Annual Report & Accounts

for the year ended 30 June 2022

pci pal

Continued strong new business momentum

PCI-PAL PLC (AIM: PCIP), the global provider of secure payment solutions for business communications, is pleased to announce full year results for the year ended 30 June 2022 (the “period”).

www.pcipal.com

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

Highlights

FOR THE YEAR ENDED 30 JUNE 2022

Commenting on results and prospects, James Barham, Chief Executive said:

"FY22 is a year we can be proud of at PCI Pal. Having taken the steps to expand our addressable market following the fundraise in April 2021, we have executed against our ambitious plans in the year. We have driven organic revenue growth to market leading levels, whilst at the same time managing the processes of an unfounded patent case against us as well as meeting the challenge of a highly competitive jobs market.

"We have taken another step up in the last 12 months, reaching several financial milestones including £10 million ARR from our true-cloud, SaaS subscription services. This continued progress against our plans is now creating further opportunity as we build more momentum in our expanded product vision, as we look to add further value layers to our existing compliance and secure payment solution suite.

"With our market leading partner eco-system, mature cloud technology, and our ability to serve customers on a truly global scale, we are very well positioned to further capitalise on the broadening opportunities in front of us. I continue to look forward with confidence to another year of strong growth in FY23."

		2022	2021
Revenue	+62%	£11.94m	£7.36m
Gross Margin	+9% points	84%	75%
Adjusted EBITDA[1]	+27%	(£1.88m)	(£2.56m)
Loss before Tax	+26%	(£3.11m)	(£4.19m)
TACV[2]	+40%	£13.36m	£9.51m
AWS Platform Churn[3]	+3.6% points	3.1%	6.7%
AWS Platform Net Retention Rate[4]	+6.6% points	117.7%	111.1%
Deferred Income	+31%	£10.62m	£8.09m

1 Adjusted EBITDA is the loss on operating activities before exceptional items, depreciation and amortisation, exchange movements charged to the profit and loss and expenses relating to share option charges

2 TACV is the total annual recurring revenue of all signed contracts, whether invoiced and included in deferred revenue or still to be deployed and/or not yet invoiced

3 AWS platform churn is calculated using the ACV of lost deployed contracts in the period divided by the opening total value of deployed contracts at the start of the period

4 AWS platform net retention rate ("NRR") is calculated using the opening total value of deployed contracts at the start of the period less the ACV of lost deployed contracts in the period plus the ACV of upsold contracts signed in the period all divided by the opening total value of deployed contracts at the start of the period

Financial Highlights

- Revenue increased 62% to £11.94 million (2021: £7.36 million)
- Gross margin increased to 84% (2021: 75%) reflecting the majority of revenues delivered through our cloud based Amazon Web Services ("AWS") platform
- Significant increase in Total Annual Contract Value ("TACV[1]") at 30 June 2022 by 40% to £13.36 million (2021: £9.51 million), with an 11% increase in ACV signed in the period to £3.46 million (2021: £3.11 million).
- Deferred income increased by 31% to £10.62 million (2021: £8.09 million)
- Strong performance delivered adjusted operating loss[2] better than expectations at £2.02 million (2021: £3.85 million)
- Loss before tax at £3.11 million (2021: £4.19 million) which includes a £0.80 million (£2021: £nil) charge in relation to legal fees for defending the ongoing patent claim
- Cash balances at year end of £4.89 million (2021: £7.52 million) and the Group is debt free

Operating and Other Highlights

- North American momentum continues to build, with revenue up 83% and a year-on-year increase in ACV signed of 7%. North America now accounts for 28% of the Group revenue (2021: 25%)
- Opened offices in Australia and Canada expanding the global reach of the Group
- Recurring revenue model continues to build, with recurring revenues accounting for 89% of total revenue (2021: 88%)
- Signed 217 new sales contracts in the year (2021: 195)
- A further 164 new contracts live with our services in the period (2021: 121)
- Time to go live ("TTGL[3]") of new contracts signed in the last 18 months marginally ahead of management expectations at below 5 months
- 85% of new sales contracts for the Group generated from channel partners (2021: 78%)
- Added two new members to the PCI Pal Advisory Committee, both US-based, experienced product and engineering executive, Jayesh Patel who was formerly Chief Product Officer at Vonage Inc, and Emilia D'Anzica, a customer success executive and consultant

Current Trading

- Strong start to new financial year with key metrics in line with management expectations.
- Sales highlights since year end:
  - Signed large well-known US-focused retailer with over 1,500 stores nationwide
  - New contract signed through a top performing partner in the UK with a well-known international food and drink company with an international footprint
- New integrated reseller partnership signed with a B2B telco in Canada. This new partner has more than 100,000 customers and has a fast growing business in the Canadian contact centre market

1 TACV is the total annual recurring revenue of all signed contracts, whether invoiced and included in deferred revenue or still to be deployed and/or not yet invoiced

2 Loss from operating activities before exceptional items and share option charges

3 TTGL is the average time it takes a contract to be deployed measured from the date of signature

Overview of PCI PAL PLC

FOR THE YEAR ENDED 30 JUNE 2022

Who Are We?

PCI Pal is the leading provider of SaaS solutions that empower companies to take payments from consumers securely whilst adhering to strict industry governance requirements across business communication environments. PCI Pal's solutions remove our customers' businesses from the significant risks posed by non-compliance and data loss.

Our mission at PCI Pal is to safeguard reputation and trust by providing our customers with secure payment solutions.

Our products secure payments and data in any business communications environment, including voice, chat, social, email, and contact centre. We are integrated to, and resold by, some of the world's leading business communications vendors, as well as major payment service providers.

The entirety of the product base is available from our global cloud platform hosted in AWS, with regional instances across EMEA, North America, and ANZ. PCI Pal products can be used by any size organisation globally, and we are proud to work with some of the largest and most respected brands in the world.

Our Solutions

PCI Pal's secure cloud payment solutions are certified to the highest level of security by the Payment Card Industry Security Standards Council (PCI SSC), which is run by the world's by leading card companies. This enables PCI Pal to provide the highest level of payment security to our customers.

Our Agent Assist and IVR solutions utilise Dual-Tone Multi-Frequency (DTMF) masking technology, or Speech Recognition software to provide a secure way of handling payments by phone. End users enter their payment details securely using their telephone keypad, or by speaking them when prompted. The sensitive cardholder data is securely processed without any payment card data entering our customer's business network.

PCI Pal Digital provides a true omnichannel secure payment solution, enabling an organisation to take payments across any digital channel. The PCI Pal Digital payment solution enables contact centre agents to provide secure payment options via digital engagement channels such as Webchat, WhatsApp, Social Media, Email and SMS. The Digital functionality is available from within the PCI Pal platform that provides our Agent Assist and IVR solutions, so contact centre agents have access to take payments through any channel.

Our Difference

As the first in our market to bring true cloud solutions to businesses globally, we have led the way in providing light-touch, easy to use, highly reliable services that are accessible by any size organisation that takes payments. At PCI Pal, we have created a market leading partner eco-system which includes integrated services with many of the world's leading cloud communications companies (CCaaS and UCaaS such as Genesys, Talkdesk, and NICE), as well as telco carriers and payment providers, through which we provide our services to their customers fully integrated to their own product offerings.

By dedicating ourselves to the focused pursuit of easy to integrate and simple to deploy technology, we will provide the most compelling value proposition to our partners and customers to solve the challenge of providing secure and compliant payment options. Safeguarding reputations and building trust.

Chair's Statement

FOR THE YEAR ENDED 30 JUNE 2022

"I am very pleased to report on another year of significant progress for the business.

Simon Wilson | Non-Executive Chair

I am very pleased to report on another year of significant progress for the business on its path towards profitability while continuing to achieve upper quartile top line SaaS company growth and retention rates.

Notable achievements in the year include the strengthening of TACV, our leading forward indicator of growth, by 40% to £13.36 million and growth in deferred revenue of 31% to £10.62 million, once again growing our forward-looking revenue visibility. Recognised revenue also grew strongly by 62% to £11.94 million and gross margins continued to improve to 84%. These top line financial metrics are all hallmarks of a strong and growing cloud company and SaaS business model.

Patent Infringement Claims

For most of this fiscal year the management team has been vigorously defending the Group in both the UK and US against what the Board believes to be an unfounded patent infringement claim by Sycurio Limited. The Group has adopted a pro-active, multi-faceted defence strategy of proving non-infringement, despite the onus being on Sycurio to prove the infringement, and also to disprove PCI Pal's counterclaims of invalidity.

The Board intends to continue to use all routes available to it to bring this matter to a close and we are confident in our position on both the defence of the claims made, as well as on the counterclaims that we are making.

People

The commitment of our people is truly outstanding. They have delivered these exceptional results.

The Group has put a great deal of effort into supporting our people and continuing to build an enduring culture of respect, positivity, and resilience. This corporate foundation is directly reflected in low employee turnover and an ability to attract first class technical talent despite the enormous impact of the *Great Migration* being felt across not just the technology sector but all areas of the global economy.

More importantly, our customers and partners really enjoy working with our teams. This competitive differentiator should not be under-estimated and can be seen in our excellent NPS rankings, continued strengthening of our leadership position in channel partnerships, and impressive customer retention and account expansion metrics.

Overall, the PCI Pal team has grown from 71 to 103 employees over the course of the year, and I would personally like to thank each and every one of them for their contributions towards meeting the Group's mission.

Strategic Direction

Several years ago, the Group adopted a disruptive strategy for our sector of being channel-first and delivering our solutions exclusively through the Cloud. FY22 again delivered tangible evidence of the ongoing success of this strategy. Most of our business by volume of sales continues to come through channel partnerships, further validating our strategic decision to be a channel-first organisation.

Building on this strategic success to date, the Board continues to evolve and expand its rolling five-year strategic plan to enter new geographic markets, such as Canada and Australia, and to broaden our offering to include new secure payments services on its global Cloud platform. In FY22 the first example of these new services was a 'pay-by-bank' option via a technology partnership with TrueLayer. Further new secure payment services are planned for launch during FY23, providing new revenue opportunities for our partners and enhancing the overall value proposition for our end customers.

Corporate Governance

In FY22 the Board has continued to focus on building our governance capabilities and ability to exercise independent judgement as the Group becomes larger, more internationally complex, serving a broader range of global partners and customers, and developing an even more culturally diverse team of people in different countries.

I am therefore very pleased to have welcomed Carolyn Rand to the Board as Audit Committee Chair and member of the Remuneration Committee. Carolyn is a financial expert with a broad SaaS and international technology background, most recently with Bango Plc, and therefore also brings payment industry experience to the Board. I would like to thank Chris Fielding for his long service and contributions to the Group, both as past Chair of the Board and Audit Committee Chair, as the Group transformed itself into the fast-growing Cloud business it is today.

It has been two years since the formation of the PCI Pal Advisory Committee (the "PAC"), and the CEO and senior management team has continued to benefit from the expert outside functional advice that the committee provides. The Board has also enhanced its ability to meet its governance responsibility to manage its risk profile by having access to expert and more diverse, global outside viewpoints that are strongly correlated to the key elements of our evolving 5-year strategic plan. The profiles of the PAC members can be found in the biography section below.

For the second year, the Board has produced an ESG report, which sets out our commitment to understanding, measuring and, over time, improving our 'ESG footprint' as well as our focus and commitment to diversity and inclusion. This year we have updated our initial assessment of the key ESG metrics that we believe are most applicable to the Group, as well as our goals for achieving measurable improvement for each metric over time. The Board is fully committed to supporting management to achieve these improvement goals and is leading by example in the context of the make-up of the both the Board and the Advisory Committee. Although PCI Pal is a small software company relative to the large-scale global challenges around corporate governance and ESG, the Board nonetheless takes its ESG responsibilities seriously and has begun its own journey of self-directed improvement. The ESG report can be found as part of our governance reporting below.

Stakeholder Communications

As a board, we remain focused on clear and regular communications to all investors, both retail and institutional, and expanding disclosures in line with the growth in complexity of the business. We continue to utilise telephone updates as well as video briefings using the Investor Meet Company portal, to reach shareholders of all sizes. As the impact of the pandemic has receded, the CEO and CFO are once again also offering in-person meetings. As Chair, I am available as a direct line of communication to all shareholders in case other questions arise that need to be answered independently, as well as offering meetings with institutional shareholders around the time of the AGM.

In continuing recognition of the Company's wider communication responsibility to all stakeholders, this year the Company has again expanded its media plan of publishing articles and content on social media, on the Company's website and utilising the RNS Reach service to help provide a deeper understanding of the Group's products and markets.

Looking Forward

Given the achievements to date and our commanding partner position in the ecosystem of the business communications marketplace, I am greatly encouraged by the progress that has been made by the Group in FY22, and the Board is confident in the outlook and prospects for the Group in FY23 and beyond.

We have started the current financial year in line with management's expectations and I look forward to sharing further progress reports and news during the coming financial year, as we continue our strategic growth journey towards profitability and further scale.

Simon Wilson | Non-Executive Chair

5 September 2022

Chief Executive's Statement

FOR THE YEAR ENDED 30 JUNE 2022

> I am extremely proud of the year we have just delivered.

James Barham | CEO

Overview

Following the fundraise in April 2021, we set out expanded growth objectives for FY22 which included growing our addressable market through expansion into new territories including Canada and Australia; as well as increased investment into product, engineering, and customer success functions. The investment across these areas by majority involved an increase in headcount which has grown in the year by 45% to 103 people group-wide across UK, US, Canada, and Australia.

We have made this substantial progress against our hiring objectives despite the impact that the "war for talent" has had on fast growing technology companies such as ours. Furthermore, we are especially pleased that during this expansion we have achieved excellent employee retention of 94%.

It is particularly pleasing that while undertaking this significant expansion, with the inconvenience of the unfounded patent claim being made against us in the background, we have grown revenue by 62% year on year to £11.9 million, with a closing ARR run rate of £11.1 million (2021: £7.7 million). This organic growth performance is the strongest in our market and is a result of the successful execution against our stated objectives, which include: providing the most mature cloud platform to customers in our space; to be a truly partner-first business, creating the leading partner eco-system in the market; and for our services to be available to any size contact centre anywhere in the world.

Along with our market-leading revenue growth performance we have also managed our customer churn rates to top quartile levels, at just 3%. The Group has delivered several large extensions to key accounts in the period which has contributed to a strong NRR result of 118% across the year which is testament to the relationships we build with partners and customers alike. In addition, our new contract sales momentum has continued driving our key growth metric of TACV, which in turn is a key indicator of future recurring revenues, to £13.4 million, a year-on-year increase of 40%.

Given the momentum being seen by the Company, we are making excellent progress towards achieving break even in the near term. The progress is not only supported by our sales momentum, but also the continued increase in gross margins which is now at 84% (2021: 75%). Our ability to drive both new business and upsells to revenue recognition is testament to the foundations we established in prior years having built a strong operational core to the business. Our strong trading, along with our SaaS revenue model, has delivered excellent cash performance as well, with cash of £4.9 million at the year-end being substantially ahead of original expectations.

A Consistent Strategy to Meet the Opportunity

At PCI Pal, our vision is to be *"the preferred solution provider that organisations turn to globally for achieving payment security and PCI compliance in customer engagement environments"*. To date, having now completed the first full 5 years of our original plan, we have focused primarily on securing consumer payment card data in contact centre markets in the UK and US, with very recent expansion this year into Canada and Australia.

Our plan set out three pillars of growth: to be the leader in cloud in a space hindered by legacy hardware solutions; to leverage cloud innovation to create opportunities to sell to the breadth of the contact centre market globally; and to gain access to that global market through the creation of a market leading partner eco-system. We have been highly successful in executing against all three pillars and our revenue growth is testament to that as well. Today we estimate our market opportunity to be in the region of £300 million worldwide based on there being over 10 million agent positions in contact centres across the globe. This addressable market will grow as we start adding more of our planned product enhancements to our existing solutions.

