | <b>3,727</b>           | <b>6,470</b>           | <b>7,449</b>               | <b>17,646</b>                |
| Balance at 1 April 2019                                      |       | 3,727                  | 6,470                  | 7,974                      | 18,171                       |
| <b>Total comprehensive income for the year</b>               |       |                        |                        |                            |                              |
| Profit   |       | –                      | –                      | 7,095                      | 7,095                        |
| Other comprehensive income/(expense)                         |       |                        |                        |                            |                              |
| Remeasurement of defined benefit pension scheme              | 19    | –                      | –                      | 230                        | 230                          |
| Tax on defined benefit pension scheme                        |       | –                      | –                      | (45)                       | (45)                         |
| Total other comprehensive income                             |       | –                      | –                      | 185                        | 185                          |
| <b>Total comprehensive income for the year</b>               |       | –                      | –                      | 7,280                      | 7,280                        |
| <b>Transactions with owners, recorded directly in equity</b> |       |                        |                        |                            |                              |
| Equity settled share-based payment transactions              | 21b   | –                      | –                      | 233                        | 233                          |
| Tax on equity settled share-based payment transactions       | 4     | –                      | –                      | (14)                       | (14)                         |
| Dividends  | 22    | –                      | –                      | (5,963)                    | (5,963)                      |
| <b>Total contributions by and distribution to owners</b>     |       | –                      | –                      | (5,744)                    | (5,744)                      |
| Balance at 31 March 2020                                     |       | 3,727                  | 6,470                  | 9,510                      | 19,707                       |



## Statements of Cash Flows

For the year to 31 March 2021

|   | Notes | Consolidated   |                | Company       |                 |
|---|-------|----------------|----------------|---------------|-----------------|
|   |       | 2021<br>£'000  | 2020<br>£'000  | 2021<br>£'000 | 2020<br>£'000   |
| <b>Cash flows from operating activities</b>                   |       |                |                |               |                 |
| Cash generated from/(used in) operations                      | 23    | 4,918          | 6,866          | 4,198         | (8,212)         |
| Interest received   |       | 784            | 1,648          | 78            | 133             |
| Interest paid   |       | (351)          | (8)            | –             | –               |
| Tax paid  |       | (599)          | (2,864)        | (599)         | (2,812)         |
| <b>Net cash generated from/(used in) operating activities</b> |       | <b>4,752</b>   | <b>5,642</b>   | <b>3,677</b>  | <b>(10,891)</b> |
| <b>Cash flows from investing activities</b>                   |       |                |                |               |                 |
| Proceeds from sale of property, plant and equipment           |       | 6              | 1              | 5             | –               |
| Sale of assets held for sale                                  | 15    | 3,116          | –              | –             | –               |
| Proceeds from sale of investments                             |       | –              | –              | 50            | –               |
| Dividends received from group companies                       |       | –              | –              | –             | 10,000          |
| Purchase of intangible assets                                 |       | (5,164)        | (3,103)        | –             | –               |
| Purchase of property, plant and equipment                     |       | (585)          | (1,927)        | –             | (28)            |
| <b>Net cash (used in)/generated from investing activities</b> |       | <b>(2,627)</b> | <b>(5,029)</b> | <b>55</b>     | <b>9,972</b>    |
| <b>Cash flows from financing activities</b>                   |       |                |                |               |                 |
| Lease incentive payment                                       |       | –              | 500            | –             | –               |
| Payment of lease liabilities                                  |       | (342)          | (81)           | –             | –               |
| Dividends paid to shareholders                                |       | –              | (5,963)        | –             | (5,963)         |
| <b>Net cash used in financing activities</b>                  |       | <b>(342)</b>   | <b>(5,544)</b> | <b>–</b>      | <b>(5,963)</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |       | <b>1,783</b>   | <b>(4,931)</b> | <b>3,732</b>  | <b>(6,882)</b>  |
| Cash and cash equivalents at beginning of period              |       | 29,632         | 34,563         | 28,769        | 35,651          |
| Cash and cash equivalents at end of period                    |       | 31,415         | 29,632         | 32,501        | 28,769          |
| Cash and cash equivalents comprise:                           |       |                |                |               |                 |
| Cash  | 14    | 31,415         | 29,632         | 32,501        | 28,769          |

## Accounting Policies

### Basis of preparation

The Group and parent Company financial statements have been prepared in accordance with 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 120.

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.

### Going Concern

The financial statements are prepared on a going concern basis.

The Group 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 RCF in the year to 31 March 2021 nor to the date of signing 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 must not be less than 1.0:1.

The Directors have modelled management's best estimate of financial results for the Going Concern assessment period to 31 December 2022 (the "Going concern period") and adopted the plan as the Board approved budget. Alongside the Board approved budget, the Board have identified and approved cost control measures; and together these form our Base Case.

The Base Case assumes:

- A decrease in Year 1 billings compared to 2020/2021 actuals, with then an 8% increase in Year 2 (over Year 1).
- Christmas savers order book £170m in both years.
- A reduction in paper redemptions compared to 2020/2021, followed by a significant decrease in Year 2 in line with the decrease in paper product mix. Increased card and digital redemptions in both years.
- Product Mix: Paper billings for Consumer assumed to be 21% in Year 1 and 15% in Year 2; paper billings for Corporate assumed to be 7% in Year 1, with minimal levels assumed in Year 2. Remaining billings are assumed to be card/digital.
- A flat cost base compared to the prior year for administrative expenses and staff costs in both years.
- Capital spend is restricted to that required to complete the ERP system and only further essential IT development in Year 2.
- Dividend payment of £1.5m is assumed in October 2021 in line with our stated dividend policy, with future dividend payments subject to trading results and so not modelled in the Base Case.

The Base Case requires the group to draw down on the RCF in the period, with the lowest headroom being £4.9m in September 2022.

The Directors have modelled six plausible downside scenarios to test the sensitivity of the Base Case. The scenarios are as follows:

1. Corporate and Gifting billings remain flat against the 2020/2021 actuals.
2. Christmas Savers order book £165m in Year 1 and £150m in Year 2.
3. A combination of 1 and 2 above.
4. An additional 10% shift from paper to digital products above the Base Case in Year 1 and 2.
5. 25% faster redemption of paper products and 25% slower redemption of card and digital products than Base Case in Year 1 and 2.
6. A combination of 3, 4 and 5 above.

In scenarios 1 to 5 the Group would not breach its headroom in the period to 31 December 2022, and would be fully compliant with all of its RCF covenants. In the most extreme downside scenario 6, the Group would breach its headroom by £2.3m, but would be fully compliant with all of its RCF covenants in the period to 31 December 2022.

Current trading for the year to mid-June 2021 shows billings levels lower than the Base Case. When the % reduction in current billings versus Base Case are run in conjunction with current trends on product mix and redemptions, the outcome is not as severe as sensitivity 6, and the Group remains compliant with its covenants and does not breach its headroom.

## Accounting Policies continued

### Going Concern continued

Management have identified mitigating actions, additional to those in the Base Case, to provide headroom, if necessary during the going concern period. These include:

- cost saving initiatives that would result in cash savings of £2.3m in the going concern period, relating to reductions in administrative and staff costs. A decision will be taken at the end of July 2021, dependent on trading, with implementation from October 2021 should they be deemed necessary.
- Two strategy changes, which could generate significant additional headroom in key months. The first reduces marketing spend in respect of Christmas Savers whilst maintaining the paper voucher mix; and the second maintains the paper voucher mix currently being experienced in our Corporate customer base by avoiding moving Corporate accounts away from paper vouchers. These will be implemented with immediate effect.

When overlaying these mitigating actions and assumed outcomes, which includes an associated reduction in Christmas Savers Year 2 order book to £145m; these provide significant headroom across the going concern period, with the lowest forecast headroom in Year 1 being £5.2m in September 2021, and lowest forecast headroom in Year 2 being £6.3m in July 2022.

Management have modelled a number of reverse stress tests which consider whether the reduced marketing spend could more severely impact Year 2 Christmas Savers billings; and consider adverse movements on the Christmas Savers product mix in Year 1. Assuming product mix remains in line with Base case and the current Year 1 order book then it would take a 40% reduction against Base case in the order book in year one and 56% reduction against Base case in Year 2 for the Group to run out of headroom. The Group would remain compliant with its covenants, as they are less sensitive than the liquidity headroom to these changes in billings and product mix. The Board consider those variances over Base Case to be implausible.

### Conclusion

Having carefully considered the Base Case, downside scenarios, current trading and trends since the year-end, and further mitigating actions available, as well as the £15m committed RCF, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 31 December 2022. Therefore, the directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

### Changes to International Financial Reporting Standards

#### *Interpretations and standards which became effective during the year*

The following accounting standards and interpretations, that are relevant to the Group, became effective during the year:

|                 |   | Effective from accounting period<br>beginning on or after: |
|-----------------|---|--|
| IAS 1 and IAS 8 | Definition of Material (amendments)                       | 1 Jan 2020   |
| IFRS 3          | Definition of a Business (amendments)                     | 1 Jan 2020   |
|                 | Conceptual Framework for Financial Reporting (amendments) | 1 Jan 2020   |

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material have not had a significant impact on the Group's consolidated financial statements.

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any additional business combinations.

#### *Interpretations and standards which have been issued and are not yet effective*

The following accounting standards and interpretations, that are relevant to the Group, have been issued but are not yet effective for the year ended 31 March 2021 and have not been applied in preparing the financial statements.

|                                     |   | Effective from accounting period<br>beginning on or after: |
|-------------------------------------|---|--|
| IFRS 16                             | Covid-19 Related Rent Concessions (amendments)  | 1 Apr 2021   |
| IFRS 3                              | Reference to the Conceptual Framework (amendments)  | 1 Jan 2022   |
| IAS 16                              | Property, Plant and Equipment – Proceeds before Intended Use (amendments)                     | 1 Jan 2022   |
| IAS 8                               | Definition of accounting estimates (amendments)   | 1 Jan 2023   |
| IAS 1 and IFRS Practice Statement 2 | Disclosure of accounting policies (amendments)  | 1 Jan 2023   |
| IAS 12                              | Deferred Tax relates to Assets and Liabilities arising from a Single Transaction (amendments) | 1 Jan 2023   |

Each amendment has been considered by management and the first five are not expected to have a significant impact on the Group's future consolidated financial statements.

The amendments to IAS 12 require companies, at the beginning of the earliest comparative period presented to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. The amendments should be applied on a modified retrospective basis. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate). Management are currently assessing the impact of the amendment to IAS 12 on the Group but expect it to result in the recognition of additional deferred tax assets and liabilities due to the Group having substantial balances of right-of-use assets and lease liabilities.

### 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.

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 Management Board. 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 2021.

### 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.

## Accounting Policies continued

### Revenue from contacts with customers continued

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 breakage. Where the end user has no right of refund (corporate gifted cards), the Group may expect to earn a breakage amount and this is recognised as revenue in proportion to the actual timing of redemptions. Where the customer has the right of refund, breakage 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 84 to 85.

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 goods
  - a) hampers and gifts (applicable to the year ended 31 March 2020 but have now been discontinued)
4. 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, cardholder fees and breakage.

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.

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

#### (i) Principal and Agent

Under IFRS15, 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/<br>Agent | Gross/Net<br>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) | Hampers and gifts (applicable to the year ended 31 March 2020 but have now been discontinued) | Principal           | Gross                | Values invoiced to external customers for goods    |
| 4a) | Brand engagement  | Principal           | Gross                | Values invoiced to external customers for services |
| 4b) | Packing   | Principal           | Gross                | Values invoiced to external customers for services |
| 4c) | Collection and delivery   | Principal           | Gross                | Values invoiced to external customers for services |
| 4d) | Travel agency   | Agent               | Net                  | Agent's commission received                        |
| 4e) | 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 breakage as follows:

|    | Revenue stream  | Principal/<br>Agent | Gross/<br>Net revenue | Revenue based on                |
|----|-----------------|---------------------|-----------------------|---------------------------------|
| 1. | Cardholder fees | Principal           | Gross                 | Charges levied                  |
| 1. | Breakage        | 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.

## (ii) Timing of revenue recognition

Under IFRS15, 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.<br>Breakage – in proportion to actual redemption timing.   |
| 1b) | flexecash® cards and e-codes  | Service fees – when product is redeemed.<br>Cardholder fees – when fees are levied.<br>Breakage (where end user has no right of refund) – in proportion to actual redemption timing.<br>Breakage (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.<br>Cardholder fees – when fees are levied.<br>Breakage (where end user has no right of refund) – in proportion to actual redemption timing.<br>Breakage (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.   |
| 3a) | Hampers and gifts (applicable to the year ended 31 March 2020 but have now been discontinued) | When the customer obtains control of the goods – usually the date on which they are received by the customer.   |
| 4a) | 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. |
| 4b) | Packing   | When the customer obtains control of the service – usually the date on which they are received by the customer.   |
| 4c) | Collection and delivery   | When the customer obtains control of the service – usually the date on which they are received by the customer.   |
| 4d) | Travel agency   | When the commission is paid by the third party agent.   |
| 4e) | 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.



## Accounting Policies continued

### Revenue from contacts with customers continued

Under IFRS15, 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 IFRS15, the below items are presented as follows:

|   | Presentation   |
|---|--|
| Breakage 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 – breakage                            | 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 90% 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 is as follows:

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| Billings  | 406,532       | 419,857       |
| Multi-retailer redemption products – gross to net revenue recognition | (295,816)     | (306,574)     |
| Timing of revenue recognition   | (3,911)       | (559)         |
| Revenue   | 106,805       | 112,724       |

## Operating profit

Operating profit is reported as profit before taxation and finance income and costs; but after distribution costs, administrative expenses and exceptional items.

## 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 3-5 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 systematic straight-line basis. Amortisation begins on the date the asset is completed.

Included in the Intangibles Asset balance is an asset of £5.9m 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. Phase 1 is due to go live in August 2021 and amortisation of the asset will commence at this time.

### *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.

## 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. At the date of transition to IFRS on 1 April 2004, land and buildings previously held at cost under UK GAAP less accumulated depreciation were revalued and the fair values derived have been taken as their deemed cost as at that date in accordance with the exemption available under IFRS 1 First time Adoption of International Financial Reporting Standards. The parent company's date of transition to IFRS was 1 April 2006, however it did not revalue its land and buildings at that date.

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.

#### 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 IFRS9, 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 IFRS9 has focused on the change in IFRS9 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](http://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.

## Accounting Policies continued

### Financial instruments continued

#### 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 IAS39, and are reported separately under trade and other payables.

### Provisions

#### Unredeemed vouchers and cards

Unredeemed vouchers and unspent balances on flexecash® cards and e-codes where the cardholder 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 breakage revenue associated with multi-retailer redemption products is deferred as described in the revenue recognition accounting policy.

#### Payment protection insurance

An amount is provided to cover existing and future potential settlements in relation to claims made in respect of mis-selling this insurance. These policies were sold as part of the closed loan broking business. The future cash payments are not discounted as required under IAS37 as the amounts are not considered to be material.

#### 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 IAS16.16, 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 company 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 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.

## 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 & 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.



## Accounting Policies continued

### Leases continued

#### 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.

### 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.

### 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.

### Judgements

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

#### Pensions

The Group has two defined benefit pension schemes, as described in note 19, where 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 each of the pension schemes and legal advice, that it has a right to a refund during the life of the plan or when the plan is settled, that is not conditional upon factors beyond the entity's control.

#### 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 cardholder fees and breakage 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. Management 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. Management 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. It has been estimated the lease will be renewed for a further two years, however the exact length of the extension is dependent on the progress of the Group's cloud migration project, and may be shorter. As the racks and data hosting are critical to the operation of the business, a two year extension renewal period has been included as part of the lease term, as it is reasonably certain that the lease extension will be exercised for this period of time.

#### 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.

In the Base case scenario, voucher redemptions are assumed to slightly decrease in Year 1 against the prior year, and then significantly decrease in Year 2 in line with the fall in the paper voucher mix. Card redemptions are assumed to increase in Year 1 against the prior year, and increase again in Year 2, in line with the shift in product mix towards card and digital products.

Post year end redemptions for the first quarter of the financial year ended 31 March 2022 have been lower than the levels forecasted by the Group. The actual increase compared to the corresponding quarter in the prior year in voucher redemptions was 300%, and the actual increase in card redemptions was 183%, due to the majority of high street retailers being closed due to the lockdown in the first quarter of the prior year. It is assumed redemptions will come in line with the Base case by the end of the year, so any impact of this would be negligible.

#### Breakage

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 breakage amount. In order to calculate the expected breakage 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 breakage 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.

## Accounting Policies continued

### Key judgements and estimates continued

#### Deferred income – Love2shop voucher redemption timing

As described in the revenue recognition accounting policy and as shown in note 17, 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 recoverable. 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. This is estimated to be August 2021 for the new ERP system (£5.9m), when phase 1 is expected to be in a position to go live.

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 3.3% to 4.9% in respect of leases entered in to during the year.

## Notes to the Accounts

### 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](https://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.

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.

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 and assets of the Group for the year ended 31 March 2021.

| 2021                            | Consumer<br>£'000 | Corporate<br>£'000 | All other<br>segments<br>£'000 | Group<br>£'000 |
|---------------------------------|-------------------|--------------------|--------------------------------|----------------|
| <b>Billings</b>                 |                   |                    |                                |                |
| Total billings                  | 205,282           | 201,250            | –                              | 406,532        |
| <b>Revenue</b>                  |                   |                    |                                |                |
| Total revenue                   | 53,138            | 53,667             | –                              | 106,805        |
| <b>Results</b>                  |                   |                    |                                |                |
| Segment operating profit/(loss) | 532               | 2,638              | (2,340)                        | 830            |
| Finance income                  |                   |                    |                                | 783            |
| Finance costs                   |                   |                    |                                | (360)          |
| Profit before taxation          |                   |                    |                                | 1,253          |
| Taxation                        |                   |                    |                                | (402)          |
| Profit                          |                   |                    |                                | 851            |

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

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

|  | Consumer<br>£'000 | Corporate<br>£'000 | All other<br>segments<br>£'000 | Group<br>£'000 |
|--|-------------------|--------------------|--------------------------------|----------------|
| <b>Exceptionals</b>                    |                   |                    |                                |                |
| 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            |
|  | (1,066)           | –                  | –                              | (1,066)        |

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

|   | Consumer<br>£'000 | Corporate<br>£'000 | Group<br>£'000 |
|---|-------------------|--------------------|----------------|
| <b>Revenue from contracts with customers</b>  |                   |                    |                |
| 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        |

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

For details of the Group's primary revenue streams, please see the revenue recognition accounting policy on pages 75 to 78.

## Notes to the Accounts continued

### 1 Segmental reporting continued

The reason for the fall in revenue from other goods compared to the prior year was the Group's decision to cease the production and sale of hampers. The fall in revenue from other services was due to the disposal of FMI during the period (see note 15).

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.

| 2020                            | Consumer<br>£'000 | Corporate<br>£'000 | All other<br>segments<br>£'000 | Group<br>£'000 |
|---------------------------------|-------------------|--------------------|--------------------------------|----------------|
| <b>Billings</b>                 |                   |                    |                                |                |
| Total billings                  | 222,207           | 197,650            | –                              | 419,857        |
| <b>Revenue</b>                  |                   |                    |                                |                |
| Total revenue                   | 62,447            | 50,277             | –                              | 112,724        |
| <b>Results</b>                  |                   |                    |                                |                |
| Segment operating profit/(loss) | 5,327             | 6,581              | (5,512)                        | 6,396          |
| Finance income                  |                   |                    |                                | 1,481          |
| Finance costs                   |                   |                    |                                | (177)          |
| Profit before taxation          |                   |                    |                                | 7,700          |
| Taxation                        |                   |                    |                                | (2,189)        |
| Profit                          |                   |                    |                                | 5,511          |

All other segments loss comprises primarily of staff costs, professional fees and the impairment of the Valley Road Site.

|                                | Consumer<br>£'000 | Corporate<br>£'000 | All other<br>segments<br>£'000 | Group<br>£'000 |
|--------------------------------|-------------------|--------------------|--------------------------------|----------------|
| Impairment of obsolete stock   | (124)             | –                  | –                              | (124)          |
| Impairment of goodwill         | (434)             | (882)              | –                              | (1,316)        |
| Redundancy costs               | (224)             | (199)              | –                              | (423)          |
| Impairment of Valley Road Site | –                 | –                  | (1,813)                        | (1,813)        |

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

|   | Consumer<br>£'000 | Corporate<br>£'000 | Group<br>£'000 |
|---|-------------------|--------------------|----------------|
| <b>Revenue from contracts with customers</b>  |                   |                    |                |
| Goods – Single retailer redemption products   | 31,227            | 30,915             | 62,142         |
| Other goods                                   | 6,153             | 87                 | 6,240          |
| Services – Multi-retailer redemption products | 22,591            | 15,279             | 37,870         |
| Other services                                | 2,386             | 3,985              | 6,371          |
| Other   | 90                | 11                 | 101            |
|   | 62,447            | 50,277             | 112,724        |

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

For details of the Group's primary revenue streams, please see the revenue recognition accounting policy on pages 75 to 78.

## 2 Profit before taxation

The following items have been included in arriving at profit before taxation:

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| Staff costs (see note 20)   | 15,515        | 15,008        |
| Cost of inventories recognised as an expense (included in cost of sales) (see note 11)                              | 40,530        | 55,103        |
| (Reduction of)/write down of inventories recognised as a (credit)/expense (included in cost of sales) (see note 11) | (77)          | 95            |
| Exceptional write down of inventories recognised as an expense (included in cost of sales) (see note 11)            | 414           | 124           |
| Pension interest income (see note 19)   | (99)          | (44)          |
| Depreciation of property, plant and equipment (see note 9)  | 516           | 511           |
| Impairment of property, plant and equipment/assets held for sale (see notes 9 and 15)                               | –             | 1,813         |
| Amortisation of other intangibles (included in cost of sales and administrative expenses) (see note 7)              | 853           | 863           |
| Impairment of other intangibles (see note 7)  | –             | 21            |
| Depreciation of right of use assets (see note 18)   | 422           | 285           |
| Impairment loss on goodwill (see note 6)  | 218           | 1,368         |
| Loss on sale of property, plant and equipment and other intangibles   | 544           | 4             |
| Profit on sale of assets held for sale (see note 15)  | (205)         | –             |
| Repairs and maintenance on property, plant and equipment  | 979           | 838           |

### 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:

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| Fees payable to the company's auditor for the audit of:                       |               |               |
| – company's annual accounts   | 164           | 160           |
| – subsidiaries pursuant to legislation  | 317           | 261           |
| Fees payable to the company's auditor in excess of base fee for the audit of: |               |               |
| – company's annual accounts current year                                      | 123           | 116           |
| – company's annual accounts prior year  | 147           | –             |
| – subsidiaries pursuant to legislation current year                           | –             | 138           |
| – subsidiaries pursuant to legislation prior year                             | 19            | –             |
| Fees payable to the company's auditor and its associates for other services:  |               |               |
| – other services pursuant to legislation                                      | 149           | 13            |
| – expenses  | 3             | 4             |
|   | 922           | 692           |

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.