Bolstering the tactical advantages we have over our competitors, and as the first to launch globally available, true-cloud solutions in our space, we have further expanded our patent portfolio with the grant of a key patent covering the novel and unique way that we leverage cloud telephony technologies to integrate our Agent Assist solution to third party environments *"Processing Sensitive Information Over VoIP"* (US 11,310,291). The patent is now granted in the US and approved for grant in Australia, with further territories expected in the coming months, including the UK. Of note, the US grant was made following an extensive review by the US Patents and Trademark Office of existing patents in our space, reiterating the innovative and novel nature of PCI Pal's approach. The patent specifically covers the way that PCI Pal is able to manipulate the signalling and voice stream of phone calls, allowing PCI Pal to take a non-invasive approach to its handling of data during a call within its Agent Assist and IVR solutions. This latest patent is important in illustrating the novel ways by which we have been able to capture such a strong partner eco-system and also provides potential protection against those competitors who may wish to transition to cloud and follow similar operating models as PCI Pal.

People

Since early in our journey, we have set corporate level objectives to drive a focus on our people. This starts with a company-wide objective to maintain a culture that people want to be part of and a workplace that feels engaging and inclusive for all.

People are absolutely critical to this business. As a fast growing, high margin, SaaS business, people are what this business invests in the most. At PCI Pal we give equal focus to developing and supporting our existing employees, as we do to the passion and thorough approach we take to hiring new team members. We recognise that as a business of our size, even at now over 100 people, that it is our people that make the difference. It is therefore pleasing for myself and the management team that in a year where jobs markets have been turned upside down that we have achieved top quartile employee retention. This performance was evidenced during the year when we were recognised by WorkL, in partnership with The Telegraph newspaper, as one of the most engaging employers in the country ranked 221 out of over 23,000 organisations assessed.

During the year we have expanded our headcount by 45% to support our escalated strategic objectives defined at the fundraise in April 2021. I must thank the entire team at PCI Pal who have been involved in this process from the hiring managers to those who have supported them during our multi-stage interview processes. We have a rule at PCI Pal to only bring people into the business we feel excited about, and this has stood us in good stead with the excellent team and culture that we have built.

Further expanding our keen people focus, in the year we commenced an initiative to bring more focus to diversity and inclusion at PCI Pal. Whilst we believe we have a diverse and inclusive workplace today, we recognise that as a growing company it is important that we have visibility of data, understanding, and processes in place to ensure this important area is catered for as our growth continues. We have now completed our initial stages of gathering data, something our teams have embraced and given supportive feedback to. We will now continue that journey to allow the data to better inform management as we build processes to further drive this initiative.

Unfounded Claims of Patent Infringement

In September 2021, the Group announced that Semafone Limited (now renamed Sycurio Limited), one of our competitors, had filed lawsuits in both the UK and the US relating to alleged patent infringement by PCI Pal. We believe that the claim was brought against us by Sycurio, shortly after they were acquired by a US-based Private Equity fund, primarily to try to disrupt the delivery of our growth plans.

The Directors continue to strongly refute the claims being made. The Group has formed a robust defence to the allegations of infringement and is confident in the strength of its counterclaims, which, if successful, would invalidate Sycurio's entire patent portfolio. We have formed our strong position on counterclaims challenging the validity of their patents following an extensive investigation into Sycurio's patents and the previous court challenges in the UK to their validity by other parties. The Group has therefore adopted a pro-active, multi-faceted defence strategy of proving non-infringement, despite the onus being on Sycurio to prove the infringement, and also to disprove PCI Pal's counterclaims of invalidity.

The litigation relates to PCI Pal's Agent Assist product and the way that card data is captured when entered by a consumer using their telephone keypad. PCI Pal has a number of other products which do not rely on this process, and indeed none of the new anticipated products in PCI Pal's development pipeline have a requirement for keypad entry and instead are focused on digital and form capture more similar with e-commerce and modern digital payment solutions.

As you would expect, not only are we defending the case strongly, but we have also made additional plans that, in the unlikely scenario that proceedings go against us, will provide a fallback position for the Agent Assist product to ensure non-infringement going forward. We expect to file confidential documents with the Court outlining the fallback position as is normal in patent claim cases.

The Board are prepared to fight this case all the way through the courts but, as stated previously, we will continue to explore all options that are in the best interest of the business to bring this matter to a satisfactory conclusion.

Strategy and Market

PCI Pal's addressable market today is any size organisation taking payments within business communications environments anywhere in the world. We work with our partners and customers to allow them to secure payments whilst adhering to strict information security rules around credit and debit card data, namely PCI Compliance. In particular our solutions are utilised within call or contact centre environments all of which utilise business communications platforms to engage with their customers.

Contact centre markets in both the UK and US represent between 2-3% of the working populations of those countries, and the trends are similar in the new territories we have expanded into in FY22. Our ability to serve a contact centre of any size is essential when considering the make-up of this large employment pool across our market. In the US alone 94% of all contact centres (37,000 contact centres) have between 10 and 250 agent seats, employing 2.04 million agents which makes up more than 55% of the entire employed agent population in the country.

By using PCI Pal services, companies not only secure the most sensitive of customer payment data, but they do so in such a way that will allow them to comply with the ever-changing information security and data governance standards related to how they handle this data. Additionally, by using PCI Pal services, customers will make significant progress towards broader regional data protection regulation such as GDPR in the European Union and the California Consumer Privacy Act in the US.

It is therefore a key differentiator for us to be able to serve organisations across our entire market. Our customers range from small contact centres up to the very largest with more than 5,000 agent seats, but by far the majority are in the small to mid-size range with our average annual contract values of between £15,000 and £20,000. This more numerous end of the market is a substantial risk reducer for churn in the business, given our revenues are spread across a higher number of customers.

We also target the less numerous, larger enterprise-size businesses and contact centres (that we defined as being contracts with an annually recognised revenue value for the Group in excess of £100,000 per annum) which currently represent 43% (2021: 43%) of our revenues. As there are relatively far fewer of these larger contracts, the enterprise deals are less predictable and more challenging to forecast.

Our addressable market is underpinned and strengthened by two major global industry dynamics occurring today: the increase in regulation and governance surrounding data security worldwide; and the transition in the communications market of services served from on-premise equipment moving to services delivered from the cloud. With the combination of these dynamics, PCI Pal is acting as an enabler for both security but also the payment itself, seamlessly integrated into our customer's customer engagement tools. Additionally, as the first in our space to bring a true-cloud offering to market, and the only global player with a sole focus on cloud, PCI Pal is in a strong position to capitalise on the digital transformation occurring across the business communications, security, and payments markets.

Having executed against our first 5-year strategic plan, and firmly established the three key pillars of growth we defined, we have driven significant partner and customer adoption of our products and services leading to us being recognised as the 56th fastest growing company in the UK by The Growth Index when compared to 32,000 similar companies. This strong and growing partner eco-system and customer-base now paves the way for the evolution of the PCI Pal product-set.

Cloud Technology

With approaching 500 customers worldwide, PCI Pal's AWS-hosted cloud platform is the most mature cloud environment in its market. We launched this cloud offering in 2017 when the majority of the market was selling only hardware or privately hosted solutions and as a result have benefitted from this first-mover advantage. Today PCI Pal's cloud services are resold by two thirds of the Gartner Magic Quadrant for CCaaS vendors as well as 35% of the world's top 20 call centre business process outsourcers.

Amazon Web Services is our chosen provider of virtualised cloud services where we host our platform today. Our strategy to manage a single platform ensures operational efficiency while we deliver our product innovations and rapidly expand worldwide, allowing us to sell to high quantities of customers, maximising the market opportunity. Validating this technology strategy, AWS is the most commonly used cloud hosting provider across all our partners.

Evolution of PCI Pal Product Set

As stated at the fundraise in April 2021, the Group continues to drive investment into product and engineering as we seek to expand the addressable market opportunity, capitalising on the partner eco-system we have created. I am pleased to say we have made excellent progress here.

Towards the end of FY21, we hired a new CTO who is a very experienced, product-focused engineering leader with a SaaS, communications, and payments background. In his short tenure he has begun to take our product management and engineering functions to another level, as well as further improving the pace and robustness of our delivery cycles and change management, and continued service uptime excellence.

As well as strengthening the Group's existing core products for securing payment data, the product team are starting to bring our long-term product vision to life. Having seen interactions into contact centres increase during the pandemic, along with the emergence of digital transformation which is driving a great mix of communications channel adoption in those environments, such as chat, social, and email, we are seeing an increase in demand to commercialise those interactions with consumers.

Contact centres to date have been unable to access more modern digital payment methods that websites benefit from, such as open banking, e-wallets, buy-now-pay-later (such as Klarna and Affirm), and many others. Realising our product vision will allow PCI Pal to provide our partners and customers with these types of services for their contact centres, giving them the opportunity to drive revenue, reduce payment processing charges, and increase customer experience through its payment solutions. Our existing compliance and security solutions, often fully integrated to our partners' own technology stacks, are a natural foundation of these value-add services.

As an example, in March 2022 we announced our partnership with TrueLayer, one of the leading international providers of open banking solutions. Open banking payment options allow merchants to receive payments from consumers direct to bank giving significant cost savings to traditional credit card methods, and provide an additional layer of fraud reduction mechanism. Consumers benefit as they are even more protected from payment scams and have an instant record of payment. Our open banking solution will be formally launched in September.

Continued Sales Growth

In summary, an exceptional year of growth for the business, with revenue increased 62% year on year to £11.9 million. With a closing year end ARR run rate of £11.1 million, a 44% increase on the prior year, we are seeing the benefits of our SaaS subscription model as the revenue from our key sales growth indicator of TACV begins to hit recognition. TACV increased 40% year on year to £13.4 million (2021: £9.5 million). TACV includes all contracts that the company has whether they are at go-live and revenue recognition or not and is a key indicator of PCI Pal's next 12-month recurring revenues.

Contributing to the increase in TACV, the Company delivered £3.5 million in new business ACV, an 11% increase year on year. In addition, and outside of ACV, the company was successful in securing additional transactional business from a number of customers. Where this transactional revenue is deemed of a recurring nature, the Board estimate the likely recurring level and include this in the Group's ARR and TACV numbers. Transactional revenues make up approximately 22% (2021: 24%) of the TACV.

Supporting the Group's revenue growth is a strong performance against our customer success objectives. With customer churn rates of just 3%, this is testament to our ability to deliver customer satisfaction. Our Net Promoter Scores ("NPS") across the year were excellent compared to the global benchmarks at 65. More pleasing is our ability to continue to sell to existing customers, our NRR grew to 118% (2021: 111%) as we renewed and grew our agreements with two of our largest customers, as well as increased our licences to numerous other smaller customers. It is these success metrics combined with our people and products that have allowed us to expand some of our largest accounts during the year in both the UK and US. This capability is particularly important as the business grows and adds new products, especially in such a changeable economic environment in the world today.

Having only launched the Canadian and Australian businesses mid-way through the year, the vast majority of new business sales have been delivered by the US and EMEA teams, with 85% of new business contracts in the period generated through resellers, highlighting the strength of our partner business. The EMEA business had an excellent year, with new business sales delivering 58% of the Group's new business ACV at £2.0 million. The EMEA business benefitted from a more mature customer-base where upsell opportunities have been more numerous. Conversely, the US business delivered more net new logo business than the EMEA team which is what we expected considering the size of the market opportunity in the United States.

In the US, we increased TACV by 53% to £4.2 million (2021: £2.8 million) which included an additional £1.4 million in ACV sales, the remainder of the increase being transactional recurring fees from new business. The US market is still a number of years behind the UK in terms of payment security solution adoption, and therefore as planned, we only grew the US sales team during the year by one person while we expanded into new territories of Canada and Australia. The US remains the largest opportunity for the business long term, and we believe we have taken the right approach in balancing our push there with a global view in mind. The Group continues to benefit across all territories as a result of our efforts with major partners in the US as the majority of these US-headquartered business are large global enterprises.

Market Leading Partner Eco-system Continues to Expand

One of the key strategic pillars is to leverage channel partners to scale our business. Over the last five years we have successfully built the most extensive partner eco-system in our market. With 85% of new business sales in the period coming through partners, PCI Pal is a truly partner-first business. Today our partners include some of the most recognisable names in the business communications, BPO (Business Process Outsourcers), and payments markets including Genesys, Worldpay, Amazon Connect, Capita, NICE, and Webhelp.

We continue to work hard to deepen relationships with our existing partner base, and during the year we expanded our relationships with a number of our key partners including Genesys, 8x8, Sitel, and Talkdesk. These deeper relationships have allowed us to work closer with these partners' own sales and product teams allowing us to align our solution better with their sales objectives.

In addition, we are still signing new partnerships that, once signed, go through our rigorous on-boarding process to ensure both us and the partner can begin to quickly mutually benefit from the relationship. New partners in the period include Teleperformance, who will leverage our full portfolio of payment security solutions seamlessly integrated to support their customers globally; and Amazon Connect, where using our AWS hosted, light-touch cloud capabilities we have created the first global integration of its kind available to their Amazon Connect contact centre customers available to be procured through the AWS Marketplace.

At PCI Pal, we categorise our partners into four different groups:

- Integrated Partners- Such as CCaaS, UCaaS or carrier partners with tight telephony, and sometimes desktop, integrations. Repeatable integrations facilitate shorter customer implementation times
- Solution Providers- Typically Value-Added Resellers ("VARs") and Systems Integrators of the major traditional telephony platforms such as Genesys, Cisco, and Avaya. Solution Providers also includes Payment Service Providers such as Worldpay B2B, Capita Pay 360, and Civica. We also include our BPO partners in this category of partners

- Referral Partners- Partners who introduce customers to us, to whom we then sell direct. These include Master Agents, consultants, as well as other organisations who may prefer to first introduce, prior to becoming a fully enabled reseller
- Technology Partners- typically these are major technology vendors, such as Oracle, with whom we have sought technology accreditations that allow us to sell to both their own partner communities and also major enterprise customers

Our global partners tend to be large organisations with minimum 1,000 employees, some much larger. As such, our journey with many of our partners still has some way to go and we are focussing our efforts into continuous enablement aligned with our increased investment into partner success and relationship management. We are very cautious to balance new partner acquisition efforts with the efforts required to maintain and grow our existing large partner relationships.

Current Trading & Outlook

As a result of the strong financial performance of the Group, we continue to be on track with our current plans to hit cashflow breakeven in the coming year, with monthly profitability following shortly after that point. The early signs of this were shown in FY22, with the EMEA business reaching Adjusted PBT profitability as the accumulation of sales through TACV reaches revenue recognition. Whilst we remain conscious of the rapidly evolving wider macro-economic environments affecting our key markets today in the UK and US, we are very confident in the prospects of this fast growing business.

We go into the new financial year excited by the anticipated further expansion of our existing partner and customer relationships, as well as increasing the value proposition of our services for new customers as a result of the expected realisation of our evolved product vision. We believe we are well positioned to continue the planned growth trajectory balanced with high retention rates, as we continue building this strong business.

James Barham | Chief Executive Officer
5 September 2022

"I have worked with a number of suppliers and I find the team at PCI Pal outstanding, they know their solution and where it fits the market, respond quickly and take ownership of the deliverables, which is all you need in a great supplier relationship."

Director of Customer Success, 8x8

Chief Financial Officer's Review

FOR THE YEAR ENDED 30 JUNE 2022

Key Financial Performance Indicators

The Directors use several Key Financial Performance Indicators (KPIs) to monitor the progress and performance of the Group. All the core KPIs are showing strong performance against expectations.