## Notes to the Accounts continued

### 3 Finance income and costs

|                              | 2021<br>£'000 | 2020<br>£'000 |
|------------------------------|---------------|---------------|
| Finance income:              |               |               |
| Bank interest receivable     | 783           | 1,479         |
| Other interest receivable    | –             | 2             |
|                              | 783           | 1,481         |
| Finance costs:               |               |               |
| Bank interest payable        | 115           | –             |
| Lease interest (see note 18) | 245           | 177           |
|                              | 360           | 177           |

### 4 Taxation

|   | 2021  |       | 2020  |       |
|---|-------|-------|-------|-------|
|   | £'000 | £'000 | £'000 | £'000 |
| <b>Analysis of profit or loss charge in period</b>                        |       |       |       |       |
| Current tax   | 236   |       | 1,966 |       |
| Adjustments to current tax in respect of prior periods                    | (10)  |       | 52    |       |
|   |       | 226   |       | 2,018 |
| Deferred tax  | 111   |       | 180   |       |
| Adjustments to deferred tax in respect of prior periods                   | 65    |       | (9)   |       |
|   |       | 176   |       | 171   |
| <b>Taxation</b>   |       | 402   |       | 2,189 |
| <b>Tax (credited)/charged directly to other comprehensive income</b>      |       |       |       |       |
| Deferred tax on actuarial (losses)/gains on defined benefit pension plans |       | (408) |       | 383   |
| <b>Tax (credited)/charged directly to equity</b>                          |       |       |       |       |
| Reduction in deferred tax on removal of assets held for sale              |       | (110) |       | –     |
| Deferred tax on share options   |       | –     |       | 14    |
|   |       | (110) |       | 14    |

The tax for the period is higher (2020 : higher) than the standard rate of corporation tax in the UK of 19% (2020 : 19%). The differences are explained below:

|  | 2021<br>£'000 | 2020<br>£'000 |
|--|---------------|---------------|
| Profit on ordinary activities before tax                     | 1,253         | 7,700         |
| Expected tax charge at 19% (2020 : 19%)                      | 238           | 1,463         |
| Effects of:  |               |               |
| Adjustments to tax in respect of prior periods               | 55            | 43            |
| Amounts not taxable/expenses not deductible for tax purposes | 99            | 567           |
| Tax in respect of share-based payments                       | 10            | 6             |
| Effect of rate change on current year deferred tax           | –             | 110           |
| <b>Total taxation</b>  | <b>402</b>    | <b>2,189</b>  |

## 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:

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| <b>Earnings</b>   |               |               |
| Profit for the year before exceptional items              | 1,917         | 9,187         |
| Exceptional items (see note 1)                            | (1,066)       | (3,676)       |
| Profit for the year attributable to equity shareholders   | 851           | 5,511         |
|   | 2021          | 2020          |
| <b>Weighted average number of shares</b>                  |               |               |
| Basic EPS – weighted average number of shares             | 186,347,228   | 186,347,228   |
| Diluting effect of employee share options and LTIP awards | –             | –             |
| Diluted EPS – weighted average number of shares           | 186,347,228   | 186,347,228   |

109,348 shares have been considered anti-dilutive during the year, that could potentially dilute basic EPS in the future (2020: 650,337 shares).

|   | 2021        | 2020        |
|---|-------------|-------------|
| <b>Basic EPS</b>                                    |             |             |
| Weighted average number of ordinary shares in issue | 186,347,228 | 186,347,228 |
| EPS (p)   | 0.46        | 2.96        |
| <b>Underlying basic EPS</b>                         |             |             |
| Weighted average number of ordinary shares in issue | 186,347,228 | 186,347,228 |
| EPS (p)   | 1.03        | 4.93        |
|   | 2021        | 2020        |
| <b>Diluted EPS</b>                                  |             |             |
| Weighted average number of ordinary shares          | 186,347,228 | 186,347,228 |
| EPS (p)   | 0.46        | 2.96        |
| <b>Underlying diluted EPS</b>                       |             |             |
| Weighted average number of ordinary shares          | 186,347,228 | 186,347,228 |
| EPS (p)   | 1.03        | 4.93        |

## Notes to the Accounts continued

### 6 Goodwill Group

|                                | £'000        |
|--------------------------------|--------------|
| <b>Cost – Actual or deemed</b> |              |
| At 1 April 2020                | 5,048        |
| Disposals                      | (1,341)      |
| <b>At 31 March 2021</b>        | <b>3,707</b> |
| <b>Impairment</b>              |              |
| At 1 April 2020                | 4,248        |
| Impairment in year             | 218          |
| Disposals                      | (1,341)      |
| <b>At 31 March 2021</b>        | <b>3,125</b> |
| <b>Net book amount</b>         |              |
| <b>At 31 March 2021</b>        | <b>582</b>   |
| At 31 March 2020               | 800          |

|                                | £'000 |
|--------------------------------|-------|
| <b>Cost – Actual or deemed</b> |       |
| At 31 March 2019 and 2020      | 5,048 |
| <b>Impairment</b>              |       |
| At 1 April 2019                | 2,880 |
| Impairment in year             | 1,368 |
| At 31 March 2020               | 4,248 |
| <b>Net book amount</b>         |       |
| At 31 March 2020               | 800   |
| At 31 March 2019               | 2,168 |

#### Goodwill allocation to CGUs

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

| CGUs                   | Goodwill<br>at 1 April 2020<br>£'000 | Additions<br>£'000 | Impairment<br>£'000 | Goodwill<br>at 31 March<br>2021<br>£'000 |
|------------------------|--------------------------------------|--------------------|---------------------|--|
| Consumer               | 800                                  | –                  | (218)               | <b>582</b>                               |
| Corporate              | –                                    | –                  | –                   | –  |
| <b>Net book amount</b> | <b>800</b>                           | <b>–</b>           | <b>(218)</b>        | <b>582</b>                               |

### Consumer – Family (£582,000) & Country Hampers Franchisee (£nil)

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. An additional 10% fall in retention has been factored into the forecast for the year ended 31 March 2022 to reflect the current trading environment (a 15% fall in retention per year is typically used, which has been increased to 25% for the year ended 31 March 2022).
- Base case scenario revenue. This is based on average historical order value and average agent retention rates which have been extrapolated forward 10 years. The generally high retention values for customers supports the adoption of a 10 year customer life cycle value as being appropriate for the business. No revenue growth has been factored into the data used in the calculation (2020 : nil).

The resulting cash flows were discounted using a pre-tax discount rate of 17% (2020 : 16.54%).

The impairment in the year of £157,000 (2020: £434,000) against the Family Franchisee goodwill represents the impact of a small reduction in forecasted agents retention and a slight decrease in margin due to the change in product mix and higher commissions. As described above, agents retention is expected to be lower for the year ended 31 March 2022 (75%) due to Covid 19 and the impact of lockdowns. Each year thereafter, retention is expected to return to more typical levels of around 85%. The commission structure has been revised and commissions have been increased as part of the strategy to incentivise agents and increase orders. These changes impact each year going forward in the impairment model. 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 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.

|                     | Change in assumption | Change in goodwill impairment |
|---------------------|----------------------|-------------------------------|
| Discount rate       | increase by 1%       | increase by £2,000            |
| Retention of agents | decrease by 1%       | increase by £25,000           |
| Margin              | decrease by 1%       | increase by £6,000            |

There is also a reasonably possible chance of the pre-tax discount rate increasing to 18.8%. This would result in an additional impairment of £28k.

The impairment in the year of £61,000 (2020: £52,000) against the Country Hampers Franchisee goodwill primarily represents the reduction in agents that were originally acquired from Country Hampers. This reduces the Country Hampers Franchisee goodwill to nil and is included within exceptional costs in the Consumer segment.

The disposals during the year relate to companies that are no longer owned by the group, FMI and Espana Villas. The goodwill relating to these companies had been fully written down in previous years.

## Notes to the Accounts continued

### 7 Other intangible assets Group

|   | Computer<br>software<br>£'000 | Agency<br>customer<br>lists<br>£'000 | Total<br>£'000 |
|---|-------------------------------|--------------------------------------|----------------|
| <b>Cost</b>                             |                               |                                      |                |
| At 1 April 2020                         | 12,542                        | 2,350                                | 14,892         |
| Additions – internally developed assets | 2,106                         | –                                    | 2,106          |
| Additions – externally purchased assets | 2,865                         | –                                    | 2,865          |
| Disposals                               | (76)                          | –                                    | (76)           |
| <b>At 31 March 2021</b>                 | <b>17,437</b>                 | <b>2,350</b>                         | <b>19,787</b>  |
| <b>Amortisation and impairment</b>      |                               |                                      |                |
| At 1 April 2020                         | 7,807                         | 2,328                                | 10,135         |
| Amortisation charge for the year        | 831                           | 22                                   | 853            |
| Disposals                               | (62)                          | –                                    | (62)           |
| <b>At 31 March 2021</b>                 | <b>8,576</b>                  | <b>2,350</b>                         | <b>10,926</b>  |
| <b>Net book amount</b>                  |                               |                                      |                |
| <b>At 31 March 2021</b>                 | <b>8,861</b>                  | <b>–</b>                             | <b>8,861</b>   |
| At 31 March 2020                        | 4,735                         | 22                                   | 4,757          |

The additions during the year includes £3,519,000 related to our Enterprise Resource Planning (ERP) system which will be the cornerstone of the business to build on utilising new, cloud-based technology. It is expected that amortisation will commence in the year ending 31 March 2022 as this is when it is expected the asset will become available for use. An impairment review has been conducted in respect of the ERP system and no impairment has been identified.

|   | Computer<br>software<br>£'000 | Agency<br>customer<br>lists<br>£'000 | Total<br>£'000 |
|---|-------------------------------|--------------------------------------|----------------|
| <b>Cost</b>                             |                               |                                      |                |
| At 1 April 2019                         | 9,274                         | 2,350                                | 11,624         |
| Additions – internally developed assets | 891                           | –                                    | 891            |
| Additions – externally purchased assets | 2,455                         | –                                    | 2,455          |
| Disposals                               | (78)                          | –                                    | (78)           |
| At 31 March 2020                        | 12,542                        | 2,350                                | 14,892         |
| <b>Amortisation and impairment</b>      |                               |                                      |                |
| At 1 April 2019                         | 7,058                         | 2,271                                | 9,329          |
| Amortisation charge for the year        | 827                           | 36                                   | 863            |
| Impairment                              | –                             | 21                                   | 21             |
| Disposals                               | (78)                          | –                                    | (78)           |
| At 31 March 2020                        | 7,807                         | 2,328                                | 10,135         |
| <b>Net book amount</b>                  |                               |                                      |                |
| At 31 March 2020                        | 4,735                         | 22                                   | 4,757          |
| At 31 March 2019                        | 2,216                         | 79                                   | 2,295          |

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. On an annual basis, management review the expected cash flows to be generated and make appropriate provision for impairment, if necessary. The customer list became fully amortised in the year.

## Company

|                                    | Computer software<br>£'000 |
|------------------------------------|----------------------------|
| <b>Cost</b>                        |                            |
| At 31 March 2020 and 2021          | 2,289                      |
| <b>Amortisation and impairment</b> |                            |
| At 1 April 2020                    | 2,245                      |
| Amortisation charge for the year   | 21                         |
| At 31 March 2021                   | 2,266                      |
| <b>Net book amount</b>             |                            |
| At 31 March 2021                   | 23                         |
| At 31 March 2020                   | 44                         |
| <b>Cost</b>                        |                            |
| At 31 March 2019 and 2020          | 2,289                      |
| <b>Amortisation and impairment</b> |                            |
| At 1 April 2019                    | 2,219                      |
| Amortisation charge for the year   | 26                         |
| At 31 March 2020                   | 2,245                      |
| <b>Net book amount</b>             |                            |
| At 31 March 2020                   | 44                         |
| At 31 March 2019                   | 70                         |

## 8 Investments

### Company

|                        | Shares in subsidiary<br>undertakings<br>£'000 |
|------------------------|---|
| <b>Cost</b>            |   |
| At 1 April 2020        | 9,465   |
| Disposals              | (942)   |
| At 31 March 2021       | 8,523   |
| <b>Provisions</b>      |   |
| At 1 April 2020        | 1,484   |
| Increase in year       | (924)   |
| At 31 March 2021       | 560   |
| <b>Net book amount</b> |   |
| At 31 March 2021       | 7,963   |
| At 31 March 2020       | 7,981   |

On 7 December 2020 the Company sold Fisher Moy International Limited to Neon Agency Limited for £50,000 cash consideration and £134,000 deferred consideration. This generated a profit on sale of £166,000 as shown below.

|  | 2021<br>£'000 |
|--|---------------|
| Proceeds   | 184           |
| Less: Cost of investment net of provision against investment | (18)          |
|  | 166           |



## Notes to the Accounts continued

### 8 Investments continued

At 31 March 2021 the parent company's subsidiary undertakings included in the consolidation were:

| Name of company                                     | Nature of business   |
|---|--|
| Park Group UK Limited <sup>1</sup>                  | Holding company  |
| Park Retail Limited <sup>2</sup>                    | Gifting and prepayment                                     |
| Park Direct Credit Limited <sup>2</sup>             | Debt collection services (no longer active)                |
| Park Financial Services Limited <sup>2</sup>        | Insurance broking services (no longer active)              |
| Park Card Services Limited <sup>1</sup>             | Electronic money issuer                                    |
| Park Card Marketing Services Limited <sup>1</sup>   | Card administration support services                       |
| Country Christmas Savings Club Limited <sup>2</sup> | Dormant company – trading name used by Park Retail Limited |
| Family Christmas Savings Club Limited <sup>1</sup>  | Dormant company – trading name used by Park Retail Limited |
| Handling Solutions Limited <sup>2</sup>             | Dormant company – trading name used by Park Retail Limited |
| High Street Vouchers Limited <sup>2</sup>           | Dormant company – trading name used by Park Retail Limited |
| Park Christmas Savings Club Limited <sup>2</sup>    | Dormant company – trading name used by Park Retail Limited |
| Park Travel Service Limited <sup>1</sup>            | Dormant company – trading name used by Park Retail Limited |
| Agency Administration Limited <sup>2</sup>          | Dormant company  |
| Appreciate Group Limited <sup>2</sup>               | Dormant company  |
| Brightdot Limited <sup>3</sup>                      | Dormant company  |
| Cheshire Bank Limited <sup>2</sup>                  | Dormant company  |
| Cheshire Securities Limited <sup>2</sup>            | Dormant company  |
| Family Hampers Limited <sup>1</sup>                 | Dormant company  |
| Heritage Hampers Limited <sup>2</sup>               | Dormant company  |
| MaximB2B Limited <sup>3</sup>                       | Dormant company  |
| Opal Loans Limited <sup>4</sup>                     | Dormant company  |
| Park Connect Limited <sup>5</sup>                   | Dormant company  |
| Park Food (Warrington) Limited <sup>1</sup>         | Dormant company  |
| Park Group Secretaries Limited <sup>1</sup>         | Dormant company  |
| Park Hamper Company Limited <sup>1</sup>            | Dormant company  |
| Park.com Limited <sup>1</sup>                       | Dormant company  |
| The Perfect Hamper Co. Limited <sup>2</sup>         | Dormant company  |
| Wirral Cold Store Limited <sup>2</sup>              | Dormant company  |

<sup>1</sup> Wholly owned subsidiary undertakings of Appreciate Group plc

<sup>2</sup> Wholly owned subsidiary undertakings of Park Group UK Limited

<sup>3</sup> Wholly owned subsidiary undertakings of Park Retail Limited

<sup>4</sup> Park Group UK Limited direct holding represents 70% and subsidiary undertakings direct holdings represent 30% of issued share capital

<sup>5</sup> 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 120.

## 9 Property, plant and equipment Group

|                                  | Land and<br>buildings<br>£'000 | Leasehold<br>improvements<br>£'000 | Fixtures and<br>equipment<br>£'000 | Vehicles<br>£'000 | Total<br>£'000 |
|----------------------------------|--------------------------------|------------------------------------|------------------------------------|-------------------|----------------|
| <b>Cost or valuation</b>         |                                |                                    |                                    |                   |                |
| At 1 April 2020                  | 1,105                          | 1,649                              | 4,242                              | 20                | 7,016          |
| Additions at cost                | 25                             | 51                                 | 509                                | –                 | 585            |
| Disposals                        | (1,105)                        | (182)                              | (2,495)                            | (14)              | (3,796)        |
| <b>At 31 March 2021</b>          | <b>25</b>                      | <b>1,518</b>                       | <b>2,256</b>                       | <b>6</b>          | <b>3,805</b>   |
| <b>Accumulated depreciation</b>  |                                |                                    |                                    |                   |                |
| At 1 April 2020                  | 1,105                          | 57                                 | 3,174                              | 18                | 4,354          |
| Charge in year                   | –                              | 106                                | 409                                | 1                 | 516            |
| Disposals                        | (1,105)                        | (10)                               | (2,124)                            | (14)              | (3,253)        |
| <b>At 31 March 2021</b>          | <b>–</b>                       | <b>153</b>                         | <b>1,459</b>                       | <b>5</b>          | <b>1,617</b>   |
| <b>Net book amount</b>           |                                |                                    |                                    |                   |                |
| <b>At 31 March 2021</b>          | <b>25</b>                      | <b>1,365</b>                       | <b>797</b>                         | <b>1</b>          | <b>2,188</b>   |
| At 31 March 2020                 | –                              | 1,592                              | 1,068                              | 2                 | 2,662          |
| <b>Cost or valuation</b>         |                                |                                    |                                    |                   |                |
| At 1 April 2019                  | 15,636                         | –                                  | 3,996                              | 20                | 19,652         |
| Additions at cost                | –                              | 1,649                              | 279                                | –                 | 1,928          |
| Transfer to assets held for sale | (14,531)                       | –                                  | –                                  | –                 | (14,531)       |
| Disposals                        | –                              | –                                  | (33)                               | –                 | (33)           |
| At 31 March 2020                 | 1,105                          | 1,649                              | 4,242                              | 20                | 7,016          |
| <b>Accumulated depreciation</b>  |                                |                                    |                                    |                   |                |
| At 1 April 2019                  | 10,620                         | –                                  | 2,799                              | 17                | 13,436         |
| Charge in year                   | 50                             | 57                                 | 403                                | 1                 | 511            |
| Impairment                       | 163                            | –                                  | –                                  | –                 | 163            |
| Transfer to assets held for sale | (9,728)                        | –                                  | –                                  | –                 | (9,728)        |
| Disposals                        | –                              | –                                  | (28)                               | –                 | (28)           |
| At 31 March 2020                 | 1,105                          | 57                                 | 3,174                              | 18                | 4,354          |
| <b>Net book amount</b>           |                                |                                    |                                    |                   |                |
| At 31 March 2020                 | –                              | 1,592                              | 1,068                              | 2                 | 2,662          |
| At 31 March 2019                 | 5,016                          | –                                  | 1,197                              | 3                 | 6,216          |

The assets held for sale balance as at 31 March 2020 related to the Valley Road property, held by the Group's subsidiary Budworth Properties Limited. This subsidiary was sold during the period, generating a profit on sale of £41,000.

The disposals within Leasehold Improvements and Fixtures and Equipment this year also relate to the Valley Road property which the Group no longer owns.

## Notes to the Accounts continued

### 9 Property, plant and equipment continued Company

|                                 | Land and<br>buildings<br>£'000 | Leasehold<br>improvements<br>£'000 | Fixtures and<br>equipment<br>£'000 | Total<br>£'000 |
|---------------------------------|--------------------------------|------------------------------------|------------------------------------|----------------|
| <b>Cost or valuation</b>        |                                |                                    |                                    |                |
| At 1 April 2020                 | 31                             | –                                  | 2,087                              | 2,118          |
| Additions at cost               | –                              | –                                  | –                                  | –              |
| Disposals                       | (31)                           | –                                  | (1,083)                            | (1,114)        |
| <b>At 31 March 2021</b>         | <b>–</b>                       | <b>–</b>                           | <b>1,004</b>                       | <b>1,004</b>   |
| <b>Accumulated depreciation</b> |                                |                                    |                                    |                |
| At 1 April 2020                 | 31                             | –                                  | 1,737                              | 1,768          |
| Charge in year                  | –                              | –                                  | 163                                | 163            |
| Disposals                       | (31)                           | –                                  | (1,071)                            | (1,102)        |
| <b>At 31 March 2021</b>         | <b>–</b>                       | <b>–</b>                           | <b>829</b>                         | <b>829</b>     |
| <b>Net book amount</b>          |                                |                                    |                                    |                |
| <b>At 31 March 2021</b>         | <b>–</b>                       | <b>–</b>                           | <b>175</b>                         | <b>175</b>     |
| At 31 March 2020                | –                              | –                                  | 350                                | 350            |
| <b>Cost or valuation</b>        |                                |                                    |                                    |                |
| At 1 April 2019                 | 31                             | –                                  | 2,059                              | 2,090          |
| Additions at cost               | –                              | –                                  | 28                                 | 28             |
| At 31 March 2020                | 31                             | –                                  | 2,087                              | 2,118          |
| <b>Accumulated depreciation</b> |                                |                                    |                                    |                |
| At 1 April 2019                 | 31                             | –                                  | 1,528                              | 1,559          |
| Charge in year                  | –                              | –                                  | 209                                | 209            |
| At 31 March 2020                | 31                             | –                                  | 1,737                              | 1,768          |
| <b>Net book amount</b>          |                                |                                    |                                    |                |
| At 31 March 2020                | –                              | –                                  | 350                                | 350            |
| At 31 March 2019                | –                              | –                                  | 531                                | 531            |

### 10 Deferred tax Group

|                                   | 2021<br>£'000 | 2020<br>£'000  |
|-----------------------------------|---------------|----------------|
| Deferred tax asset                | –             | 10             |
| Deferred tax liability            | (779)         | (1,131)        |
| <b>Net deferred tax liability</b> | <b>(779)</b>  | <b>(1,121)</b> |

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. It was reduced to 17% from 1 April 2020 in the Budget of March 2016 and this rate change was substantively enacted on 6 September 2016. However, in the Spring Budget of March 2020 the government announced that the rate would remain at 19% and this rate change was substantively enacted on 17 March 2020. The rate was subsequently 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. The impact on the deferred tax balance of this rate change is to increase the deferred tax liability by £250,000. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2020: 19%).