The principal financial KPIs are as follows:

		2022	Change %	2021	Change %	2020
1	Revenue	£11.94m	+62%	£7.36m	+67%	£4.40m
2	Gross Margin	84%		75%		69%
3	Recurring Revenue[1]	£10.57m	+63%	£6.48m	+75%	£3.70m
4	Recurring Revenue as % of Revenue	89%		88%		84%
5	Revenue generated from Non-UK deployments	£3.74m	+82%	£2.06m	+280%	£0.76m
6	Percentage of Revenue from non-UK deployments	31%		28%		17%
7	Adjusted EBITDA[2]	(£1.88m)	+27%	(£2.56m)	+28%	(£3.57m)
8	Cash facilities available[3]	£4.89m		£7.52m		£5.55m
9	Deferred Income	£10.62m		£8.09m		£4.53m

1 Recurring Revenue is the revenue generated from the recurring elements of the contracts held by the Group and recognised in the Statement of Comprehensive Income in the period

2 Adjusted EBITDA is the loss on operating activities before exceptional items, depreciation and amortisation, exchange movements charged to the profit and loss and expenses relating to share option charges

3 Cash balance plus undrawn debt facilities

The principal operational KPIs are as follows:

		2022	Change %	2021	Change %	2020
1	Contracted TACV[1] deployed and live	£11.05m	+44%	£7.69m	+90%	£4.04m
2	Contracted TACV in deployment	£1.12m	0%	£1.12m	-49%	£2.19m
3	Contracted TACV – projects on hold	£1.19m	+70%	£0.70m	+34%	£0.52m
4	Total Contracted TACV	£13.36m	+40%	£9.51m	+41%	£6.75m
5	% of TACV derived from variable transactions deemed recurring	22%		24%		31%
6	ACV of contracts cancelled before deployment	£0.18m		£0.20m		Not Calculated
7	Signed ACV in financial period	£3.46m	+11%	£3.11m	+19%	£2.62m
8	AWS Platform Churn[2]	3.1%		6.7%		Not Calculated
9	AWS Platform Net Retention Rate[3]	117.7%		111.1%		Not Calculated
10	Headcount at end of year (excluding non-executive directors)	103		71		58
11	Ratio Personnel cost to administrative expenses	74%		71%		77%

1 TACV is the total annual recurring revenue of all signed contracts, whether invoiced and included in deferred revenue or still to be deployed and/or not yet invoiced

2 AWS platform churn is calculated using the ACV of lost deployed contracts in the period divided by the opening total value of deployed contracts at the start of the period

3 AWS platform net retention rate ("NRR") is calculated using the opening total value of deployed contracts at the start of the period less the ACV of lost deployed contracts in the period plus the ACV of upsold contracts signed in the period all divided by the opening total value of deployed contracts at the start of the period

Overall Group revenue grew by 62% to £11.94 million

William Good | Chief Financial Officer

Revenue and Gross Margin

Overall Group revenue grew by 62% to £11.94 million (2021: £7.36 million) and gross margin improved to 84% (2021: 75%) with the majority of revenue generated from products hosted in our AWS environment. The first-generation privately hosted platform, which we have not proactively sold since 2019, now accounts for 12% of revenues (2021: 24%). We have nearly completed the transition of payment customers from this platform to our AWS environment.

The EMEA business, the most mature business and based in the UK, had a strong year growing revenues to £8.46 million, a 55% increase on the prior year, while the international operations grew revenues to £3.48 million, an 83% increase on the prior year. Revenues from our non-UK customers now make up 31% (2021: 28%) of the overall Group revenues. The revenues generated from our international operations are expected to continue to grow strongly as we strengthen our position in the United States and continue our expansion into Canada, Australia and mainland Europe.

The Group's revenue reflects its SaaS business model. It delivers its services primarily through channel partners into contact centres who are predominantly charged on a recurring licence basis. The terms of the sales contracts generally allow for automatic renewal of the licences for a further 12-month period at the end of their initial term. 91% (2021: 88%) of revenues recognised in the period have come from annually recurring licences and transactions. Our strong recurring revenue gives the Group high future revenue visibility.

ACV Growth

Annual Contract Value ("ACV") growth is a key leading growth metric of the Group. Contracts signed in the financial year begin to filter through on a monthly basis into recognised revenue after an average of 24 weeks (2021: 26 weeks) following deployment. ACV grew by 11% in the year to £3.46 million (2021: £3.11 million) positively reflecting the further development of the Group and its strong partner eco-system.

TACV

TACV at the end of the financial year increased 40% to £13.36 million (2021: £9.51 million). This metric is a key indicator of the near term expectation for the business to reach future cash flow and then profit break-even as customers go live with our services and revenue is recognised. Growing levels of TACV produces increasing levels of future revenue visibility, an attractive aspect of the Group's business model. 22% (2021: 24%) of the TACV is from transactional revenues (including the Gen1 platform) which the directors deem are recurring in nature.

This £13.36 million of TACV is analysed as follows:

2022	2021	
£11.05 million	£7.69 million	Live and delivering monthly revenue
£1.12 million	£1.12 million	Mid-deployment and therefore expected to deliver revenues in the next few months
£1.19 million	£0.70 million	Classed as on hold

The value of annual recurring revenue from contracts that are live and deployed ("ARR") as at the end of the financial year was £11.05 million.

Contracts are typically on hold as a result of a lack of resource with the customer and/or channel partner, or where our solution is part of a larger project being delivered by our partner or the customer, which may mean there is a delay in reaching the PCI Pal aspect of the project. Such on-hold contracts therefore take longer to start delivering recurring recognised revenues.

As with any internationally expanding business, exchange rates can disproportionately affect the reporting of Group numbers as assets and sales are translated into pounds sterling for reporting purposes. During the financial year we saw the US dollar exchange rate decrease from $1.40 to $1.23 which had the effect of increasing the sterling value of the US denominated contracts for TACV purposes by approximately £0.25m from the original internal expectations set using the $1.40 original exchange rate. The change also led to the exchange gain recorded in the Statement of Comprehensive Income, which more than reversed the charge from the previous year.

Churn and Net Retention

As the number of sales contracts grow and are deployed, we are seeing requests for additional licences as our customers grow or introduce us to other parts of their own groups, or purchase new products from us, such as PCI Pal Digital or Speech. These upsell contracts are now an important part of the Group's ACV sales and in year represented £1.12 million (2021: £0.54 million) of the £3.46 million (2021: £3.11 million) total. The upsells in the financial year were particularly strong as a number of large customers renewed and increased the business they do with us at the same time. As a result, the Group's net revenue retention rate ("NRR") grew to an excellent 117.7% (2021: 111.1%).

During the year we agreed to terminate £0.18 million (2021: £0.20 million) of contracts prior to them going live due to changes in circumstances from the original expectations. Overall churn on the AWS platform in the year from contracts that had gone live was 3.1% (2021: 6.7%).

Internal Adjusted Operating Loss[1] Metric

The Board uses an internal metric for calculating the adjusted operating loss for the Group to get a better comparative measure of performance by removing the non-cash changes caused from revaluing the Groups' intercompany loans. The internal adjusted operating loss for the Group has changed as follows for the year:

	EMEA £000s	North America £000s	Australia £000s	Central £000s	Total £000s
2022					
Profit/(Loss) from Operating Activities before adjusting items	240	(1,337)	(188)	(1,779)	(3,064)
Exchange rate movements	93	(932)	7	–	(832)
Exceptional items relating to patent case legal fees	37	182	–	578	797
Expenses relating to Share Options	–	–	–	246	246
Internal adjusted operating profit/(loss)	370	(2,087)	(181)	(955)	(2,853)
2021					
Profit/(loss) from Operating Activities before adjusting items	(866)	(1,990)	13	(1,118)	(3,961)
Exchange rate movements	(12)	563	(1)	–	550
Expenses relating to Share Options	–	–	–	115	115
Internal adjusted operating profit/(loss)	(878)	(1,427)	12	(1,003)	(3,296)
Change in year	1,248	(660)	(193)	48	443

1 Loss from operating activities before exchange losses/gains recorded in the profit and loss exceptional items and share option charges used for internal reporting comparisons

Adjusted EBITDA

	EMEA £000s	North America £000s	Australia £000s	Central £000s	Total £000s
2022					
Internal adjusted operating profit/(loss) (from above)	370	(2,087)	(181)	(955)	(2,853)
Depreciation and amortisation	897	76	–	–	973
Adjusted EBITDA	1,267	(2,011)	(181)	(955)	(1,880)
2021					
Internal adjusted operating profit/(loss) (from above)	(878)	(1,427)	12	(1,003)	(3,296)
Depreciation and amortisation	692	48	–	–	740
Adjusted EBITDA	(186)	(1,379)	12	(1,003)	(2,556)
Change in year	1,453	(632)	(192)	46	675

EMEA

The EMEA region reported its first Adjusted Operating Profit of £0.37 million (2021: loss of £0.88 million). The region continued to deliver strong revenue which grew by 55% to £8.46 million (2021: £5.46 million) resulting in an improvement of £2.87 million in Gross Profit at a margin of 79% (2021: 70%).

Administrative costs, before exchange movements and exceptional items, grew by £1.62 million to £6.31 million primarily reflecting a further investment in personnel, especially in the Product, Engineering and Customer Success departments following the successful fundraising in April 2021.

Depreciation and amortisation costs were £0.90 million (2021: £0.69 million) meaning that the EMEA operation recorded an adjusted EBITDA profit of £1.27 million (2021: loss of £0.19 million).

North America

The North America region's Adjusted Operating Loss (which includes the new Canadian operation) increased by £0.66 million in the year to £2.09 million (2021: £1.43 million).

The region continued to deliver strong revenues which grew by 83% to £3.31 million resulting in an improvement of £1.50 million in Gross Profit at a margin of 96% (2021: 91%).

Administrative costs before exchange movements and exceptional items grew by £2.17 million to £5.25 million. During the year the Group opened its Canadian office and hired its first employees. Additional sales and marketing employees were also hired in the US operation. Included in the administration costs, the North American operation paid an intercompany royalty to the UK operation of £0.83 million (2021: £0.45 million).

Depreciation and amortisation costs were £0.08 million (2021: £0.05 million) meaning that the North American operation recorded an adjusted EBITDA loss of £2.01 million (2021: £1.38 million).

Australia

The Group in the year opened an office in Sydney, Australia, having previously sold to the region via the US team remotely. The first employees were hired in the third quarter of the year.

Revenue for the region almost doubled to £0.17 million (2021: £0.09 million) reflecting the full effect of contracts sold in the prior financial year.

As a result of the investment the region swung into an Adjusted Operating Loss of £0.18 million (2021: profit of £0.01 million)

Central

Costs for the Central operation relate to the PLC activities of being a listed company only, including the majority of the employment costs of James Barham (CEO) and myself, as well as the non-executive directors.

Further segmental information is shown in Note 10.

Administrative Expenses

Total administrative expenses were £13.08 million (2021: £9.52 million), an increase of 37%. Of the £3.56 million increase, £0.80 million were classified as exceptional relating to the cost in the year of defending the unfounded patent claim being made against us by Sycurio Limited, a credit of £0.83 million related to the positive movement in exchange rates and £0.25 million to the movement in share option charges.

The underlying increase was therefore £3.34 million, of which £3.24 million was from the overall increase in personnel costs as the Group moved from 71 employees to 103 employees at the end of the financial year. The cost to run the AWS platform (including the development and staging systems) in the year was £0.89 million (2021: £0.87 million) highlighting the scalability of the AWS platform. Depreciation and amortisation increased by £0.23 million to £0.97 million.

Personnel costs charged to the Statement of Comprehensive Income (including commission, bonuses, recruitment and travel and subsistence expenses) were £9.55 million (2021: £6.30 million), and £1.05 million (2021: £0.79 million) of the personnel costs were capitalised as Development costs. These personnel costs make up 74% (2021: 71%) of the administrative costs of the business. Travel expenditure increased back to £0.34 million (2021: £0.03 million) following the lifting of restrictions for travel during the pandemic.

Patent Case Defence Costs

During the financial year the Group incurred legal and professional fees relating to the defence of the patent case totalling £0.80 million.

A significant amount of work has been undertaken in preparing both the US and UK defence to date. The UK court case is currently scheduled for June 2023 and the US court case scheduled for the summer/autumn of 2024. As at the end of June 2022, the directors estimated that there were a further £2.9 million of legal fees to be paid if both claims against us went to court. It is currently estimated that the legal costs to be incurred in FY23 by the Group will be £1.96 million.

The patent costs per entity are estimated as follows:

	Incurred in year £000s	To be incurred in future £000s	Estimated total cost of defence £000
PCI-Pal PLC	578	1,194	1,772
PCI-Pal (U.K.) Ltd	37	–	37
PCI Pal (U.S.) Inc	182	1,706	1,888
	797	2,900	3,697

The legal costs relating to the claim incurred to date have been disclosed as an exceptional item in the Consolidated Statement of Comprehensive Income.

Changes in Accounting Policies

There are no changes in our accounting policies for FY22.

Capital Expenditure

As required by IAS 38, the Group capitalised a further £1.10 million (2021: £0.92 million) in development expenditure as we continue to invest in the AWS cloud platform and introduce new features and products.

The Group also capitalised £0.05 million (2021: £0.13 million) of external contractor work relating to the Group's new website and management reporting systems.

The business renewed its leases at its head offices resulting in a right-of-use asset addition of £0.13 million.

Other capital expenditure was £0.13 million (2021: £0.04 million). Most of this expenditure related to new laptops for the new and existing employees.

Set-up and Professional Services Fees

During the financial year, the Group generated from new contracts £1.41 million (2021: £1.63 million) of set-up and professional services fees. These fees are initially held in the balance sheet as deferred income and then released to revenue over the economic length of the contract as governed by the IFRS 15 accounting standard.

Deferred Income

Deferred income increased 31% to £10.62 million (2021: £8.09 million), mostly reflecting the significant growth in new business sales and the consequent increase in licence fees invoiced in advance, as well as the continued build-up of set up and professional services fees which are invoiced on signature of a contract then released over the length of the contract, as required by IFRS 15.

Trade Receivables

Trade receivables grew to £2.96 million (2021: £2.15 million) as the business expanded its contract base. The level of receivables reflects both debtors generated from new business sales as well as existing contract renewals outstanding at the end of the period. As at the 30 June 2022, £0.67 million (2021: £0.61 million) of the outstanding debtors related to newly signed contracts.

Our debtor collection rates remain good ending the year with 78% (2021: 91%) of debtors less than 60 days old. The comparative 2021 collection rate was exceptional and benefitted from some one-off contractual circumstances. The Board does not believe that any of the debts over 60 days old will require to be written off.

Taxation

During the year the UK entity received £0.16 million (2021: £0.15 million) as an R & D tax credit from HMRC relating to the financial year ended 30 June 2020. An application will be made relating to the financial years ended 30 June 2021 and 30 June 2022, the amount of which is currently unknown.

Cashflow and Liquidity

Cash as at 30 June 2022 was £4.89 million (2021: £7.52 million).

In FY22 the Group used £1.52 million (2021: generated £0.25 million) of cash from its operating activities. The cash used in FY22 includes £0.80 million (2021: £nil million) of cash spent on the legal fees relating to the patent case. The adjusted net cash spend is therefore £0.83 million which is substantially better than the reported £2.85 million Adjusted Operating Loss. The strong cash generation relative to the current losses is primarily driven by our SaaS business model that typically invoices in advance for the solutions sold.

Going Concern Considerations

The Board continues to monitor the Group's trading performance carefully against its original plans, global economic pressures, such as inflation, and other factors affecting our core markets and products. It also reviews the potential impact of the COVID-19 pandemic. However, the challenges the business faced from the pandemic in FY22 have continued to diminish as the year progressed and a greater understanding of the risks were developed. The pandemic has not had a significant impact on the Group's financial performance.

During the year the Group continued to win new contracts, recording new ACV sales of £3.46 million, as well as substantial growth in its transactional revenues.

The group deployed new customer contracts with an annual recurring revenue value of £3.36m. At the end of the financial year the group had £11.05 million of deployed, live contracts contributing to revenue recognition which helps underpin our expectations for revenue growth in FY23.

With the Group year-end being 30 June, the Group prepared its next financial year budgets in the April to June period. The budget for FY23 was prepared, along with an extended forecast into FY24, following detailed face-to-face meetings with all managers with a focus on building on the FY22 excellent performance and on the product plans and roadmap established in FY22. The budget includes an assumption of a more modest expansion of headcount as compared to FY22.

The Group finished the year with a cash balance of £4.89 million and no debt.

The Board considered the budget presentation in June and the controls in place that are designed to allow the Group to control its overhead expenditure while still maintaining its momentum and delivering market forecasts. Particular attention was paid to the potential sensitivity impacts that any adverse movement in sales and customer deployments might have on the Group's net cash position and the level of headroom achieved.

The Board considered the likely timing and impact of the legal fees relating to the patent claim being made against it on the cash flow of the Group over the next 24 to 36 months. The sensitivity scenarios around the budget models indicate that the Group would continue to have sufficient resources to meet its expansion plans in FY24 whilst at the same time meeting the cost requirements of defending the patent case.

The Board also considered actions that could be taken to help mitigate the actual results if the assumptions made in the original forecast proved to be overly optimistic. At all points the Directors were satisfied in the robustness of the Group's financial position from the presented plans which, they believe, take a balanced view of the future growth prospects, together with the contingencies that can be taken if the budget assumptions prove to be materially inaccurate.

The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the Directors continue to adopt the going concern basis in preparing the accounts.

Dividend

The Board is not recommending a dividend for the financial year.

William Good | Chief Financial Officer
5 September 2022

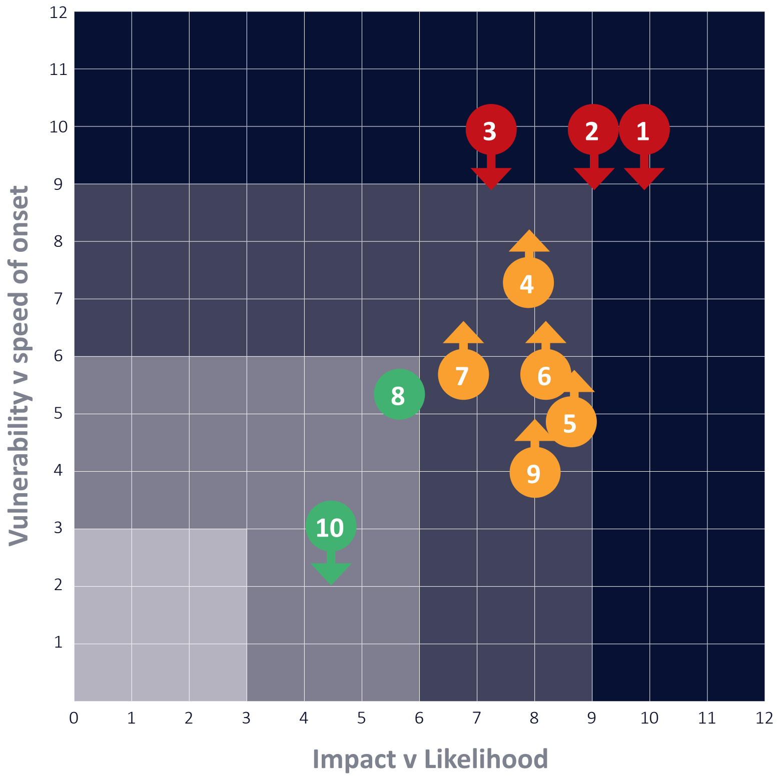
Principal Risks, Uncertainties and Risk Management

The Board regularly reviews business risk and the Group's appetite for risk relative to its growth and expansion plans. The Board has identified a number of principal risks and has assessed them against: the impact they would have on the business; the likelihood the risk would occur; the vulnerability of the Group to the risk; and how fast the identified risk could occur. The assessment is scored and converted into a heat map, the summary of which is as follows:

1 Information security and cyber risks
2 Infringement of IPR
3 Business Interruption
4 Economic and financial risk
5 Market and product development
6 Recruitment and retention
7 Generation of new business sales
8 Damage to reputation
9 Regulation and industry standards
10 Pandemic risk

Low Medium High

Decreasing Level Increasing



From the assessment, the principal risks facing the Group and considered by the Board are:

Risk area and potential impact	Management of risks
1. Information security and cyber risk	
Assessment Risk decreasing	
A security breach or the loss or failure of Group systems would impact both the Group's operations and those of its clients. This could cause harm to the business or its reputation resulting in financial loss, loss of customers or revenue	The Group continually invests in information security under the leadership of the Group CISO. The Group is PCI DSS level 1 and ISO 27001: Information Security compliant. These certificates are two of the most thorough certification tests available and are independently assessed. The Group utilises the latest security products and is subject to frequent and rigorous third party penetration testing.
2. Infringement of IPR	
Assessment Risk decreasing	
The infringement of a third parties IPR which is embedded in our core systems may be challenged resulting in potential damages, loss of customers or revenue	The Group carefully designs its systems so as to not infringe third party owned software and IP. Where necessary the Group will enter into licence agreements with the owners of IP to allow use within our systems. The Group is currently subject to a claim for infringement of a patent. The directors have thoroughly reviewed the claim and believe it is unfounded and so are defending the claim vigorously. As part of the legal review process the directors have thoroughly reviewed the existing systems and are confident in the unfounded nature of the claims.

Risk area and potential impact	Management of risks
3. Business interruption	
Assessment ● **Risk decreasing**	
The loss, failure or other lack of availability of the Group systems would potentially impact the availability of services to partners and customers as well as its ability to operate internally.	The Group is ISO 23001: Business Continuity compliant and as such is subject to annual third party rigorous assessment. Where possible core systems are hosted across multiple regions or locations. Robust management systems are in place to detect, minimise and restore systems in the event of an interruption.
4. Economic and financial risk	
Assessment ● **Risk increasing**	
The Group's markets may suffer a slowdown due to economic recessionary pressures. These weaker economic conditions may impact the ability of the Group's customers and partners to pay for our services and sign new contracts, which in turn may lead to reduced revenue and liquidity risk.	The Group has a diversified portfolio of customers and partners spread across three continents who have acquired our leading innovative solution that helps solve their business need. Demand has been very strong over the last few years. The Group maintains low customer churn rates giving good visibility of the future recurring revenues that underpin the business. The Group finished the year with a strong cash position and no debt which should provide sufficient resource to weather economic disruption.
5. Market and product development	
Assessment ● **Risk increasing**	
Competitors may develop similar or more advanced solutions meaning the Group's technology may become obsolete or less relevant to our customers. In addition, the Group's future success depends upon its ability to develop new, and enhance existing, solutions on a timely and cost-effective basis that meet changing partner and customer requirements.	The Group has increased its investment in product and engineering, as well as strengthening its market awareness by expanding its advisory committee to the board, including a leading payments expert, to provide additional outside perspective on both market evolution and product development. The Group also monitors the marketplace for competitor development closely, as well as utilising its relationships with partners to ensure it stays in tune with customer needs.
6. Recruitment and retention	
Assessment ● **Risk increasing**	
The group's success is substantially dependant on recruiting and retaining our skilled key employee the loss of whom could hinder the Group's progress.	The employees of the Group are one of the key stakeholders of the business and, as such, the directors give serious consideration to their needs, development and wellbeing. We look to attract the best through providing core values and objectives, building strong and committed teams. Our People department ensures that we have the appropriate policies in place to support and help, and management at all levels are actively and consistently engaged with their teams' development.

Risk area and potential impact	Management of risks
7. Generation of new business sales	
Assessment Risk increasing	
The Group needs to continue to sign new customers and attract new partners for it to hit its growth targets. Failure to attract this new business, or a slowdown in the growth of sales for economic or reputational reasons may mean the Group miss their revenue targets which could result in lower cash generation with the potential for increased liquidity risk	The Group has established a strong eco-system of partners. More than 80% of contracts signed come via our channel partners. The Group is therefore less reliant on signing new partners than in previous years as it drives to deliver more from existing relationships. Over the last year we have hired additional and highly experienced people to help build our geographic expansion, strengthen our product focus and develop our customer success teams. This investment is aimed at allowing us to build better relationships with our partners and customers and to maintain and evolve our product relevance.
8. Damage to reputation	
Assessment Risk level	
As the Group continues to expand globally, compliance with international and regional regulation is important. Failure to comply could result in loss of customers or fines or revenue. In addition, poor product perception due to poor reliability and service may damage our reputation leading to lower sales and potentially loss of customers.	The Group takes great care and invests in advisory services from experts to assist in ensuring all their regulatory responsibilities are fulfilled. The Group's systems and solutions have been carefully designed to maximise reliability and so minimise potential damage due to outages. The Directors have established detailed rules and processes to ensure the employees are treated fairly and can escalate issues accordingly.
9. Regulation and industry standards	
Assessment Risk increasing	
Failure to maintain the Group's PCI DSS Level 1 accreditation will impact the ability of the Group to operate. In addition, additional laws around data security, taxation, pricing, law enforcement may also mean it is uneconomic to continue to trade in existing regions	The Group has a dedicated Infosec team, headed by the Group CISO, who have extensive knowledge of the PCI DSS regulations. This team works closely with our third-party Quality Security Assessor (QSA) to review and maintain our PCI compliance. Where there are regional regulation requirements the Group has appointed professional service firms to assist us in maintaining compliance.
10. Pandemic risks	
Assessment Risk decreasing	
The Group's operations may be restricted by further lockdowns, staff shortages, enforced remote working and general economic impacts caused by an aggressive mutation of COVID-19 or other pandemics, hindering new sales or revenues or cash generation	The Group has well-established plans to deal with any future pandemic risks. 75% of our employees are contracted to work from home and previously we were able to easily adopt a 100% policy with little or no impact to the business. Our sales and deployments have been proven to be successfully made without the need to visit customer sites. The provision of the Group services have been designed from the start to be delivered remotely via the Cloud.

Corporate Social Responsibilities

PCI Pal is committed to running our business in a manner that positively impacts our customers, partners, employees and the local communities where we operate. PCI Pal's Corporate Social Responsibility (CSR) Policy complements our business mission, vision and values with a focus on these three components.

Mission, Vision and Values

Our mission is to safeguard reputations and trust. We provide organisations globally with secure cloud payment and data protection solutions for any business communications environment including voice, chat, social, email, and contact centre.

At PCI Pal, our vision is to be the preferred solution provider that technology vendors globally turn to for achieving PCI compliance across all business communications channels.

By dedicating ourselves to the focused pursuit of easy to integrate and simple to deploy technology, we will provide the most compelling value proposition for our partners to solve their customers' challenges in achieving compliance and safeguarding reputations.

It is our people beyond the technology, who underpin our business and support our partners.

Our Values:

- 00 Security is job zero
- 01 Be the difference
- 02 Champion the mission
- 03 Team first
- 04 Enjoy the journey

Customer Engagement & Business

PCI Pal develops its business based on highly professional and ethical standards, and we expect the same approach from our customers, partners and stakeholders. We operate in line with the QCA corporate governance code as required for AIM listed companies under AIM rule 26, overseen by our Board of Directors. We build strong relationships with customers to create tailored, fair value solutions, with systems in place to receive customer feedback addressing both opportunities and issues.

Employee Engagement, Retention and Development

Beyond our technology, our people are at the heart of what we do, and PCI Pal aims to provide a first-class working environment where our employees can succeed in both their time with PCI Pal, and in their longer term career aspirations.

We work hard to align our corporate strategy across the entire organisation using the Objective and Key Results (OKR) framework for defining and tracking objectives of the business, teams, and individuals and their associated outcomes. Our managers focus closely on OKRs in 1:1 sessions with their teams encouraging feedback and discussion whilst providing developmental support as needed. We hold quarterly business reviews (QBRs) with department heads, who in turn hold QBRs with their own teams. More broadly, these activities are supported by quarterly all hands meetings chaired by the CEO where all company progress updates are given.

We believe that the wellbeing of our people is critical to our social responsibilities as well as the company's success. As such, we have introduced a number of wellbeing initiatives to support staff especially during the Covid-19 pandemic, which will remain in place going forward, including the launch of a Wellbeing Portal and the launch of a cloud-based HR system with a "kudos" feature enabling employees to encourage and give praise to one another. Additionally, we undertake annual employee surveys, as well as more frequent ad hoc surveys for general topics such as the pandemic and office locations and amenities. We are planning to add in further initiatives, such as a reward gateway offering staff discounts and rewards, during the coming year.

The diversity of our workforce reflects both the ecosystem within which we work, as well as the communities within which our offices and people are located. We maintain a diverse workforce and are committed to maintaining an environment within which our employees act with integrity towards one another, our customers and our partners.

Our employee turnover is very low, but in the event that employees do decide to move on from PCI Pal, we take this opportunity to interview and document their reasons for leaving to allow us to make improvements wherever possible or relevant. Some employees who previously left have chosen to return to us.

Community Impact

PCI Pal recognises the importance of the communities within which we operate, aiming to positively contribute towards them by being sensitive to their needs whilst promoting ethical and socially responsible trading. For FY22 the Company chose a global charity that was selected following an all company employee survey. The charity, Girls Who Code, aims to increase the number of women in computer science by equipping young women with the necessary computing skills to pursue modern day opportunities. The Group raised USD $3,364 for the charity in the year.

From an environmental perspective, the company is highly efficient in this area even before the pandemic, with the vast majority of meetings occurring over video conferencing. Additionally, we strive to minimise our impact on the natural environment, utilising practises to improve energy efficiency, reduce waste and conserve materials, including document storage in the Cloud, such as Dropbox, and use of an e-sign tool.

COVID-19

The safety of our employees is paramount to the Directors. The COVID-19 pandemic is still with us but the implications of it are now far better understood in relation to our business. We continue to follow the guidance available from all the governmental authorities where we have a presence to try and protect our staff as best as we can. The nature of our business means that our people can work remotely with ease. The risk of staff transmitting COVID-19 whilst performing their duties for PCI Pal is considered low if all government and advisory guidance is followed. We have developed clear Return to Work policies which have been communicated to all staff. All required government controls and safety measures are in place.

At the time of publication of this report the majority of staff are still working from home, with a small number working from our Ipswich and Charlotte sites. Meetings by majority tend to be over video conference.

Section 172(1) Statement – Board Engagement with our Stakeholders

Section 172 of the Companies Act 2006 requires a Director of a Company to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, 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, customer 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 with members of the Company.

The Directors give careful consideration to the factors set out above in discharging their duties under section 172. The stakeholders we consider in this regard are the people who work for us, buy from us, supply to us, own us, regulate us, and live in the societies we serve and the world we all inhabit.

The Board recognises that building strong relationships with our stakeholders will help us deliver our strategy in line with our long-term values and operate the business in a sustainable way. The Board is committed to effective engagement with all its stakeholders. Greater details of how the Board operates and the way in which it makes decisions, including key activities during the financial year ended 30 June 2022 and Board governance, can be read in the Board Committee reports later in this report.

The Board periodically receives updates from Management on issues concerning customers, the environment, communities, suppliers, employees, regulators, governments and investors, which it takes into account in its decision-making process under section 172. In addition to this, the Board has open authority to understand the interests and views of the Group's stakeholders by engaging with them directly as appropriate.

The Board receives updates from the Executive Management on various metrics and these include feedback and survey results in relation to employees and customers. The Board have reviewed in detail the approach for expanding the Group's headcount and the further expansion into the new overseas territories of Canada and Australia.

In September 2021 a claim for breach of patent was made by one of our competitors, Semafone Limited (now renamed Sycurio Limited), in the US and UK courts. The Board discussed the claim and strongly refute the accusations being made. The executive directors have been instructed to defend the claim and to provide regular verbal updates to the non-executive directors on the progress being made and the strength of the defence. The total costs of the defence has been estimated at £3.7 million, assuming the case is heard in both the UK and US courts, of which £0.8 million has already been received in legal advice. The claims made have had little effect on the running of the business to date.