The movement on the deferred tax account is shown below:

|   | 2021<br>£'000 | 2020<br>£'000  |
|---|---------------|----------------|
| At 1 April  | (1,121)       | (553)          |
| Profit or loss charge                             | (176)         | (171)          |
| Statement of comprehensive income credit/(charge) | 408           | (383)          |
| Amounts credited/(charged) directly to equity     | –             | (14)           |
| Amounts relating to subsidiaries disposed of      | 110           | –              |
| <b>At 31 March</b>                                | <b>(779)</b>  | <b>(1,121)</b> |

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 £20,624,000 (2020 : £20,624,000) and on capital losses of £443,000 (2020 : £2,038,000) 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.

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

|   | Retirement<br>benefit<br>obligation<br>£'000 | Property,<br>plant and<br>equipment<br>£'000 | Total<br>£'000 |
|---|--|--|----------------|
| <b>Deferred tax liabilities</b>               |  |  |                |
| At 1 April 2020                               | (799)  | (332)  | (1,131)        |
| Charged to profit or loss                     | (5)  | (161)  | (166)          |
| Credited to statement of comprehensive income | 408  | –  | 408            |
| Amounts relating to subsidiaries disposed of  | –  | 110  | 110            |
| <b>At 31 March 2021</b>                       | <b>(396)</b>                                 | <b>(383)</b>                                 | <b>(779)</b>   |
| At 1 April 2019                               | (327)  | (254)  | (581)          |
| Charged to profit or loss                     | (89)   | (78)   | (167)          |
| Charged to statement of comprehensive income  | (383)  | –  | (383)          |
| At 31 March 2020                              | (799)  | (332)  | (1,131)        |
| <b>Deferred tax assets</b>                    |  | Share<br>options<br>£'000                    | Total<br>£'000 |
| At 1 April 2020                               |  | 10   | 10             |
| Charged to profit or loss                     |  | (10)   | (10)           |
| <b>At 31 March 2021</b>                       |  | <b>–</b>                                     | <b>–</b>       |
| At 1 April 2019                               |  | 28   | 28             |
| Charged to profit or loss                     |  | (4)  | (4)            |
| Charged to equity                             |  | (14)   | (14)           |
| At 31 March 2020                              |  | 10   | 10             |

### Company

|                                   | 2021<br>£'000 | 2020<br>£'000 |
|-----------------------------------|---------------|---------------|
| Deferred tax asset                | 109           | 115           |
| Deferred tax liability            | (368)         | (377)         |
| <b>Net deferred tax liability</b> | <b>(259)</b>  | <b>(262)</b>  |

IAS12 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.

## Notes to the Accounts continued

### 10 Deferred tax continued

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. It was reduced to 17% from 1 April 2020 in the Budget of March 2016 and this rate change was substantively enacted on 6 September 2016. However in the Spring Budget of March 2020 the government announced that the rate would remain at 19% and this rate change was substantively enacted on 17 March 2020. The rate was subsequently 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. The impact on the deferred tax balance of this rate change is to increase the deferred tax liability by £82,000. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2020: 19%).

The movement on the deferred tax account is shown below:

|  | 2021<br>£'000 | 2020<br>£'000 |
|--|---------------|---------------|
| At 1 April                               | (262)         | (168)         |
| Profit or loss charge                    | (15)          | (35)          |
| Statement of comprehensive income charge | 18            | (45)          |
| Amounts charged directly to equity       | –             | (14)          |
| <b>At 31 March</b>                       | <b>(259)</b>  | <b>(262)</b>  |

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 £443,000 (2020: £440,000) 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.

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

|   |  |                           | Retirement<br>benefit<br>obligation<br>£'000 |
|---|--|---------------------------|--|
| <b>Deferred tax liabilities</b>               |  |                           |  |
| At 1 April 2020                               |  |                           | (377)  |
| Charged to profit or loss                     |  |                           | (9)  |
| Credited to statement of comprehensive income |  |                           | 18   |
| <b>At 31 March 2021</b>                       |  |                           | <b>(368)</b>                                 |
| At 1 April 2019                               |  |                           | (291)  |
| Charged to profit or loss                     |  |                           | (41)   |
| Charged to statement of comprehensive income  |  |                           | (45)   |
| <b>At 31 March 2020</b>                       |  |                           | <b>(377)</b>                                 |
| <b>Deferred tax assets</b>                    |  |                           |  |
|   | Property,<br>plant and<br>equipment<br>£'000 | Share<br>options<br>£'000 | Total<br>£'000                               |
| At 1 April 2020                               | 105  | 10                        | 115  |
| Credited/(charged) to profit or loss          | 4  | (10)                      | (6)  |
| <b>At 31 March 2021</b>                       | <b>109</b>                                   | <b>–</b>                  | <b>109</b>                                   |
| At 1 April 2019                               | 95   | 28                        | 123  |
| Credited/(charged) to profit or loss          | 10   | (4)                       | 6  |
| Charged to equity                             | –  | (14)                      | (14)   |
| <b>At 31 March 2020</b>                       | <b>105</b>                                   | <b>10</b>                 | <b>115</b>                                   |

## 11 Inventories Group

|                | 2021<br>£'000 | 2020<br>£'000 |
|----------------|---------------|---------------|
| Raw materials  | –             | 35            |
| Finished goods | 3,638         | 2,805         |
|                | 3,638         | 2,840         |

The cost of inventories recognised as an expense in the year is £40,530,000 (2020 : £55,103,000).

The write down of inventories recognised as an expense in the period is £337,000 which comprises a credit of £77,000 in respect of provision adjustments in the corporate part of the business, offset by an exceptional impairment in respect of stock in the consumer part of the business of £414,000 (2020: write down of inventories recognised as an expense £184,000).

Following the closure of the packing operations, including hamper packing, in the year the Group impaired raw materials and finished goods stock by £414,000, which is included within the £337,000 as detailed above (2020 : £124,000).

## 12 Trade and other receivables Group

|                                      | 2021<br>£'000 | 2020<br>£'000 |
|--------------------------------------|---------------|---------------|
| Current assets                       |               |               |
| Trade receivables                    | 5,798         | 5,838         |
| Less: Expected credit loss provision | (73)          | (21)          |
| Trade receivables – net              | 5,725         | 5,817         |
| Other receivables                    | 3,463         | 2,144         |
| Prepayments and accrued income       | 2,217         | 1,496         |
|                                      | 11,405        | 9,457         |

Of the trade receivables net balance above, £5,488,000 is due within one month (2020 : £5,556,000), with the remaining £237,000 falling due in more than one but less than three months (2020 : £261,000). Other receivables are due within one month.

|                                     | 2021<br>£'000 | 2020<br>£'000 |
|-------------------------------------|---------------|---------------|
| Credit quality of trade receivables |               |               |
| Neither past due nor impaired       | 4,510         | 4,417         |
| Past due but not impaired           | 1,687         | 1,400         |
| Past due and impaired               | 73            | 21            |
| Total                               | 6,270         | 5,838         |

The Group has charged £52,000 in respect of ECLs during the year (2020 : £21,000).

The Group applies the IFRS9 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 £4,000 in the preceding two years which is less than 0.004% 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 is as follows:

|                       | 2021<br>£'000 | 2020<br>£'000 |
|-----------------------|---------------|---------------|
| At 1 April            | (21)          | (5)           |
| Additional provisions | (52)          | (21)          |
| Amounts used          | –             | 5             |
| Amounts recovered     | –             | –             |
| <b>At 31 March</b>    | <b>(73)</b>   | <b>(21)</b>   |



## Notes to the Accounts continued

### 12 Trade and other receivables continued

The other receivables balance above of £3,463,000 (2020: £2,144,000) primarily relates to the float account payment arrangement that several of the Group's suppliers operate. The Group pays these suppliers in advance and are then able to utilise that balance for future orders.

Within the prepayments balance above £201,000 (2020 : £156,000) 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, ie when the customer redeems their product or when charges are levied.

The prepayment at 31 March 2021 relates to Christmas 2021 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:

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| At 1 April                              | 156           | 191           |
| Prepaid commissions                     | 201           | 156           |
| Commissions recognised in cost of sales | (156)         | (191)         |
| <b>At 31 March</b>                      | <b>201</b>    | <b>156</b>    |

No impairment losses were recognised during the year (2020 : £nil).

### Company

|                               | 2021<br>£'000 | 2020<br>£'000 |
|-------------------------------|---------------|---------------|
| Receivables from subsidiaries | 22,457        | 27,583        |
| Other receivables             | 214           | 384           |
| Prepayments                   | 36            | 38            |
|                               | <b>22,707</b> | <b>28,005</b> |

Other receivables are due within one month.

The receivables from subsidiaries balances stated above are shown net of the following provisions:

|                                       | 2021<br>£'000 | 2020<br>£'000 |
|---------------------------------------|---------------|---------------|
| Provision against inter company loans | 10,967        | 10,967        |

The movement in the provision against inter company loans is as follows:

|                       | 2021<br>£'000   | 2020<br>£'000   |
|-----------------------|-----------------|-----------------|
| At 1 April            | (10,967)        | (11,368)        |
| Additional provisions | –               | –               |
| Amounts used          | –               | –               |
| Amounts recovered     | –               | 401             |
| <b>At 31 March</b>    | <b>(10,967)</b> | <b>(10,967)</b> |

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

|                                   | 2021<br>£'000 | 2020<br>£'000 |
|-----------------------------------|---------------|---------------|
| Park Prepayments Protection Trust | 51,534        | 55,078        |
| E money Trust                     | 69,374        | 44,225        |
| Ring fenced funds                 | 11,146        | 3,390         |
| Monies held in trust              | 132,054       | 102,693       |

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.
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](http://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 and are in respect of monies held on cards which are not subject to regulatory requirements. As a result the amounts are not held within the E money Trust. These funds were segregated at a clients request to give the client reassurance around their card balances.

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 and ring fenced funds, occurs as the obligations fall due.

Further to the year end, in addition to the normal operational transfers and to further establish the amounts held in Monies held in trust, the Group made a one-off transfer of £4.8m on 19 May 2021 from Cash to Monies held in trust.

## 14 Cash Group

|                          | 2021<br>£'000 | 2020<br>£'000 |
|--------------------------|---------------|---------------|
| Cash at bank and in hand | 31,415        | 29,632        |

All cash held at bank at 31 March 2021 and 31 March 2020 was held in instant access accounts.

Further to the year end, in addition to the normal operational transfers and to further establish the amounts held in Monies held in trust, the Group made a one-off transfer of £4.8m on 19 May 2021 from Cash to Monies held in trust.

## Company

|                          | 2021<br>£'000 | 2020<br>£'000 |
|--------------------------|---------------|---------------|
| Cash at bank and in hand | 32,501        | 28,769        |

All cash held at bank at 31 March 2021 and 31 March 2020 was held in instant access accounts.

The charge in place at 31 March 2020 in favour of Barclays Bank plc was satisfied on 20 November 2020.