The Board regularly receives updates on feedback from investors via the Executive Management and the Group's NOMAD. In addition, the CEO and CFO meet frequently with institutional investors to discuss and provide updates about, and seek feedback on, matters such as the business, its strategy, long-term financial performance goals. Each year the Chair of the Board also offers to meet with institutional investors around the time of the AGM, and is available throughout the year for shareholders as needed. Reflecting the capital growth goals of the majority of Shareholders, the Directors are focussed on growing the business internationally and enhancing our market leading position for secure Cloud payment and data protection solutions for any business communications environment.

Relationships with customers and partners are fostered and we listen to feedback through both surveys and regular direct relationship contact. Our net promoter scores (NPS) for FY22 for our deployment services now stands at 65% (2021: 58%) above the global standard for our industry. Our sales and pre-sales teams foster close working relationships with our channel partners and direct customers, supported by our Service Excellence and Customer Success teams.

The COVID 19 pandemic still plays an important part in the Boards operational considerations. The Board reacted quickly to the onset of the COVID 19 pandemic back in FY20 ensuring all staff were moved quickly and safely to a working from home environment, supported by appropriate wellbeing initiatives. For FY22 most employees continue to mainly work-from-home and the Board has continued to support its employees throughout. Being a pure-cloud business, we were able to fully close our offices without affecting the running of the organisation, thus safeguarding these key stakeholders, and continuing to provide excellence of service.

It is the Group's policy to manage and operate worldwide business activities in conformity with applicable laws and regulations as well as with the highest ethical standards. Both the Group's Board of Directors and Executive Management are committed to full compliance with applicable law and regulations in all jurisdictions in which we operate, and to maintain the Company's reputation for integrity and fairness in business dealings with third parties.

Further information on how the Board operates and discharges its duties can be found in the Corporate Governance report, the Environmental Social and Governance Report and the Statement of Corporate and Social Responsibilities above.

Guidance also recommends that more detailed description is limited to matters that are of strategic importance in order to remain meaningful and informative for shareholders.

The Strategic Report for the Group was reviewed and approved by the Board of Directors on 5 September 2022.

Signed by Order of the Board

James Barham | Chief Executive Officer
5 September 2022

Board of Directors

SIMON WILSON

Non-Executive Chair of the Board

Appointed to the Board
1 November 2019

Working history
Simon's background includes thirty years in international business to business software. He has been a resident of the United States for almost 30 years. Past executive positions include CEO, CFO and corporate development roles, as well as an independent board directorships and advisory roles in a range of US and UK companies, including Surf Control plc, Endace plc and M86 Security.

Committee membership: A

JAMES BARHAM

Chief Executive Officer

Appointed to the Board
30 September 2016

Working history
A co-founder of PCI Pal, James was instrumental in establishing and leading the business' sales, marketing, and operations prior to relocating to the US to set up the company's North American operation. In October 2018, James took up the position of group CEO. He leads the continued development of the Group following a career spent almost entirely in the technology space. James has a BSc (Honours) in Business Management & Communications.

WILLIAM GOOD

Chief Financial Officer

Appointed to the Board
1 April 2017

Working history
William is an Associate of the Chartered Institute of Management Accountants. He joined PCI Pal on 1 April 2017 as Chief Financial Officer and Company Secretary. Previously, William has been the CFO and Company Secretary of four AIM / Main Market listed companies: Card Clear PLC, Retail Decisions PLC, Revenue Assurance Services PLC, and Managed Support Services PLC.

JASON STARR

Independent Non-Executive Director

Appointed to the Board
1 January 2015

Working history
Jason is Chief Executive Officer of Dillistone Group PLC ("Dillistone"), the AIM quoted international supplier of software and services for the recruitment sector. Jason joined Dillistone in 1994 and was appointed Marketing Manager in 1996 before becoming Managing Director of Dillistone's UK business in 1998 and then CEO of Dillistone Group PLC when it was admitted to trading on AIM in 2006. Jason has a BA (Honours) business studies degree from the London Guildhall University.

Committee membership: A R Chair

CAROLYN RAND

Independent Non-Executive Director

Appointed to the Board
24 March 2022

Working history
Carolyn has 25 years of experience across public and private enterprises. Her current responsibilities include Non-Executive Director and Audit Committee Chair for AIM-quoted global technology business IQGeo plc, Audit Committee Member and Governor of the College of West Anglia. She is a Fellow of the Chartered Institute of Management Accountants. Previous positions include: CFO of Bango plc, CFO Zinwave, CEO of Isogenica.

Committee membership: A Chair R

Committee membership key: A Audit R Remuneration

Advisory Committee Members

NEIRA JONES

Appointed to the Committee
1 September 2020

Working history
With more than 20 years in financial services & technology, Neira advises organisations on payments, fintech, regtech, cyber & information security, regulations & digital innovation. She always strives to demystify the hype surrounding current issues and is a professional speaker and industry commentator. She holds a number of NED and advisory positions and has received numerous industry awards. She has previously worked for Barclaycard, Santander, Abbey National, Oracle Corp. and Unisys. Neira is UK based.

JAYESH PATEL

Appointed to the Committee
1 September 2021

Working history
Jay Patel is a results-driven global executive with more than 25 years' experience developing and executing growth strategies and developing innovative products and technology. Most recently Jay served as Chief Product Officer for Vonage Inc, a leading global cloud communications provider. Jay has also held various leadership roles with Motorola Mobility including leading engineering teams and leading the corporate strategy function. Jay is based in Chicago, US.

EMILIA D'ANZICA

Appointed to the Committee
1 September 2021

Working history
With more than twenty years of customer success experience, Emilia is Managing Director of Growth Molecules, a management consulting firm focused on customer success. Previously, Emilia has held senior positions, and has been an early-stage employee, at several successful high-growth SaaS companies including WalkMe, the Forbes Cloud 100 unicorn, where she was VP of Customer Engagement. Emilia is based in the San Francisco Bay area, US.

Chair's Statement on Corporate Governance

Dear Shareholder,

The Board is responsible for ensuring the long-term success of the Group and is committed to delivering leadership through good governance and accountability for the benefit and protection of our shareholders and other stakeholders. In this Corporate Governance section, we outline how we have complied with the latest governance code as published by the Quoted Company Alliance (the "Code") and explain where our policies vary from the Code.

As the Chair of the Group, I am responsible for ensuring that the Board outlines and delivers against its strategy. To this end the full Board meets regularly throughout the year and is available for short notice meetings as required from time to time. The Board consists of two executive directors each with their own areas of expertise, together with three non-executive directors, including myself.

In accordance with the Code, the Board has a list of matters that are reserved for its authority. It delegates certain roles and responsibilities to Committees, whilst retaining overall responsibility for the decisions recommended and made. As a Board, we have decided that a Nominations Committee is not required at this time, and any future nominations will be decided by the full Board.

The Audit Committee has responsibility to monitor the overall integrity of the Financial Statements, and taken as a whole, ensure that they are fair, balanced, and understandable. It also has responsibility for monitoring the effectiveness of the Group's management of risk, the external audit, internal controls, and the need for an internal audit. The Committee is also responsible for ensuring that the Group plans for, and adopts, the latest accounting standards. The Committee is informed by the work of the external auditors, BDO, and considers recommendations from our Chief Financial Officer.

Our Remuneration Committee has overall responsibility for policy, basis and any changes made to the Executive Directors remuneration. It is also responsible for the approval and operation of the Group's share options schemes. In considering its responsibilities and to follow best practices it also takes input from the Group Chief Executive Officer and myself, third party remuneration data sources, and outside advisors where appropriate.

We are confident that the Board has adopted an appropriate corporate governance strategy that will allow us to deliver on our strategic goals.

Simon Wilson | Chair and Non-Executive Director
5 September 2022

Compliance Statement

The Directors recognise the importance of sound corporate governance. In accordance with the London Stock Exchange amended AIM Rules for Companies ('AIM Rules') the Board has chosen to apply the Quoted Companies Alliance's (QCA) Corporate Governance Code (the 'QCA Code'). The Board chose to apply this code as it believes that it is more suitable for small and mid-size companies.

The QCA Code includes ten governance principles and a set of disclosures. The Board has considered how we apply each principle to the extent appropriate. An explanation of the approach taken in relation to each of these principles, and any areas where we do not comply with the QCA code, is set out below.

The Board considers that it has complied with the provisions of the QCA Code, except for the following areas:

1. The Group does not have a formal system of training for the Directors for their on-going roles, instead they are expected to keep up-to-date personally with matters relevant to their own positions through memberships of relevant professional societies, regular briefings and webinars from lawyers and accountants as well as other professional advisors and industry specialists. In addition, the Board now receives regular presentations by senior management and/or outside advisors on operational and strategic matters with high relevance to the Company. The goal of these presentations and associated discussions is to enhance and build a deeper knowledge, and understanding of, the business in particular for the non-executive directors. The Advisory Committee provides a rich source of additional information and knowledge from which the Board intends to continue to build the Board's knowledge of the Group's business and its risks and opportunities into the future;
2. The Board has not established a Nominations Committee at this time, given the current early stage and size of the Group's business and its Board. Accordingly, all matters relating to the appointment of directors are reserved for the full Board.
3. The Company Secretary, William Good, is also the Chief Financial Officer of the Group. Given the current early stage and size of the Group's business and its Board, separation of these two roles is not considered economically necessary at this time.

Information on significant shareholders in the Company has been included in the Directors' Report.

The ten QCA governance principles laid down and our response to them are as follows:

Principle 1

Establish a strategy and business model which promotes long-term value for shareholders

Application

The Board must be able to express a shared view of the Company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.

Evidence & disclosure

The Executive Directors periodically prepare and present the strategic plan to the Board, together with any updates or refinements, which the Board then challenges in order to assess and determine the Group's strategic priorities. Similarly, the Executive Directors each year prepare and present the Group's annual operating plan and associated budget. The Board reviews and critiques the annual plan and budget to ensure it is consistent with the Company's longer-term strategic plan, and achievable within near term funding and resource constraints.

The board also meets annually to explicitly review, assess and refine a rolling 5 year strategic plan for the Company.

Principle 2

Seek to understand and meet shareholder needs and expectations

Application

Directors must develop a good understanding of the needs and expectations of all elements of the Company's shareholder base.

The Board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.

Evidence & disclosure

The Company has a detailed Financial Public Relations ("FPR") plan. The CEO and CFO at least twice yearly offer meetings with its institutional and other significant shareholders to formally meet and discuss the performance of the Group to date. Given the equity share placings in recent years, institutional shareholdings have significantly increased and as a Group they now account for approximately 50% of the share capital of the Company.

The Company also hosts video briefings using the Investor Meet Company portal, which provides retail shareholders, as well as analysts, the opportunity to listen to, and question, the CEO and CFO.

The Chair of the Board also offers a direct line of communication to all shareholders in case other questions arise that need to be answered independently, as well as offering in-person meetings with institutional shareholders around the time of the AGM.

The Group has also implemented a detailed media plan publishing articles and content on social media and through the Group website providing all stakeholders a further opportunity to gain a better understanding of the Group's products and markets.

Principle 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success

Application

Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, partners, regulators and others). The Board needs to identify the Group's stakeholders and understand their needs, interests and expectations.

Where matters that relate to the Company's impact on society, the communities within which it operates or the environment have the potential to affect the Company's ability to deliver shareholder value over the medium- to long-term, then those matters must be integrated into the Company's strategy and business model.

Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.

Evidence & disclosure

The Group Corporate Responsibilities report shows that the Group has established a clear Mission, Vision and Value statement against which the Group's corporate responsibilities can be measured.

The Group's employees are very important to the future performance of the Group and so significant time and effort is taken to ensure that each member feels part of the PCI Pal team and is rewarded accordingly. We have an established a formal HR (People) department and the Group has a detailed staff handbook guiding the employees on the culture and expectations of each employee.

The employees are regularly requested to provide feedback on core matters via surveys and all are given the opportunity to have 1:1 meetings with their team leaders and managers. Throughout the year managers look for opportunities to help people enhance their career direction and personal fulfilment and ensure that each employee participates in his/her annual performance review. Given the current high rate of growth of the business, particular focus this year has been given to the onboarding of new employees. It is the Group's policy that all staff should be awarded share options appropriate to their position in the Group. As a result of our policies staff retention remains high.

Both our partners and our customers are vital to the Group's growth strategy. Our Chief Revenue Officer ("CRO") leads our sales operation, and the team maintains regular dialogue with all our key channel partners and new sales prospects. We have established a Customer Success function who have been tasked to ensure our partners and key customers have an established communications channel ensuring that the partner can raise concerns but also discuss their future growth requirements. Given our channel-first go to market strategy, Customer Success in many cases starts with 'Partner Success'. All new partners undergo a detailed onboarding process to allow us to understand in detail our partners need and how we can best work with the partner. We also regularly evaluate customer satisfaction through measuring our Net Promoter Score ("NPS"). Our Professional Services Team has consistently ranked as excellent in the global benchmark of the NPS standard.

The Group regularly uses a number of key suppliers, for example Amazon Web Services, core telephony providers and security and compliance consultancies. All these key suppliers are managed by specific senior members of the management team who are in regular contact with the supplier's own customer relationship specialists. This allows the Group to have regular dialogue with the supplier.

Principle 4

Embed effective risk management, considering both opportunities and threats, throughout the organisation

Application

The Board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.

Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).

Evidence & disclosure

The Board is responsible for ensuring that the appropriate framework of controls is in place to enable the proper assessment and management of risks and is a specific matter of overview by the Audit Committee. During each year the Audit Committee formally assesses the risks faced by the business. In the past this assessment was led by the Group's CISO. Last year the assessment was led jointly by all the Executive Directors in combination with senior members of their respective management teams, and a similar approach was adopted this year. The Board as a whole then reviewed its appetite and risk tolerance towards each identified risk and consciously directed the Executive Directors to allocate prioritised resources accordingly in the annual operating plan and budget. Risk Management is also explicitly assessed by the Board during its annual strategy assessment meetings. The evolution of our approach reflects the broader business risks faced by the Group, beyond those presented by information security. The findings of the annual assessment are reported in the Principal Risks, Uncertainties and Risk Mitigation report.

Periodically throughout the year the Board also receives presentations from senior managers on the workings of their department, the risks, challenges and opportunities that they face. These presentations provide the non-executive directors with the opportunity to directly question the operational management teams that report to the Executive Directors, as well as provide greater context for the formal annual risk assessment exercise.

The Audit Committee, as part of the material risk and mitigation review programme, has also undertaken an annual review of the internal controls of the Group.

The Group has an information security department headed by the CISO. This department has specific responsibility for maintaining the highest levels of security for the Group's operations. This can be evidenced by the maintenance of the Group's core PCI DSS Level 1 accreditation, the highest level available, which is certified by an independent consultancy, as well as our ISO 9001, 14001, 22301 and 27001 accreditations.

The Executive Directors are responsible for the management of the business and implementing the Board's decisions.

Principle 5

Maintain the board as a well-functioning, balanced team led by the chair

Application

The Board members have a collective responsibility and legal obligation to promote the interests of the company and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the Board.

The Board (and any committees) should be provided with high-quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.

The Board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a Board judgement.

The Board should be supported by committees (e.g., audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.

Directors must commit the time necessary to fulfil their roles.

Evidence & disclosure

The Board is collectively responsible for the long-term success of the Group and provides effective leadership by setting the strategic aim of the Group and overseeing the efficient implementation of these aims in order to achieve a successful and sustainable business.

The Board has a specific list of matters and activities that can only be authorised by the full Board and has delegated other matters to the CEO.

The Board of PCI PAL Plc is made up of an independent Non-Executive Chair, two independent Non-Executive Directors, the CEO and the CFO. Details of the Board's experience are shown on the Board of Directors pages, which demonstrate the range of skills and insight that they bring to the Board. It is important that the Non-Executive Directors bring a wide range of skills to the Board in order to provide robust challenges to the Executive Directors and to ensure that shareholders' interests are represented.

To assist the CEO, and the wider Board, the Group has established an Advisory Committee (the "PAC"), consisting of three members. The PAC brings additional deep international expertise in the areas of payments, product management and customer success. In addition to providing the CEO with advice in these areas, the PAC also provides the Board as a whole an additional source of expert knowledge to help it assess the ongoing risks and opportunities faced by the Group, thereby helping the Board fulfil its duties.

The three Non-Executive Directors are deemed to be independent. In reaching this conclusion, the Board has explicitly considered the prior consulting relationship of Simon Wilson with the Company, when he provided consulting advice to the Board and senior management in its market entry to, and expansion in, North America. As part of his compensation for those services, Mr Wilson was granted 250,000 options, the details of which are included in the Directors' Report.

All Directors are subject to election by the shareholders at the first Annual General Meeting following their appointment, and to re-election thereafter every three years.

Under the articles of association, the Board has the authority to approve any conflicts or potential conflicts of interest that are declared by individual Directors; conditions may be attached to such approvals and Directors will generally not be entitled to participate in discussions or vote on matters in which they have or may have a conflict of interest.

The Board typically meets formally four to six times per year to review and discuss the operating and financial performance of the company relative to its annual operating plan and budget, assess any matters specifically reserved for the board, and to review progress towards its longer-term strategic goals. In addition, the Board often meets to discuss short notice matters to consider wider matters that are specifically reserved for its authority, such as issuing share options. The Board also authorises and holds sub-committee meetings for specific delegated matters. Due to the pandemic and the need for Board meetings to be conducted remotely via video, a higher volume of shorter board meetings have taken place. All such meetings and attendance thereof, as well as Audit and Remuneration Committee meetings, are separately identified in the table below:

Directors' meeting attendance 2021/22

	Board Scheduled	Board Sub Committee	Audit Scheduled	Rem Com Scheduled
Executive directors				
James Barham	5/5	5/5**	–	–
William Good	5/5	5/5**	2*	–
Geoff Forsyth+	2/2	–	–	–
Non-executive directors				
Simon Wilson	5/5	–	2/2	–
Chris Fielding++	4/5	–	2/2	1/1
Jason Starr	5/5	–	2/2	1/1
Carolyn Rand+++	1/2	–	1/1	–

* = attended by invitation of the Chair of the Committee

** = during the year James Barham and William Good held short notice Board meetings as an authorised committee of the Board

+ = resigned as a PLC Director on 10 November 2021

++ = resigned as a PLC Director on 30 June 2022

+++ = appointed as a PLC Director on 24 March 2022

Directors can formally attend meetings either: in person; by conference call or by video conferencing. Since the advent of the coronavirus pandemic, the majority of meetings in FY21/22 have been held remotely by video conference. A hybrid approach to board meetings using a mix of face to face and/or video conference is expected to continue going forward, and wherever possible all Directors will attend in the same manner, e.g. all in person or all by video etc.

The executive directors are employed on a full-time basis.

Division of roles and responsibilities

The Chair is responsible for the leadership of the Board and ensuring the effectiveness of all aspects of its role. Each scheduled meeting includes an agenda that allows each Executive Director to report to the Board on performance of the business including risk analysis and monitoring. Non-scheduled meetings are normally called to discuss single points of matter, although as noted above, the number of meetings is increasing, each with shorter agendas, as the Board evolves to a hybrid approach to meetings.

The Chair of the Board's role and the Chief Executives role have been divided. The Chair sets the agenda for each meeting and ensures compliance with Board procedures and sets the highest standards of integrity, probity, and corporate governance throughout the Group. The Chief Executive is responsible for running the Group's business by proposing and developing the Group's strategy and overall commercial objectives. The Chief Executive also ensures that the Chair is notified of forthcoming matters that may affect the running of the Group that the Chair may not be aware of.

The articles of association require that at the AGM one third, or as near as possible, of the Directors will retire by rotation. In addition, any new Director to the Board will automatically stand for re-election at the first AGM following his or her appointment.

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

Committees

The Board has established two committees to assist in its considerations and to make recommendations to the Board. These committees are the Audit Committee and the Remuneration Committee, the terms of reference for each are published in full on the company website under the Corporate Governance section. The Board has not established a Nominations Committee.

Principle 6

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Application

The Board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The Board should understand and challenge its own diversity, including gender balance, as part of its composition.

The Board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.

As companies evolve, the mix of skills and experience required on the Board will change, and Board composition will need to evolve to reflect this change.

Evidence & disclosure

The Directors have a broad spectrum of experience, as shown in the Board of Directors section, allowing it to assess and monitor the full spectrum of risks and requirements of the Group. Where required the Directors will take further advice from professional advisors such as lawyers, accountants, functional and industry experts, and tax specialists. Each Director has the full authority of the Board to take any advice they feel necessary to undertake their individual roles.

In the year, Carolyn Rand has agreed to join the Board as a non-executive director. Carolyn has previously held several senior CFO positions and has been asked to take the Chair of the Audit Committee. The biographies of the Board members are detailed separately in the annual report.

The Board has authorised the creation of an advisory committee (the “PAC”). The charter of the advisory committee and role of each member is to provide additional breadth of market, industry and functional perspectives to the CEO and the Board of Directors as a whole as the Company navigates its future. The Board believes that being able to engage over time with world-class industry expertise through the PAC, will enhance the Board’s ability to fulfil its responsibilities in the areas of strategy and risk management and to more fully address the dynamics of PCI Pal’s fast-developing global opportunity and marketplace.

Principle 7

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Application

The Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.

The Board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.

It is healthy for membership of the Board to be periodically refreshed. Succession planning is a vital task for boards. No member of the Board should become indispensable.

Evidence & disclosure

Since the formation of the PCI Pal business, in September 2016, James Barham immediately joined the Board, subsequently becoming CEO in October 2018, while William Good, the CFO, was appointed in April 2017. Simon Wilson joined as a non-executive director in November 2019 and was subsequently appointed as Chair of the Group.

The Board conducted its first formal evaluation of its effectiveness during FY20 and has subsequently undertaken a further evaluation. Simon Wilson conducted the evaluation using a mixed methodology of an anonymous survey tool, direct one-on-one conversations, and frank and open group discussion among all Board Directors together. The exercise was designed to evaluate the effectiveness of the operation of the board as a whole; the Board’s individual committees; as well as the contributions of each individual Director. The objective of these assessments is to enable the Board, its committees, and its Directors to set out down a path of continuous and incremental improvement of our governance at all levels. Specific areas for improvement were identified and implemented. In FY21 the process was continued in a similar manner. During FY22, an explicit assessment did not take place due to the retirement of Chris Fielding and the appointment of Carolyn Rand during the year. Formal annual evaluations will resume in FY 23.

Principle 8

Promote a corporate culture that is based on ethical values and behaviours

Application

The Board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.

The policy set by the Board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company.

The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the Company.

The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.

Evidence & disclosure

The Group has an established corporate and social responsibility policy as detailed in the Corporate and Social Responsibilities report, which is also published on the Group website and in the Company employee handbook. The Group has also put in place procedures to formally monitor its Environmental, Social and Governance impact, which is also published on the Group's website.

Every new member of staff undertakes an induction programme which includes a full briefing on the company handbook and an understanding as to the requirements on the moral, ethical and behavioural requirements of each employee.

Every employee will be given the opportunity to undertake further training at the Company's expense, so long as it is deemed to enhance the future of the business.

Performance of individuals and teams is monitored on a monthly basis. The Group has a "no fault" policy to errors actively encouraging employees to highlight any errors that have occurred and to allow the business to establish a solution to the error and to put in place any changes in systems and procedures that should stop the error reoccurring.

The majority of new employee positions are advertised to all employees in the Group and where possible we will look for opportunities to prepare and promote existing employees to more senior positions, before offering a position to a new externally hired person. In FY22 we continued to promoted employees to VP and SVP level positions as we continue to evolve our departmental structure in preparation for the continuing expansion of the Group. In addition, the CEO has established a senior leadership team to assist in the delivery of the future strategy of the Group.

Every quarter the CEO holds an "all hands" briefing where he will outline the performance of the Group and the positives and negatives it has faced. All employees in the Group have access to Microsoft Team's and so can "chat" to any member of staff independently, including the CEO and Executive Directors, and raise any issues or questions they wish.

Principle 9

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Application

The company should maintain governance structures and processes in line with its corporate culture and appropriate to its size and complexity; and capacity, appetite and tolerance for risk.

The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.

Evidence & disclosure

The Directors review a management reporting pack each month focused upon financial and operating metrics and performance against budgets and other targets. These are discussed with the Executive Directors. More detailed Board reports are prepared by management on a quarterly basis, which cover both financial statements as well as operational and strategic topics considered important and timely to the business. As noted above, the board also now receives periodic deep dive presentations on the operations of the business.

During the year the Group has evolved its management and departmental structure. The Group now has an established Senior Leadership Team who are responsible for ensuring the strategic plan is delivered in a timely manner.

Taken together, these reports, evolving organisational structure, and regular Board meetings enable the Directors to fulfil all of their duties of stewardship.

Principle 10

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Application

A healthy dialogue should exist between the Board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company.

In particular, appropriate communication and reporting structures should exist between the Board and all constituent parts of its shareholder base. This will assist the communication of shareholders' views to the Board; and the shareholders' understanding of the unique circumstances and constraints faced by the company.

It should be clear where these communication practices are described (annual report or website).

Application & disclosure

The Board recognises the importance of regular and effective communication with shareholders. The primary forms of communication are:

1. The annual and interim statutory financial reports and associated investor and analyst presentations and reports. The Company regularly presents to its larger institutional and other significant shareholders who, in combination, own approximately 50% of the Company shares. In addition, the Company uses the Investor Meet Company portal where the CEO and CFO share with our retail investors the presentations made to the larger institutions above. These presentations are normally recorded so that investors who miss the original meeting can receive the information.
2. Announcements relating to trading or business updates released to the London Stock Exchange. As the Company grows, the Board is committed to expanding its disclosures to ensure that all stakeholders are able to fully understand not just the Company's financial results, but also its business model, key metrics, and strategy.
3. The Company's website and its associated investor pages provide additional information that helps provide a greater understanding of the Group and its business, as well as providing a useful source of other information.
4. As required by law the Board holds its Annual General Meeting to provide shareholders with an opportunity to meet the Board of Directors and to ask questions relating to the business. The Chair of the Board offers all major shareholders an opportunity to meet and share their views on the strategy of the Company and its board and management team around the time of each AGM. All votes made at any AGM or EGM are published and the Board will publish commentary on any vote where 20% or more of the independent shareholders have voted against any resolution.

All statutory financial reports are published on https://ir.pcipal.com/financials/annual-interim-reports and are made available on a timely basis.

Environmental, Social and Governance Report

FOR THE YEAR ENDED 30 JUNE 2022

The Directors of the Company are very aware of the impact a company can have on its environment, the extent of its social responsibilities, and the requirement to provide its key stakeholders with excellent corporate governance. The current PCI Pal Group is still a relatively small technology business, and as such has a similarly small ESG footprint and position. However, the Group is growing very quickly and has an international presence. The Directors therefore acknowledge that our ESG footprint will also quickly grow, and that the Company should be planning to measure and improve upon its current ESG position and to focus on being fair to all its stakeholders.

Understanding any company's ESG position is a complex process that is undertaken over many years. The Directors undertook an exercise last year to identify an initial set of measurable and meaningful datapoints, and set core targets for each one. In this way, as the Group continues to expand and grow, it can continue to monitor its position and the Board and its stakeholders gauge its rate of progress.

This is the second year for this report and therefore a comparison has been made with last year and the datapoints reviewed and updated to ensure accuracy and comparability of reporting. This will continue in future years to allow the reader to judge if progress is being made and what trends are emerging.

Environment

The Company is a SaaS based organisation that markets and sells its products over the Cloud. As a result, it has less of an impact on the environment than many other types of businesses. However, the Group still needs office space, undertakes travel, and uses cloud data centres to provide its services to its customers. Accordingly, these areas need to be carefully monitored to ensure that its impact is at or brought down to an acceptable level.

In the previous financial year, the COVID 19 pandemic had a dramatic effect on the way that all businesses operated, with lockdown restrictions making working from home the norm and minimising business travel, especially internationally. In FY22 there has been a partial return to "normality" with some staff working from our offices and a significant increase in both domestic and international travel as restrictions were lifted. Most of the travel datapoints are therefore skewed in both FY21, being significantly lower than the pre-pandemic level, and in FY22, being higher than FY21 as there was an element of catch-up required, but still below the pre pandemic levels.

Our current sales growth trajectory will also mean that we will have more customers and an increased use of cloud data centres. The Group does not sell computer hardware to its customers, nor provide software for use 'on-premises'. Our status as a pure-Cloud software company therefore already places us ahead of other software companies that continue to offer such on-premise solutions.

The Directors believe that the following data points are a good way of measuring the Group's impact on the environment. As this is the second year for this report, the datapoints have been reviewed for relevancy by the Board and some minor changes have been made as detailed below:

Datapoint	FY22	FY21	Variance	Target	Reason/Comment
1. Percentage of staff who regularly work from home in the year	100%	100%	–	More than 75%	The higher the number of employees who work from home, the lower the environmental impact of commuter miles. It is noted that a number of employees, including the CEO, chose to work some days in the office and the rest from their home locations. The Group has a flexible approach to work locations. All staff continue to work primarily from home.
2. Average commuting miles (return journey) per annum made to place of work per employee (net of any miles driven in an EV)	818 miles per annum	Minimal miles per employee due to COVID	N/A	Less than 3,300 miles per annum	Where employees are required to work from an office, we can reduce the distance they travel by hiring locally when suitable talent, skills and experience can be found.

Datapoint	FY22	FY21	Variance	Target	Reason/Comment
3. Average car business miles claimed in the year and paid for by the Group (net of any miles claimed that were driven in an EV)	484 miles per employee	43 miles per employee	441 miles per employee	Less than 250 miles per employee	This measures the miles driven by staff in undertaking their work on behalf of the Company – for examples journeys to meetings with customers and staff. This measure can be reduced by encouraging the use of public transportation for business meetings. The higher mileage was partially driven by the COVID restrictions in Canada, which resulted in certain employees driving to the region from the US.
4. Number of fully electric vehicles driven by employees	9%	0%	9% points	More than 5% of staff	The Company has successfully implemented a green company car scheme in the UK, encouraging staff to lease fully electric cars as part of a salary sacrifice scheme. By helping to increase the number of electric vehicles used by our staff, the Company can reduce its carbon footprint in this area.
5. Business air journey miles used in the year expenses per employee, paid for directly or claimed through expenses in the year	3,143 miles per employee	630 miles per employee	2,513 miles per employee	Less than 3,600 miles per employee	Certain employees are required to travel long distances. This travel is often required to allow monitoring of Company performance and risks and so cannot be avoided but can be minimised with good planning of journeys.
6. Percentage of AWS platform data centre energy sourced from green initiatives	85%	65%	20% points	100% by 2025	AWS our cloud platform provider has pledged to be source all its energy requirements from fully renewable sources by 2025.
7. Percentage of First-generation platform date centre energy sourced from green initiatives	100%	100%	0% points	100%	Our chosen supplier was one of the first data centre operators in the UK to move to fully renewable energy sources. We are expecting to exit this data centre in FY23 as we migrate the customers to our AWS platform.
8. Average square foot of office space per employee	47.0 sq ft per employee	63.6 sq ft per employee	16.6 sq ft per employee	Less than 100 sq ft per employee	The Company does require certain staff to normally work from an office location, COVID restrictions notwithstanding. The company does therefore require office space and so wants to measure this footprint per employee to ensure excess space is held to a reasonable minimum level.
9. Value of capital expenditure on new computer hardware in year per employee	£1,249 per employee	£588 per employee	£661 per employee	Less than £750 per employee	Electrical waste has a high environmental impact in manufacturing, operation, and disposal. The Group wishes to minimise the level of expenditure it spends on hardware per employee or in its IT infrastructures. During the year the Group, for security protection reasons, upgraded a significant number of its laptops resulting in the increase in value

The average number of employees used in the calculations for 2022 is 93 is (2021: 68) (per Note 9) except for datapoint 2 which used the average number of employees contracted to work from an office of 33 (2021: not calculated).