## Notes to the Accounts continued

### 15 Assets held for sale Group

|                                 | 2021<br>£'000 | 2020<br>£'000 |
|---------------------------------|---------------|---------------|
| Asset held for sale at 1 April  | 3,153         | –             |
| Additions                       | 1,024         | 4,803         |
| Impairment                      | –             | (1,650)       |
| Disposals                       | (4,177)       | –             |
| Asset held for sale at 31 March | –             | 3,153         |

|   | 2021<br>£'000 | 2020<br>£'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 31 March 2020 related to the Valley Road property, held by the Group's subsidiary 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 year in the statement of other comprehensive income.

|  | 2021<br>£'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 subsidiary Fisher Moy International Limited. These were both also disposed of during the 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 year in the statement of other comprehensive income.

|  | 2021<br>£'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 has 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.

### 16 Trade and other payables

#### Group

##### Non-current

|                             | 2021<br>£'000 | 2020<br>£'000 |
|-----------------------------|---------------|---------------|
| Lease liabilities (note 18) | 4,666         | 4,132         |
|                             | 4,666         | 4,132         |

##### Current

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| Trade payables                            | 52,776        | 57,150        |
| Payables in respect of cards and vouchers | 25,302        | 17,060        |
| Lease liabilities (note 18)               | 563           | 219           |
| Other taxes and social security payable   | 1,211         | 1,025         |
| Other payables                            | 2,765         | 2,317         |
| Accruals                                  | 2,501         | 1,733         |
|   | 7,040         | 5,294         |
| Deferred income                           | 11,152        | 7,359         |
|   | 96,270        | 86,863        |

Trade payables fall due as follows:

|  | 2021<br>£'000 | 2020<br>£'000 |
|--|---------------|---------------|
| Not later than one month                             | 52,683        | 57,150        |
| Later than one month and not later than three months | 93            | –             |
|  | <b>52,776</b> | <b>57,150</b> |

Trade payables include savers' prepayments for products that will be supplied prior to Christmas 2021, upon confirmation of order. Until orders are confirmed savers' prepayments are repayable on demand.

Within the other taxes and social security payable balance is £697,954 of VAT deferred after taking advantage of the government's COVID-19 VAT deferral scheme. This will be repaid in full during the new financial year.

Payables in respect of cards and vouchers fall due as follows:

|  | 2021<br>£'000 | 2020<br>£'000 |
|--|---------------|---------------|
| Not later than one month                             | 24,822        | 16,927        |
| Later than one month and not later than three months | 480           | 133           |
|  | <b>25,302</b> | <b>17,060</b> |

Payables in respect of cards and vouchers include balances due to both customers (£19.9m (2020 : £11.1m)) 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 breakage, net of discount.

The movement in deferred revenue is as follows:

|                                  | 2021<br>£'000 | 2020<br>£'000 |
|----------------------------------|---------------|---------------|
| At 1 April                       | 7,359         | 6,983         |
| Revenue deferred in the period   | 8,363         | 5,774         |
| Revenue recognised in the period | (4,570)       | (5,398)       |
| <b>At 31 March</b>               | <b>11,152</b> | <b>7,359</b>  |

Revenue is recognised when the customer redeems their product or when charges are levied. Over 90% of multi-retailer redemption products are redeemed within 12 months of issue, with the associated revenue being recognised in the same period.

### Company

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| Trade payables                          | –             | 2             |
| Other taxes and social security payable | 675           | 178           |
| Payables to subsidiaries                | 46,131        | 46,571        |
| Other payables                          | 148           | 157           |
| Accruals and deferred income            | 448           | 254           |
|   | <b>47,402</b> | <b>47,162</b> |

Trade payables and other payables are due within one month.

Payables to subsidiaries are not interest bearing and are repayable on demand.

## Notes to the Accounts continued

### 17 Provisions Group

|   | Vouchers       |                                   |               | Corporate gifted cards |                                   |               | Payment protection insurance | Total         |
|---|----------------|-----------------------------------|---------------|------------------------|-----------------------------------|---------------|------------------------------|---------------|
|   | Gross<br>£'000 | Impact of<br>discounting<br>£'000 | Net<br>£'000  | Gross<br>£'000         | Impact of<br>discounting<br>£'000 | Net<br>£'000  | £'000                        | £'000         |
| At 1 April 2020   | 30,699         | (45)                              | 30,654        | 23,178                 | (68)                              | 23,110        | 38                           | 53,802        |
| Arising on vouchers/cards despatched in period at date of despatch                            | 24,978         | (37)                              | 24,941        | 37,699                 | (27)                              | 37,672        | –                            | 62,613        |
| Increase in provision arising from the unwind of the discount recorded on initial recognition | –              | 59                                | 59            | –                      | 66                                | 66            | –                            | 125           |
| Decrease in payment protection insurance provision in period                                  | –              | –                                 | –             | –                      | –                                 | –             | (38)                         | (38)          |
| Payment protection insurance provision utilised in period                                     | –              | –                                 | –             | –                      | –                                 | –             | –                            | –             |
| Vouchers/cards issued in prior periods, utilised in current period                            | (20,834)       | –                                 | (20,834)      | (17,753)               | –                                 | (17,753)      | –                            | (38,587)      |
| <b>At 31 March 2021</b>   | <b>34,843</b>  | <b>(23)</b>                       | <b>34,820</b> | <b>43,124</b>          | <b>(29)</b>                       | <b>43,095</b> | <b>–</b>                     | <b>77,915</b> |

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 90% 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 0.105% (2020: 0.117%).

The payment protection insurance provision is in respect of future expected settlements of claims arising from the mis-selling of payment protection insurance. The Group ceased to sell this insurance in 2007 when it closed its loan broking business. The directors have reviewed the information up to the date of the signing of the financial statements and have closed all claims due to a significant amount of time passing without communications or update on the cases.

### 18 Leases

#### Group as a lessee

The Group leases many 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<br>Buildings<br>£'000 | Plant and<br>Equipment<br>£'000 | Total<br>£'000 |
|---------------------------------|--------------------------------|---------------------------------|----------------|
| <b>Cost or valuation</b>        |                                |                                 |                |
| At 1 April 2020                 | 4,003                          | 75                              | 4,078          |
| Additions                       | 404                            | 641                             | 1,045          |
| Disposals                       | (100)                          | (74)                            | (174)          |
| <b>At 31 March 2021</b>         | <b>4,307</b>                   | <b>642</b>                      | <b>4,949</b>   |
| <b>Accumulated depreciation</b> |                                |                                 |                |
| At 1 April 2020                 | 262                            | 17                              | 279            |
| Charge in year                  | 344                            | 78                              | 422            |
| Disposals                       | (84)                           | (41)                            | (125)          |
| <b>At 31 March 2021</b>         | <b>522</b>                     | <b>54</b>                       | <b>576</b>     |
| <b>Net Book Amount</b>          |                                |                                 |                |
| <b>At 31 March 2021</b>         | <b>3,785</b>                   | <b>588</b>                      | <b>4,373</b>   |

|                                 | Land and<br>Buildings<br>£'000 | Plant and<br>Equipment<br>£'000 | Total<br>£'000 |
|---------------------------------|--------------------------------|---------------------------------|----------------|
| <b>Cost or valuation</b>        |                                |                                 |                |
| At 1 April 2019                 | 117                            | 8                               | 125            |
| Additions                       | 3,904                          | 67                              | 3,971          |
| Disposals                       | (18)                           | –                               | (18)           |
| At 31 March 2020                | 4,003                          | 75                              | 4,078          |
| <b>Accumulated depreciation</b> |                                |                                 |                |
| At 1 April 2019                 | –                              | –                               | –              |
| Charge in year                  | 268                            | 17                              | 285            |
| Disposals                       | (6)                            | –                               | (6)            |
| At 31 March 2020                | 262                            | 17                              | 279            |
| <b>Net Book Amount</b>          |                                |                                 |                |
| At 31 March 2020                | 3,741                          | 58                              | 3,799          |

The Group's largest land and buildings leases relate to floors 3 and 4, 20 Chapel Street Liverpool, which were signed in the previous financial year. The increase in land and buildings right of use assets (ROUAs) in the period is the result of two new leases for part of the ground floor of the main office, and the HSV building and Units 10 and 11, of the Valley Road site. The Valley Road site itself was sold during the year (see note 9), and the Group entered into these two long-term leases for a small area (less than 6.0 per cent of the previously owned total square footage) of the site. The increase in plant and equipment ROUAs in the period is the result of the leasing of data hosting equipment at a location in Liverpool.

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 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<br>Buildings<br>£'000 | Plant and<br>Equipment<br>£'000 | Total<br>£'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)           |
| <b>At 31 March 2021</b> | <b>4,657</b>                   | <b>572</b>                      | <b>5,229</b>   |
|                         | Land and<br>Buildings<br>£'000 | Plant and<br>Equipment<br>£'000 | Total<br>£'000 |
| At 1 April 2019         | 117                            | 8                               | 125            |
| New Leases              | 4,063                          | 67                              | 4,130          |
| Interest Expense        | 174                            | 3                               | 177            |
| Lease Payments          | (61)                           | (20)                            | (81)           |
| At 31 March 2020        | 4,293                          | 58                              | 4,351          |

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

### 18 Leases continued

#### Maturity Analysis – contractual undiscounted cash flows

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| Less than One Year                                | 563           | 219           |
| One to Five Years                                 | 2,563         | 1,662         |
| More than Five Years                              | 4,021         | 4,555         |
| <b>Undiscounted lease liabilities at 31 March</b> | <b>7,147</b>  | <b>6,436</b>  |

#### Lease Liabilities included in the Statement of Financial Position

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| Current   | 563           | 219           |
| Non-current                                     | 4,666         | 4,132         |
| <b>Discounted lease liabilities at 31 March</b> | <b>5,229</b>  | <b>4,351</b>  |

#### Amounts recognised in the statement of profit or loss

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| Interest on Lease Liabilities (note 3)  | 245           | 177           |
| Expense relating to short-term leases (included within administrative expenses)   | 305           | 10            |
| Expense relating to leases of low value assets excluding short term leases<br>(included within administrative expenses) | –             | 1             |
| Variable lease payments not included in the measurement of lease liabilities  | –             | –             |
| Gain arising from subletting Right of Use Assets  | –             | (1)           |
| <b>Total amount recognised in the statement of profit or loss for the year ended 31 March</b>                           | <b>550</b>    | <b>187</b>    |

#### Amounts Recognised in the statement of cash flows

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| <b>Total Cash Outflows for leases for the year ended 31 March</b> | <b>342</b>    | <b>81</b>     |

#### i. Real estate leases

The Group leases land and buildings for its head office and operations facilities. The operations facilities leases are the two new leases signed in the year for parts of the Valley Road site. The lease for the Group's head office runs for 10 years, and operations facilities for between 5 to 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. During the year, the Group signed two additional leases of less than one year in length for further areas of the Valley road site, being the Mojo building and the Cold Store. These leases are short term. The Group elected not to recognise right-of-use-assets and lease liabilities for these leases.

#### 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 two leases relating to data hosting equipment, one of which had a term of 3 years, the other an initial term of 12 months with an automatic rolling 12 months extension option if not cancelled.

#### Extension Options

The 12 month rolling lease with the rolling 12 months renewal options has been capitalised on a 3 year basis. This was done as the Group believe it is almost certain to extend the lease past the initial period as data hosting is critical to the operation of the business, and a 3 year period will bring the total lease length in line with the other lease for data hosting equipment.

#### i. Operating Lease

The Group previously sub-let part of an office building in Oxford that it leased in February 2018. Due to the fact that at 1 April 2019 the lease had only 3 months left the income was treated in the accounts as operating lease income. This was accounted for within other income in the year ended 31 March 2020.

|  | 2021<br>£'000 | 2020<br>£'000 |
|--|---------------|---------------|
| <b>Operating lease income (Land and Buildings)</b> | <b>–</b>      | <b>2</b>      |

## ii. Finance Lease

In November 2019 the Group sublet a further 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 the both the Oxford office building lease and sub-lease.

|  | 2021<br>£'000 | 2020<br>£'000 |
|--|---------------|---------------|
| <b>Finance Lease Income (Land and Buildings)</b> | <b>7</b>      | <b>–</b>      |

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

| Finance Leases Maturity Analysis – contractual undiscounted cash flows | 2021<br>£'000 | 2020<br>£'000 |
|--|---------------|---------------|
| Less than One Year   | –             | 9             |
| One to Five Years  | –             | –             |
| <b>Total undiscounted lease payments receivable as at 31 March</b>     | <b>–</b>      | <b>9</b>      |
| Unearned finance income  | –             | –             |
| <b>Net Investment in the lease as at 31 March</b>                      | <b>–</b>      | <b>9</b>      |

These are included within other receivables in note 12.

## 19 Retirement benefit obligation

### 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 IAS19 the preliminary 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 2021. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

The schemes typically expose the Group to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk.

## Notes to the Accounts continued

### 19 Retirement benefit obligation continued

The amounts recognised in the statement of financial position are as follows:

|                                       | Group         |               | Company       |               |
|---------------------------------------|---------------|---------------|---------------|---------------|
|                                       | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Present value of pension obligation   | (23,360)      | (19,683)      | (1,577)       | (1,544)       |
| Fair value of scheme assets           | 25,446        | 23,889        | 3,515         | 3,528         |
| Net pension surplus                   | 2,086         | 4,206         | 1,938         | 1,984         |
| - comprising schemes in asset surplus | 2,086         | 4,206         | 1,938         | 1,984         |
| - comprising schemes in asset deficit | –             | –             | –             | –             |

The amounts recognised in the statement of profit or loss are as follows:

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Past service cost  | 73            | –             | –             | –             |
| Net interest income  | (99)          | (44)          | (47)          | (39)          |
| Components of defined benefit income recognised in the statement of profit or loss | (26)          | (44)          | (47)          | (39)          |

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 2021 was £73,000 (2020: £nil).

The costs are all recognised within administration expenses in the statement of profit or loss.

Analysis of amount to be recognised in the SOCI:

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Return on scheme assets  | 1,525         | (892)         | 4             | (30)          |
| Experience gains arising on the defined benefit obligation   | 147           | 528           | 23            | 197           |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation | (377)         | 326           | 2             | (60)          |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation   | (3,441)       | 2,273         | (122)         | 123           |
| Remeasurements of defined benefit schemes recognised in the SOCI   | (2,146)       | 2,235         | (93)          | 230           |

#### 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       |               |
|---------------------------------|---------------|---------------|---------------|---------------|
|                                 | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Fixed Interest Gilt Fund        | 1,483         | –             | –             | –             |
| Diversified Growth Assets (DGA) | 3,393         | 5,641         | –             | –             |
| Gilts                           | 3,473         | 3,492         | 3,473         | 3,492         |
| LDI                             | 3,110         | 4,784         | –             | –             |
| Loan Fund                       | 3,012         | 1,970         | –             | –             |
| Multi Asset Credit              | 4,463         | 3,286         | –             | –             |
| Index Linked Gilts              | 5,433         | 4,687         | –             | –             |
| Cash and other                  | 1,079         | 29            | 42            | 36            |
| Total assets                    | 25,446        | 23,889        | 3,515         | 3,528         |

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 schemes assets have a quoted market price in an active market with the exception of the trustee's bank account balance.

The movement in the fair value of scheme assets is as follows:

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Fair value of scheme assets at the start of the period | 23,889        | 24,814        | 3,528         | 3,577         |
| Interest income  | 566           | 564           | 83            | 81            |
| Return on scheme assets                                | 1,525         | (892)         | 4             | (30)          |
| Contributions by employer                              | –             | –             | –             | –             |
| Contributions by employees                             | –             | –             | –             | –             |
| Benefits paid  | (534)         | (597)         | (100)         | (100)         |
| Fair value of plan assets at the end of the period     | 25,446        | 23,889        | 3,515         | 3,528         |

Actual return on scheme assets for the year to 31 March 2021 was £2,004,000 (2020: £(397,000)) for the PG scheme and £87,000 (2020: £51,000) for the PF scheme.

#### Present value of obligations

The movement in the present value of the defined benefit obligation is as follows:

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2021<br>£'000 | 2020<br>£'000 | 2021<br>£'000 | 2020<br>£'000 |
| Opening defined benefit obligation                                 | 19,683        | 22,887        | 1,544         | 1,862         |
| Interest cost  | 467           | 520           | 36            | 42            |
| Actuarial gains due to scheme experience                           | (147)         | (528)         | (23)          | (197)         |
| Actuarial (gains)/losses due to changes in demographic assumptions | 377           | (326)         | (2)           | 60            |
| Actuarial (gains)/losses due to changes in financial assumptions   | 3,441         | (2,273)       | 122           | (123)         |
| Benefits paid  | (534)         | (597)         | (100)         | (100)         |
| Past service costs   | 73            | –             | –             | –             |
| Closing defined benefit obligation                                 | 23,360        | 19,683        | 1,577         | 1,544         |

The average duration of the defined benefit obligation at 31 March 2021 is 19 years for both schemes.

#### Significant actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

The following information relates to both the PG and PF schemes unless otherwise stated.

|  | 2021<br>% per annum | 2020<br>% per annum |
|--|---------------------|---------------------|
| <i>Financial and related actuarial assumptions:</i>                        |                     |                     |
| Discount rate  | 2.10                | 2.40                |
| Inflation (RPI)  | 3.30                | 2.60                |
| Inflation (CPI)  | 2.70                | 1.80                |
| Future salary increases*   | 2.70                | 1.80                |
| Allowance for revaluation of deferred pensions of RPI or 8.5% pa if less** | 3.30                | 2.70                |
| Allowance for revaluation of deferred pensions of CPI or 5% pa if less*    | 2.70                | 1.80                |
| Allowance for revaluation of deferred pensions of CPI or 2.5% pa if less*  | 2.50                | 1.80                |
| Allowance for pension in payment increases of CPI or 5% pa if less*        | 2.70                | 1.90                |
| Allowance for pension in payment increases of CPI or 3% pa if less*        | 2.20                | 1.70                |
| Allowance for pension in payment increases of CPI or 2.5% pa if less*      | 1.90                | 1.50                |
| Allowance for commutation of pension for cash at retirement                | 100% of Post A Day  | 100% of Post A Day  |

\* relates to the PG scheme only

\*\* relates to the PF scheme only

## Notes to the Accounts continued

### 19 Retirement benefit obligation continued

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) \_ 2020 converging to 1% pa. These imply the following life expectancies:

|                                       | 2021<br>Years | 2020<br>Years |
|---------------------------------------|---------------|---------------|
| <i>Life expectancy at age 65 for:</i> |               |               |
| Male – retiring in 2021               | 21.3          | 21.2          |
| Female – retiring in 2021             | 23.2          | 23.1          |
| Male – retiring in 2041               | 22.3          | 22.3          |
| Female – retiring in 2041             | 24.4          | 24.4          |

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) \_ 2020 converging to 1% pa. These imply the following life expectancies:

|                                       | 2021<br>Years | 2020<br>Years |
|---------------------------------------|---------------|---------------|
| <i>Life expectancy at age 65 for:</i> |               |               |
| Male – retiring in 2021               | 22.5          | 21.2          |
| Female – retiring in 2021             | 24.4          | 23.1          |
| Male – retiring in 2041               | 23.5          | 22.3          |
| Female – retiring in 2041             | 25.7          | 24.4          |

#### 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 |
|-------------------|---------------------------------------|-----------------------|
| <i>PG scheme:</i> |                                       |                       |
| Discount rate     | decrease of 0.25% pa                  | increase by 4.4%      |
| Rate of inflation | increase of 0.25% pa                  | increase by 2.6%      |
| Rate of mortality | increase in life expectancy of 1 year | increase by 2.8%      |
| <i>PF scheme:</i> |                                       |                       |
| Discount rate     | decrease of 0.25% pa                  | increase by 2.5%      |
| Rate of inflation | increase of 0.25% pa                  | increase by 2.7%      |
| Rate of mortality | increase in life expectancy of 1 year | increase by 5.7%      |

The sensitivity assumption used in the year was 0.25% (2020: 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 statements of profit or loss. This effect would be partially offset by an increase in the value of the schemes 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 2021. 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 2021 was £834,000 (2020 : £913,000) for the defined contribution pension schemes. At 31 March 2021, contributions of £71,000 (2020 : £74,000) were outstanding, which represented the contributions for the month of March.

## 20 Employees and directors

### Group

Employee benefit expense for the Group during the year (including executive directors)

|                       | 2021<br>£'000 | 2020<br>£'000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 14,997        | 13,396        |
| Social security costs | 1,510         | 1,326         |
| Other pension costs   | 807           | 869           |
| Share-based payments  | 247           | 233           |
| Other benefits        | 60            | 75            |
|                       | 17,621        | 15,899        |

Included within the above are staff costs of £2,106,000 (2020 : £891,000) which have been capitalised as intangible assets.

During the year there were redundancy costs of £639,000 (2020: £423,000) 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

|                         | 2021<br>Number | 2020<br>Number |
|-------------------------|----------------|----------------|
| Consumer                | 174            | 196            |
| Corporate               | 170            | 175            |
| All other segments      | 11             | 11             |
| Average number employed | 355            | 382            |

### Key management compensation

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| Salaries and short term employee benefits   | 1,689         | 1,980         |
| Post employment benefits                    | 49            | 71            |
| Gain on exercise of share options and LTIPs | –             | –             |
| Share-based payments                        | 204           | 200           |
|   | 1,942         | 2,251         |

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 pages 56 and 57.