Social

It is the Directors' responsibility to ensure the Company cares for its employees and stakeholders as well as contributes to the economic well-being of the countries or regions in which they are based in by not only paying taxes, but also by hiring new people.

The Directors believe the following datapoints are a good way to measure its social performance. As this is the second year for this report, the datapoints have been reviewed for relevancy by the Board and no changes have been made this year.

Datapoint	FY22	FY21	Variance	Target	Reason/Comment
1. Net new hires in period	32	13	19	Net positive annually	Employment underpins all economies and so positive employment is seen as a core target
2. Percentage of employees at start of year still employed at end of the year	94%	86%	8% points	More than 90%	High staff retention is a sign of an engaged and motivated team.
3. Percentage of female staff employed at the end of the year	27%	27%	0% points	No target set	The Directors wish to encourage an increased cultural and gender balanced workplace. While the Company has always been a committed equal opportunities employer it recognises the importance of increasing the representation of women in all levels and roles in the organisation. No targets have been set at this time as management continue to assess the time needed to see the impact of steps taken. Our progression is also dependent upon the candidate pool in each region where the Company operates. The Directors are pleased with the progress made to date and since last year.
4. Percentage of female staff in senior management team at the end of the year	38%	28%	10% points	No target set	
5. Percentage of females in advisory committee at the end of the year	67%	67%	0% points	No target set	
6. Percentage of females on the Board at the end of the year	20%	Nil%	20% points	No target set	

Governance

Sound corporate governance is a requirement for well run businesses. The Directors have identified the following datapoints that highlight how the Group works with its stakeholders and the extent to which it is meeting best practices. These ESG data points are intended to supplement the existing and significant disclosures already made on the Company's corporate governance.

Datapoint	FY22	FY21	Variance	Target	Reason/Comment
1. Does the company comply with a recognized corporate governance code	Yes	Yes	N/A	Yes	The Board follows the QCA guidelines on corporate governance and reports accordingly as required by the listing rules.
2. Chair of the Board and CEO roles split	Yes	Yes	N/A	Yes	The clear segregation of responsibilities provides a check-balance to stop one director dominating procedures at meetings.
3. Percentage of independent non-executive directors on Board at the end of the year	60%	50%	10% points	50%+	Having a majority proportion of independent non-executive directors not only brings different views to the Board but allows the non-executive directors to challenge the executive team according and has the power to act accordingly. The Chair is an independent non-executive with a casting vote if needed.

Datapoint	FY22	FY21	Variance	Target	Reason/Comment
4. Longest serving non-executive director	7 years	6 years	1 year	Less than 9 years	It is important to rotate new non-executive directors onto the Board to maintain fresh focus on the running of the business and to facilitate the introduction of increased levels of diverse viewpoints.
5. Number of advisory committee members	3	1	2	3 or more	Advisory committee members provide independent expertise and knowledge on areas that can help the Board make better decisions on the running of the Group.
6. Presentations made to shareholders	32	35	-3	More than 20	It is important to have an open correspondence with not only the largest shareholders in the business but also allowing the smaller shareholders of the Group to listen and hear the executive directors present, and to also allow a forum for questions to be asked.
7. Presentations made to all shareholders/ and potential shareholders through a recognized online portal	3	4	-1	3 or more	The Company uses the Investor Meet Company portal to invite shareholders to listen to key presentations such as the interim and year end results. These presentations are recorded and are available to download giving smaller shareholders the opportunity to hear what is being presented to the larger institutions
8. Analysts/journalists following and writing on the company and providing detailed commentary on expectations	16	7	+9	2 or more	Analyst and journalists set expectations of performance for the Group which allow shareholders to judge whether the company is performing as expected.

The Company publishes a significant amount of other information on its website www.pcipal.com via its investor portal pages, which will allow the reader to understand in greater detail: the products and services of the Company, its range of stakeholders including examples, and how the Group has performed.

Simon Wilson | Non-Executive Chair
5 September 2022

Audit Committee Report

FOR THE YEAR ENDED 30 JUNE 2022

Dear Shareholder,

On behalf of the Audit Committee, I am pleased in my first year of chairing the audit committee to present our report for the year ended 30 June 2022. I joined the Board on 24 March 2022 and was elected to the Chair of the Audit Committee at the next Board meeting. Prior to my joining, the Audit Committee was chaired by Chris Fielding, who retired from the Board at the end of June 2022.

Composition

Following Chris Fielding's retirement, the Audit Committee comprises Simon Wilson, Jason Starr and myself. I chair the Committee and the Executive Directors and the Auditors may attend by invitation. I would like to take the opportunity to thank Chris on behalf of the Board for his guidance he has provided the Committee since the launch of PCI Pal.

In the year being reported on, the Audit Committee convened on two occasions, with each meeting being attended by each member of the Committee. The timings of the committee allow the committee to consider the external auditors planned approach to the annual audit, and discuss audit findings and financial statements ahead of the statements being approved for release.

Terms of Reference

The main duties of the Committee are set out in its terms of reference, which can be found at https://ir.pcipal.com/docs/librariesprovider64/archives/governance/audit-committee-terms-of-reference.pdf

Principal Items of Business

The principal items of business considered in the year being reported upon included:

- Reviewing and refining, in conjunction with the Executive Directors, the Company's policies relating to the capitalisation of development expenditure in the context of IAS 38: Intangible Assets and its revenue recognition policies under IFRS 15;
- Approving the remuneration and terms of engagement of the auditors, BDO;
- Reviewing and approving the audit plan for the year;
- Reviewing the documentation, updated by the Executive Directors in light of the Group's growth and expansion, of the Group's internal control systems;
- Reviewing and challenging, in conjunction with the Executive Directors, the process of identifying risks, and the risk mitigation structures and processes, across the business, as documented in the section entitled "Principal Risk, Uncertainties and Risk Mitigation"; and
- Reviewing various financial matters, including the annual and half year results, and accompanying financial statements.

Activities of the Committee During the Year

The Committee has met with both the auditors and internal management during the year. They reviewed and discussed reports provided by the external auditor on the annual results, which highlighted observations from the work they undertook. The key issues discussed with the external auditors related to:

- Testing undertaken to confirm no undue management control overrides had occurred
- The judgements and estimates used in the revenue recognition accounting policies and the testing undertaken
- The calculation and identification of the development capitalisation intangible asset and the estimated amortisation rates
- Confirmation of the going concern assumptions and calculations
- The treatment of share options and the estimates used in calculating the option charges.
- The implications, potential future costs and the disclosure requirements of the Sycurio legal dispute

The committee assessed the independence of the auditors and provision of non-audit services and tax, and noted that the auditor had not provided any non-audit services or tax compliance work. The tax compliance work for the Group has been contracted with a different professional services group. An analysis of the audit and non-audit services is disclosed in Note 5 to the financial statements.

The audit committee was satisfied that safeguards were adequately observed to ensure the auditors independence.

The committee has satisfied itself that key areas discussed have been addressed appropriately within the Annual Report. The Committee therefore provided advice to the Board that the 2022 annual report and financial statements, taken as a whole, are fair, balanced and understandable, providing Shareholders with the necessary information to assess the Company's position, performance, business model and strategy.

Internal Audit

The committee and board considers that it is appropriate for its size that PCI Pal does not currently have an internal audit function. The Committee will continue to monitor this situation and may add such a function in due course as the Group continues to grow.

Carolyn Rand | Chair, Audit Committee
5 September 2022

Remuneration Committee Report

FOR THE YEAR ENDED 30 JUNE 2022

Dear Shareholder,

On behalf of the Remuneration Committee, it is once again my pleasure to report to you on remuneration matters considered by the Committee during a further year of tremendous progress.

Composition

Since the last time I reported to you, the makeup of the Committee has changed. On her appointment to the Board, Carolyn Rand joined the committee, while Chris Fielding retired from the Group on June 30th and, accordingly, left the committee. I would like to thank Chris for his wisdom and input over the years, and welcome Carolyn whose insights have already proven valuable.

The Committee will also typically consider feedback from the main Board Chair, Simon Wilson and the Chief Executive, James Barham. The CEO is not present for any discussions relating to his own remuneration.

Terms of Reference

The formal Terms of Reference for the Remuneration Committee were reviewed and updated in FY20, and the Committee considers them to still be appropriate. They are available to view on the Company's website. https://ir.pcipal.com/docs/librariesprovider64/archives/governance/remuneration-committee-terms-of-reference.pdf

Executive Changes

The year in review also saw a change to the executive team, with CISO Geoff Forsyth stepping down from the Board at the time of the AGM. Geoff remains a key part of the leadership team. Geoff's remuneration package for the year in review was structured by the Committee as he was an Executive Director at the start of the year. Going forward, Geoff's remuneration package will no longer be under the purview of the Committee as whilst he continues to directly report to the CEO, he is no longer on the Board.

Remuneration Policy

It is the aim of the Remuneration Committee to align executive remuneration with the interests of our Shareholders.

Once again, the executive team have delivered a terrific set of results. The Group has performed superbly since the current leadership took responsibility for the business and, as a result, it is the responsibility of the Committee to implement a remuneration policy that continues to both retain and motivate the executives to maintain such exceptional performance.

Executive Directors' Remuneration

The remuneration package of the Executive Directors typically includes a basic salary, a cash based annual performance-related bonus, option awards under the Long-Term Incentive Plan (LTIP), and other benefits such as health and pension contributions.

Historically, and in the year under review, the executives were provided with a car allowance. In line with market compensation trends, and the stated goal of the Group to encourage and facilitate more sustainable operations, this benefit has been withdrawn effective 1st July 2022.

Basic Salary

The remuneration committee regularly reviews salaries at comparable businesses. These include both publicly traded and private equity backed businesses, organisations in similar sectors and geographies, of similar size or of similar growth trajectories.

Pay increased significantly for the executive team during the year in review, reflecting both comparable market remuneration data as well as the view of the Committee that the management team were not fully compensated for the performance that they were consistently delivering.

Annual Performance Bonus

Directors are targeted based on a combination of financial performance metrics and a system of "Objective and Key Results" (OKRs). The combination of the two is designed to align performance with the interests of shareholders and shareholder value. Board executives' performance against these targets is assessed on an annual basis. The mix and nature of the targets that are set for individual executive directors reflect the degree to which the individual is able to influence their outcome.

Across the Group, in what has been an excellent year, the vast majority of our targets were met and, in many cases, significantly surpassed. Examples of this would include targets related to revenue and adjusted LBT, both metrics under which the business overperformed significantly.

However, there were a small number of OKRs that the business did not fully meet. An example of this was our Hiring OKR which was missed by less than 2%, largely due to the recruitment challenges associated with the well reported "war for talent".

It is the policy of the Remuneration Committee not to pay bonus elements that relate to objectives that have not been met. As a result, unlike in the prior year, the Executive team did not achieve full bonus pay-outs.

Nonetheless, the Remuneration Committee does have the ability under its terms of reference to pay discretionary bonuses. Given the level of overperformance on many of the key business objectives and the challenging environment in which the results were achieved, the Committee decided it was appropriate this year to pay such a discretionary bonus. The combination of the target-based bonus and the discretionary bonus led to a level of pay-out below that which would have been paid had all targets been met.

The Committee has therefore recommended that the following cash bonuses be paid in the first quarter of FY23, relating to FY22 performance.

		FY22 Bonus	FY21 Bonus
James Barham	CEO	£94,000	£107,500
William Good	CFO	£63,088	£62,000
Geoff Forsyth	CISO	Stepped down from Board in year	£22,500

Bonuses can be paid as cash, company shares or a combination of the two, also to be decided annually by the Remuneration Committee.

Additional Benefits

The Executive Directors receive personal health insurance and a contribution to their pension scheme of 10% of their basic salary paid annually in advance. The value of these may optionally be taken as salary.

Long Term Incentive Plan (LTIP)

The Company runs a share option scheme designed to motivate and reward the executive leadership team, senior management and all key members of staff.

The LTIP is structured to align the interests of management with the long-term interests of stakeholders. The following process is undertaken:

- The Group reviews its medium and long-term strategy on an ongoing basis. For example, in H1 of FY20 and again in H2 of FY22, the Board held a formal offsite strategic review which led to an updated set of actions and strategic imperatives covering a five year forward period.
- When appropriate, the Committee may grant share options to participants which will vest during/over a minimum three-year period, depending on whether the options have met any performance criteria set. The vesting period and performance criteria reflect the generally accepted employment practices for each region in which the participant is employed, which today is primarily the UK and the US.
- The performance criteria set will be specifically designed to align shareholder and executive's interests.

Shareholders have authorised the Board to issue share options under the Plan to a maximum of 20% of the Group's equity at the time of issue. However, the Board continues to operate under a voluntary understanding to keep share options under a total of 15% of shares in issue.

Note 20 of these accounts details the number of share options that have been issued by the Group.

The service contracts and letters of appointment of the executive directors include the following terms:

Executive Directors	Date of appointment	Notice period
J C Barham	1 October 2016	12 months
T W Good	1 April 2017	12 months
G Forsyth*	27 November 1999	12 months

* Resigned from the Board 10 November 2021 but continued as an employee of the Group

The Non-Executive Directors have letters of appointment, setting out the terms and conditions of their appointment and their expected time commitment, and they are also subject to re-election by rotation by shareholders at least once every three years. The current Non-Executive Directors' initial appointments commenced on the following dates:

Non-Executive Director	Date of appointment
J S Starr	1 January 2015
S B Wilson	1 November 2019
C Rand	24 March 2022

The Remuneration Committee is not involved in determining remuneration for its members. Fees and other payment arrangements for Non-Executive Directors are considered by a sub-committee of the Board, consisting of the Chair of the Board, the CEO and the CFO. Remuneration for the Chair of the Board is considered by a sub-committee consisting of the Chair of the Remuneration Committee, the CEO and the CFO.

The Remuneration Committee is not involved in determining remuneration for members of the Advisory Board, which is set by the CEO.

Section 3 of the Directors' Report sets out the detailed remuneration and share options granted to each director who served during the year.

Jason S Starr | Chair, Remuneration Committee
5 September 2022

Directors and Advisors

Company registration number:	03869545
Registered office:	7 Gamma Terrace Ransomes Europark Ipswich Suffolk IP3 9FF
Telephone:	+44 (0)330 131 0330
Directors:	Simon Wilson – Chair of the Board (non-executive) James Barham- CEO Thomas William Good – CFO Geoffrey Forsyth – CISO (Resigned 10/11/2021) Jason Starr (non-executive) Chris Fielding (non-executive) (Resigned 30/06/2022) Carolyn Rand (non-executive) (Appointed 24/03/2022)
Secretary:	Thomas William Good BA (Hons) ACMA CGMA
Bankers:	Silicon Valley Bank National Westminster Bank PLC
Auditors:	BDO LLP
Nominated Advisor and Broker:	finnCap Ltd
Registrars:	Link Asset Services
Telephone:	(UK): 0871 664 0300 (Overseas): +44 371 664 0300
Lawyers:	Shepherd and Wedderburn LLP Brownstein Hyatt Farber and Schreck Womble Bond Dickinson
Financial statements are available at:	https://ir.pcipal.com/financials/annual-interim-reports

Directors' Report

The Directors present their report together with the financial statements for the year to 30 June 2022.

1. Principal Activities

The Company (Company House number 03869545) operates principally as a holding company. During the year, the main subsidiaries were engaged in the provision of PCI compliant solutions.

2. Results, Dividends, Future Prospects

The trading results of the Group are set out in the annexed accounts and are summarised as follows:

	2022 £000s	2021 £000s
Revenue	11,937	7,362
Loss before taxation	(3,107)	(4,191)

The Directors are not recommending a payment of a final dividend (2021: nil pence per share).

3. Directors

The membership of the Board during the year is set out in the Directors and Advisors section.