## 21a Share capital

### Group and Company

|   | No of shares | £'000 |
|---|--------------|-------|
| Authorised: Ordinary shares of 2p each<br>At 31 March 2020 and 2021 | 195,000,000  | 3,900 |
| Allotted, called up and fully paid<br>At 31 March 2020 and 2021     | 186,347,228  | 3,727 |

## Notes to the Accounts continued

### 21b 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 54 to 57.

#### 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.

The tables below summarise the outstanding options and awards:

#### SGP

|   | 2021      |                                     | 2020      |                                     |
|---|-----------|-------------------------------------|-----------|-------------------------------------|
|   | Number    | Weighted average exercise price (p) | Number    | Weighted average exercise price (p) |
| Outstanding at 1 April and 31 March         | 6,520,942 | –                                   | 6,520,942 | –                                   |
| Exercisable at 31 March                     | –         | –                                   | –         | –                                   |
|   |           |                                     |           |                                     |
|   | 2021      |                                     | 2020      |                                     |
| SGP awards outstanding at end of period     |           |                                     |           |                                     |
| Weighted average remaining contractual life | 2.5 years |                                     | 3.5 years |                                     |

#### LTIP

|   | 2021      |                                     | 2020      |                                     |
|---|-----------|-------------------------------------|-----------|-------------------------------------|
|   | Number    | Weighted average exercise price (p) | Number    | Weighted average exercise price (p) |
| Outstanding at 1 April                      | 162,877   | –                                   | 268,877   | –                                   |
| Expired                                     | (162,877) | –                                   | (106,000) | –                                   |
| Outstanding at 31 March                     | –         | –                                   | 162,877   | –                                   |
| Exercisable at 31 March                     | –         | –                                   | –         | –                                   |
|   |           |                                     |           |                                     |
|   | 2021      |                                     | 2020      |                                     |
| LTIP awards outstanding at end of period    |           |                                     |           |                                     |
| Weighted average remaining contractual life | 0.0 years |                                     | 0.2 years |                                     |



## SAYE

|                          | 2021      |                                     | 2020     |                                     |
|--------------------------|-----------|-------------------------------------|----------|-------------------------------------|
|                          | Number    | Weighted average exercise price (p) | Number   | Weighted average exercise price (p) |
| Outstanding at 1 April   | 619,176   | 12.20                               | 739,523  | 12.20                               |
| Cancelled                | (107,782) | 12.20                               | (71,675) | 12.20                               |
| Forfeited                | (191,644) | 12.20                               | (48,672) | 12.20                               |
| Outstanding at 31 March  | 319,750   | 12.20                               | 619,176  | 12.20                               |
| Exerciseable at 31 March | –         | –                                   | –        | –                                   |

|   | 2021      | 2020      |
|---|-----------|-----------|
| SAYE awards outstanding at end of period    |           |           |
| Weighted average remaining contractual life | 0.9 years | 1.9 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 |
|--|--------------|--------------|-------------|
| Grant date   | 02.10.17     | 23.07.18     | 21.12.18    |
| Share price at grant date                              | 82.00p       | 72.75p       | 71.50p      |
| Exercise price   | Nil          | 67.30p       | Nil         |
| Number of shares under option or provisionally awarded | 1,483,583    | 811,734      | N/A         |
| Option/award life (years)                              | 2.69         | 3.11         | 5.00        |
| Expected volatility                                    | 33%          | 28%          | 29%         |
| Risk free rate   | 0.76%        | 0.80%        | 0.91%       |
| Expected dividend yield                                | 4.00%        | 4.19%        | 4.34%       |
| Forfeiture rate  | 0%           | 0%           | 0%          |
| Fair value per option/award                            | 42.80p       | 12.00p       | N/A         |
| Total fair value of awards                             | N/A          | N/A          | £990,000    |

In respect of 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 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 LTIP awards and the SGP incorporate a market condition (TSR), which is taken into account in the grant date measurement of fair value.

## Notes to the Accounts continued

### 21b Share-based payments continued

The Group recognised a total charge of £247,000 (2020 : £233,000) related to equity settled share-based transactions during the year ended 31 March 2021. This charge was split across the schemes as follows:

|                | 2021<br>£'000 | 2020<br>£'000 |
|----------------|---------------|---------------|
| LTIP 2016 – 19 | –             | (12)          |
| LTIP 2017 – 20 | 5             | 12            |
| LTIP 2021 – 24 | 15            | –             |
| SGP 2018-23    | 198           | 198           |
| SAYE 2018-21   | 29            | 35            |
|                | <b>247</b>    | <b>233</b>    |

### 22 Dividends

Amounts recognised as distributed to equity holders in the year:

|  | 2021<br>£'000 | 2020<br>£'000 |
|--|---------------|---------------|
| Interim dividend for the year ended 31 March 2020 of 0.00p (31 March 2019 : 1.05p) | –             | 1,957         |
| Final dividend for the year ended 31 March 2020 of 0.00p (31 March 2019 : 2.15p)   | –             | 4,006         |
|  | <b>–</b>      | <b>5,963</b>  |

An interim dividend of 0.40p per share in respect of the financial year ended 31 March 2021 was paid on 6 April 2021 and absorbed £745,000 of shareholders' funds. In addition, the directors are proposing a final dividend in respect of the financial year ended 31 March 2021 of 0.60p per share which will absorb an estimated £1,118,000 of shareholders' funds. The final dividend will be paid on 1 October 2021 to shareholders who are on the register of members at the close of business on 27 August 2021. Neither of these dividends were paid or provided for in the year.

In the prior year, due to the outbreak of the Covid-19 pandemic and the uncertain UK trading conditions, the Board decided it was not prudent to recommend a dividend for the financial year ended 31 March 2020.

### 23 Reconciliation of profit for the year to net cash inflow/(outflow) from operating activities

|   | Group           |               | Company        |                |
|---|-----------------|---------------|----------------|----------------|
|   | 2021<br>£'000   | 2020<br>£'000 | 2021<br>£'000  | 2020<br>£'000  |
| Profit/(loss) for the year  | <b>851</b>      | 5,511         | <b>(2,233)</b> | 7,095          |
| Adjustments for:  |                 |               |                |                |
| Tax   | <b>402</b>      | 2,189         | <b>(441)</b>   | (406)          |
| Interest income   | <b>(783)</b>    | (1,481)       | <b>(58)</b>    | (143)          |
| Interest expense  | <b>360</b>      | 177           | –              | –              |
| Research and development tax credit                                 | <b>(98)</b>     | –             | –              | –              |
| Dividend from related party   | –               | –             | –              | (10,000)       |
| Depreciation and amortisation                                       | <b>1,791</b>    | 1,659         | <b>184</b>     | 235            |
| Impairment of property, plant and equipment/assets held for sale    | –               | 1,813         | –              | –              |
| Impairment of other intangibles                                     | –               | 21            | –              | –              |
| Impairment of goodwill  | <b>218</b>      | 1,368         | –              | –              |
| Profit on sale of investments                                       | –               | –             | <b>757</b>     | –              |
| Profit on sale of assets held for sale                              | <b>(205)</b>    | –             | –              | –              |
| Loss on sale of property, plant and equipment and other intangibles | <b>544</b>      | 4             | <b>6</b>       | –              |
| Decrease in other financial assets                                  | –               | 200           | –              | –              |
| (Increase)/decrease in inventories                                  | <b>(798)</b>    | 1,734         | –              | –              |
| (Increase)/decrease in trade and other receivables                  | <b>(1,841)</b>  | 2,968         | <b>286</b>     | 1,118          |
| Increase/(decrease) in trade and other payables                     | <b>9,500</b>    | (1,578)       | <b>680</b>     | (541)          |
| Movement in balances with related parties                           | –               | –             | <b>5,740</b>   | (6,688)        |
| Impairment of investment  | –               | –             | <b>(924)</b>   | 924            |
| Increase/(decrease) in provisions                                   | <b>24,113</b>   | (4,484)       | –              | –              |
| Increase in monies held in trust                                    | <b>(29,360)</b> | (3,442)       | –              | –              |
| Movement in retirement benefit asset                                | <b>(26)</b>     | (44)          | <b>(46)</b>    | (39)           |
| Translation adjustment  | <b>3</b>        | 18            | –              | –              |
| Share-based payments  | <b>247</b>      | 233           | <b>247</b>     | 233            |
| <b>Net cash inflow/(outflow) from operating activities</b>          | <b>4,918</b>    | <b>6,866</b>  | <b>4,198</b>   | <b>(8,212)</b> |

## 24 Capital and other financial commitments

### Group and Company

|  | 2021<br>£'000 | 2020<br>£'000 |
|--|---------------|---------------|
| Contracts placed for future capital expenditure not provided in the financial statements | 220           | 341           |

## 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:

|                    | 2021<br>£'000 | 2020<br>£'000 |
|--------------------|---------------|---------------|
| Dividends received | –             | 10,000        |

The Group did not charge for any intercompany IT services, interest or rental income in the year.

### Year end balances arising from transactions with subsidiaries

|   | 2021<br>£'000 | 2020<br>£'000 |
|---|---------------|---------------|
| Receivables from subsidiaries (note 12) | 22,457        | 27,583        |
| Payables to subsidiaries (note 16)      | 46,131        | 46,571        |

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

### 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 | Carrying amount and fair value 2021<br>£'000 | Carrying amount and fair value 2020<br>£'000 |
|---|-------|--|--|
| <b>Financial assets</b>                   |       |  |  |
| Monies held in trust                      | 13    | 132,054                                      | 102,693                                      |
| Cash at bank and in hand                  | 14    | 31,415                                       | 29,632                                       |
| Trade receivables                         | 12    | 5,725  | 5,817  |
| Other receivables                         | 12    | 3,463  | 2,144  |
|   |       | 172,657                                      | 140,286                                      |
| <b>Financial liabilities</b>              |       |  |  |
| Trade payables                            | 16    | 52,776                                       | 57,150                                       |
| Payables in respect of cards and vouchers | 16    | 25,302                                       | 17,060                                       |
| Other payables                            | 16    | 2,765  | 2,317  |
| Lease liabilities                         | 18    | 5,229  | 4,351  |
|   |       | 86,072                                       | 80,878                                       |
| <b>Company</b>                            |       |  |  |
| <b>Financial assets</b>                   |       |  |  |
| Cash at bank and in hand                  | 14    | 32,501                                       | 28,769                                       |
| Receivables from subsidiaries             | 12    | 22,457                                       | 27,583                                       |
| Other receivables                         | 12    | 214  | 384  |
|   |       | 55,172                                       | 56,736                                       |
| <b>Financial liabilities</b>              |       |  |  |
| Trade payables                            | 16    | –  | 2  |
| Payables to subsidiaries                  | 16    | 46,131                                       | 46,571                                       |
| Other payables                            | 16    | 148  | 157  |
|   |       | 46,279                                       | 46,730                                       |

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 £884,000 (2020 : 0.5% movement would change the PBT by approximately £851,000).

### **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.

### **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 draw downs from the PPPT subject to specific conditions being met as set out in the trust deed, available from [www.getpark.co.uk](http://www.getpark.co.uk).

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's liquidity position and financial risk are set out on page 22 of the Financial Review and pages 36 to 38, the Group's 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.

## Directors and Advisers

|                           |   |
|---------------------------|---|
| <b>Directors:</b>         | <p>I O'Doherty<sup>◇</sup><br/> T Clancy<br/> L Carstensen (Non-executive Chairman)<sup>*†◇</sup><br/> J Gittins (Non-executive)<sup>*†◇</sup><br/> Sally Cabrini (Non-executive)<sup>*†◇</sup></p> |
| <b>Secretary:</b>         | G Griffiths   |
| <b>Registered office:</b> | <p>Valley Road<br/> Birkenhead<br/> CH41 7ED<br/> Registered in England No 1711939</p>  |
| <b>Nominated adviser:</b> | <p>Liberum Capital Limited<br/> Ropemaker Place<br/> 25 Ropemaker Street<br/> London<br/> EC27 9LY</p>  |
| <b>Merchant bankers:</b>  | <p>N M Rothschild &amp; Sons Limited<br/> 82 King Street<br/> Manchester<br/> M2 4WQ</p>  |
| <b>Auditors:</b>          | <p>Ernst &amp; Young LLP<br/> 20 Chapel Street<br/> Liverpool<br/> L3 9AG</p>   |
| <b>Stockbrokers:</b>      | <p>Liberum Capital Limited<br/> Ropemaker Place<br/> 25 Ropemaker Street<br/> London<br/> EC2Y 9LY</p>  |
| <b>Bankers:</b>           | <p>Barclays Bank PLC<br/> 3 Hardman Street<br/> Manchester<br/> M3 3AX</p>  |
| <b>Registrars:</b>        | <p>Computershare Investor Services PLC<br/> The Pavilions<br/> Bridgwater Road<br/> Bristol<br/> BS99 6ZZ</p>   |

\* Member of the audit committee

† Member of the remuneration committee

◇ Member of the nomination committee







[www.highstreetvouchers.com](http://www.highstreetvouchers.com)  
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