The beneficial and other interests of the Directors and their families in the shares of the Company at 30 June 2022 and 1 July 2021 were as follows:

	30 June 2022 Ordinary shares of 1p Each	1 July 2021 Ordinary shares of 1p each
J Barham	189,481	155,796
T W Good	401,052	205,000
G Forsyth (resigned 10/11/2021)	No longer a director	1,343,371
S B Wilson (non-executive Chair)	125,000	100,000
J S Starr (non-executive)	–	–
C M Fielding (non-executive) (resigned 30/06/2022)	No longer a director	35,590
C Rand (non-executive)	–	–

The Directors' remuneration for the year whilst serving as a Director was as follows:

2021/22	Salary or Fees £	Bonus £	Benefits £	Total £	Pension £
J Barham	210,716	94,000	931	305,647	20,835
T W Good	183,400	63,088	–	243,488	–
G Forsyth (resigned 10/11/21)	48,367	–	1,789	55,156	4,432
S B Wilson (non-executive Chair)	55,922	–	19,140	75,062	–
J S Starr (non-executive)	38,000	–	–	38,000	888
C M Fielding (non-executive) (resigned	38,000	–	–	38,000	888
C Rand (non-executive) (appointed 24/03/2022)	14,077	–	–	14,077	305
Total	588,482	157,088	21,860	767,430	27,348

2020/21	Salary or Fees £	Bonus £	Benefits £	Total £	Pension £
J Barham	185,716	107,500	891	294,107	20,020
T W Good	168,000	62,000	–	230,000	–
G Forsyth	141,600	22,500	5,233	169,333	13,300
S B Wilson (non-executive Chair)	45,392	–	16,734	62,126	–
J S Starr (non-executive)	31,333	–	–	31,333	713
C M Fielding (non-executive)	31,667	–	–	31,667	763
Total	603,708	192,000	22,858	818,566	34,796

For both FY21 and FY22 T W Good is entitled to a pension payment equivalent to 10% of his salary per annum. He has elected to have this amount paid as additional salary.

S B Wilson is a resident of the United States of America. His remuneration is split between his duties as the Chair of the Board, and chairing the Advisory Committee and providing mentoring and North American market advice to the executive directors.

Directors' Interests in Long Term Incentive Plans

The Directors' interests in share options to subscribe for ordinary shares in the Company are as follows:

	Note	At 1 July 2021 (number)	Granted in year (number)	Lapsed in year (number)	Exercised in year (number)	At 30 June 2022 (number	Exercise Price (pence)	Earliest exercise date	Last exercise date
James Barham	1	525,000	–	–	–	525,000	28.5	26th May 2020	24th May 2027
James Barham	2	250,000	–	–	–	250,000	40.0	8th July 2023	8th July 2030
James Barham	3	–	200,000	–	–	200,000	57.5	2nd March 2025	2nd March 2032
William Good	4	300,000	–	–	–	300,000	33.0	26th May 2020	24th May 2027
William Good	2	200,000	–	–	–	200,000	40.0	8th July 2023	8th July 2030
William Good	3	–	150,000	–	–	150,000	57.5	2nd March 2025	2nd March 2032
Simon Wilson	5	150,000	–	–	–	150,000	28.5	12th July 2019	11th July 2028
Simon Wilson	6	100,000	–	–	–	100,000	26.5	12th Nov 2019	11th Nov 2028
Total		1,525,000	350,000	–	–	1,875,000			

Note 1: Option grant on the 13th June 2019

Note 2: Option Grant on the 8th July 2020

Note 3: Option Grant on the 2nd March 2022

Note 4: Option grant on the 25th May 2017

Note 5: Option grant on the 12th July 2018

Note 6: Option grant on the 12th November 2018

4. Share Price and Substantial Shareholdings

During the year, the share price fluctuated between 95.0 pence and 53.5 pence and closed at 58.0 pence on 30 June 2022.

The beneficial and other interests of other substantial shareholders in the shares of the Company at 30 June 2022 and 1 July 2021 were as follows:

Ordinary Shares of 1 pence each	30 June 2022	1 July 2021
Canaccord Genuity Group	10,833,271	11,466,027
Gresham House Asset Management	7,151,515	7,151,515
Octopus Investments Nominees	5,074,905	5,715,940
Herald Investment Management	3,517,758	3,517,758
P Wildey	2,650,000	2,200,000
Unicorn AIM VCT LLP	2,000,000	2,000,000

As at the date of this report the holdings shown as at 30 June 2022 remain unchanged.

5. Directors' Responsibilities for the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the UK and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the Company at the balance sheet date and of the profit and loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions, disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication: The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

6. Qualifying Third Party Indemnity Provision

During the financial year, a qualifying third-party indemnity provision for the benefit of the Directors was in force.

7. Research and Development

PCI Pal is continuing to invest in its new fully-cloud based, PCI DSS level 1 compliant secure platform hosted on the AWS cloud infrastructure for its services. The platform is operational but further functionality and product offerings are planned to be added over the coming years. The expenditure meets the guidelines outlined by IAS 38 and the Directors have therefore capitalised the direct expenditure incurred in the development.

8. Employee Policy

The Group operates a policy of non-discrimination in respect of ethnicity, sexual orientation, gender, religion and disability and encourages the personal and professional development of all persons working within the Group by giving full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities.

9. Corporate Governance

The Group's policy on Corporate Governance is detailed in this report and accounts.

10. Financial Risk Management Objectives

The principal financial and non-financial risks arising within the Group are detailed in the Principal Risk, Uncertainties and Risk Mitigation report.

11. Treasury Shares

The Group holds a total of 167,229 ordinary shares as treasury shares acquired for a consideration of £39,636.25.

12. Economic Impact of War in Ukraine and Trade with Russia

In light of the recent events between Russia and the Ukraine, the Directors have undertaken a full review of the Company's customer base and supply-chain to assess the potential impact. Due to the extremely limited trade within that geographic region, there were no significant risks identified that would affect the continuation of normal trading for the Group.

13. Going Concern

As explained in more detail in the report of the Chief Financial Officer, the Directors have considered financial forecasts for the coming year through to the end of September 2023.

As part of these considerations, the Directors reviewed and challenged information provided by the management team such as the new contract sales forecast, the Group current sales pipeline and the likely demand for our services and any continued impact from the COVID 19 pandemic.

The Board considered the likely timing and impact of the legal fees relating to the patent claim being made against it on the cash flow of the Group over the next 24 to 36 months and challenged the budget models prepared. The Board also reviewed other risks within the business that could impact the Group's performance, such as insufficient numbers of employees to ensure the company can deliver on its contractual obligations or expected growth.

The Directors reviewed a range of reasonably possible sensitivities in relation to the future business performance, as detailed in the forecasts, and the resulting demands on its cash and debt resources currently available to the group.

The Board also considered actions that could be taken to help mitigate the actual results if the assumptions made in the original forecast proved to be overly optimistic. At all points the Directors were satisfied in the robustness of the Group's financial position from the presented plans which, they believe, take a balanced view of the future growth prospects, together with the contingencies that can be taken if the budget assumptions prove to be materially inaccurate.

Based on the above, the Directors have concluded that the group will be able to meet its' obligations as they fall due for the foreseeable future (and in any event for at least 12 months from the date of approval of these financial statements) and accordingly have elected to prepare the financial statements on a going concern basis.

14. Auditors

BDO LLP has expressed willingness to continue in office. In accordance with S489 (4) of the Companies Act 2006, a resolution to reappoint BDO LLP as auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

T W Good | Company Secretary
5 September 2022

7 Gamma Terrace
Ransomes Europark
Ipswich, Suffolk
IP3 9FF

Financial Statements

Independent Auditor's Report to The Members of PCI-Pal Plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of PCI-Pal Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the notes to the consolidated financial statements, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard in the United Kingdom and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 the Parent Company's ability to continue to adopt the going concern basis of accounting is set out in the Key audit matters section of our report.

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 the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	*93% (2021: 100%) of Group loss before tax* *100% (2021: 100%) of Group revenue* *100% (2021: 100%) of Group total assets*	
Key audit matters	2022 Revenue recognition Intangible assets Going concern	2021 Revenue recognition Intangible assets Going concern
Materiality	*Group financial statements as a whole* £238,000 (2021: £128,000) based on 2% (2021: 1.75%) of revenue	

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates through a number of legal entities. PCI-Pal Plc , PCI-Pal (U.K.) Limited and PCI Pal (US) Inc. are considered to be the significant components and are subject to full scope audits. PCI Pal (AUS) Pty Limited and PCI Pal (Canada) Inc. were considered to be non-significant components, where we performed desktop review procedures. All full scope audits and the desktop review procedures were completed by the group engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition The Group's revenue recognition policy can be found in note 4(d) to the financial statements and segmental revenue disclosure is included within note 10.	We consider the key risk of material misstatement to arise from the allocation of revenue over the life of a contract, the appropriateness of the length of the estimated contract length and compliance with IFRS15. Further, given where the Group is in its lifecycle, with significant levels of growth, revenue is a significant KPI for shareholder decision making; which increases the risk that the revenue may be overstated. Given the above, we have deemed revenue recognition to be a key audit matter.	We performed testing over all material revenue streams, including: • Agreed a sample of one-off set up fees and licences to underlying contract terms to check the accuracy of the timing and amount of revenue recognised and deferred. • Agreed a sample of revenue items posted in the general ledger either side of year end to check that revenue has been recognised in the appropriate period. • Checked the revenue recognition policy to confirm compliance with IFRS 15. • Based on our existing understanding of the business and revenue contracts, critically challenged management's assumptions used when determining the contract length in respect of revenue recognition. In addition we reviewed sensitivity analysis performed by management over the recognition period. **Key observations:** Based on the procedures performed we consider that revenue has been recognised appropriately.

Key audit matter		How the scope of our audit addressed the key audit matter
Intangible assets – capitalised development costs The Group's accounting policy can be found in note 4(f) to the financial statements and related disclosures are in note 13.	The Group has significant amounts of capitalised development costs, as the Group has continued to heavily invest in the development of the AWS Platform. There is a risk over whether costs have been correctly capitalised in accordance with accounting standards and there is a degree of management judgement involved in determining the amount that can be determined as development costs as opposed to research costs. Further to this, there is a risk that the internally generated intangibles' useful economic life is inappropriate. We considered this to be a key audit matter due to the volume of expenditure and judgement involved as noted above.	**Our work included:** • We assessed management's policy on capitalising intangible assets against the criteria set out in the accounting standards. • We tested a sample of additions to supporting documentation to agree the existence and accuracy of the amounts capitalised in the year and assessed whether these met the criteria of a capitalised development cost under IAS38 Intangible assets. • We checked the mathematical accuracy of the amounts charged for amortisation by performing a recalculation based on the useful economic life of capitalised development costs. • We assessed management's judgement in relation to the useful economic life of the capitalised development costs by challenging assumptions used which included comparing to the useful life used for similar platforms by competitors in the industry and reviewing for any impairment indicators. **Key observations:** Based on the procedures performed, we found management's judgements and estimates used in the capitalisation of development costs to be appropriate and in line with the requirements of accounting standards.
Going concern The Group accounting policy for going concern can be found in note 4 (c) of the financial statements.	We consider going concern to be a key audit matter as a result of the historical and current year losses within the Group and the significance of this area and its impact on our audit approach.	• We assessed management's ability to forecast and challenged their key assumptions. This included comparing previous budgets to actual results and comparing forecasted costs and revenues to historic performance and growth rates for reasonableness. • We reviewed reverse stress tests on forecasts prepared by management to assess the ability of the Group to continue to trade should there be unforeseen significant performance issues in the next 12 months. • We considered the impact on the Group's cashflow forecast of the settlement of the legal costs of the on-going patent claim together with the impact in the event of an adverse outcome. • We checked the mathematical accuracy of the forecasts. • We tested a sample of revenue contracts included within the forecast back to contract to check the amounts included were accurately included. • We assessed the completeness and accuracy of disclosures relating to going concern compared to our understanding of the business and the forecasted position prepared by management. **Key observations:** These are set out in the Conclusions related to going concern section of our audit report.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2022 £	2021 £	2022 £	2021 £
Materiality	238,000	128,000	204,000	115,000
Basis for determining materiality	2% of Revenue	1.75% of Revenue	1.25% of total assets	90% of Group Materiality
Rationale for the benchmark applied	Revenue is the Group's main KPI, and therefore we considered this financial measure to be the most relevant to the users of the financial statements in assessing the performance of the Group.	Revenue is the Group's main KPI, and therefore we considered this financial measure to be the most relevant to the users of the financial statements in assessing the performance of the Group.	The parent company is a non-trading holding company and the most significant balance in its financial statements is total assets.	Calculated as a percentage of Group materiality for Group reporting purposes given the assessment of aggregation risk.
Performance materiality	£154,000	£83,000	£132,000	£74,000
Basis for determining performance materiality	We consider 65% of materiality to be appropriate in order to reflect that there are a number of balances subject to estimation or judgement which are not able to be determined with precision.	We consider 65% of materiality to be appropriate due to this being a first year of audit by BDO and in order to reflect that there are a number of balances subject to estimation or judgement which are not able to be determined with precision.	We consider 65% of materiality to be appropriate in order to reflect that there are a number of balances subject to estimation or judgement which are not able to be determined with precision.	We consider 65% of materiality to be appropriate due to this being a first year of audit by BDO and in order to reflect that there are a number of balances subject to estimation or judgement which are not able to be determined with precision.

Component materiality

We set materiality for each component of the Group based on a percentage of between 29% and 86% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £69,000 to £204,000. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £8,300 (2021: £4,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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 the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required to report by exception	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 Directors' responsibilities for financial statements, 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's and the 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.

Extent to which the audit was 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 material misstatements in respect of irregularities, including fraud.

Based on our understanding and accumulated knowledge of the Group (including its' components) and the sector in which it operates we considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Group accounting policies, International accounting standards, and the UK Companies Act; those that relate to the payment of employees; and industry related such as GDPR compliance. The engagement partner assessed that the engagement team collectively had the appropriate competence and capabilities to identify or recognize non-compliance with laws and regulations. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and its components. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (UK adopted international accounting standards), employment regulations and relevant tax regulations;
- We obtained an understanding of the on-going patent claim against the Group from the Directors and confirmed this assessment directly with the Group's lawyers;
- We understood how the Group and its components are complying with those legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and through reviewing board minutes and discussion with management and the Audit Committee;
- We assessed the susceptibility of the Group's financial statements to material misstatement as an engagement team, including how fraud might occur by meeting with management to understand where it is considered there was a susceptibility of fraud;
- Our audit planning identified fraud risks in relation to management override and inappropriate or incorrect revenue recognition. We obtained an understanding of the processes and controls that the group has established to address risks identified;
- With regard to the fraud risk in management override, our procedures included targeted journal transactions testing, with a focus on large or unusual transactions based on our knowledge of the business. We also performed an assessment of the appropriateness of key judgement areas and estimations which are subject to management's own judgement and estimation, and could be subject to potential bias.

This included but was not limited to; the capitalisation and amortisation of development costs, the 48 month life of a contract under IFRS 15 and assumptions in forecasts used as part of the going concern assessment made by management.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tracey Keeble (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Ipswich, UK
5 September 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 £000s	2021 £000s
Revenue		11,937	7,362
Cost of sales		(1,924)	(1,805)
Gross profit		10,013	5,557
Administrative expenses		(13,077)	(9,518)
Loss from operating activities		(3,064)	(3,961)
Adjusted Operating Loss		(2,021)	(3,846)
Expenses relating to share options		(246)	(115)
Exceptional items	6	(797)	–
Loss from operating activities		(3,064)	(3,961)
Finance income	7	1	–
Finance expenditure	8	(44)	(230)
Loss before taxation	5	(3,107)	(4,191)
Taxation	12	164	154
Loss for the year		(2,943)	(4,037)
Other comprehensive expense: Items that will be reclassified subsequently to profit or loss			
Foreign exchange translation differences		(1,086)	653
Total other comprehensive (expense) / income		(1,086)	653
Total comprehensive loss attributable to equity holders for the period		(4,029)	(3,384)
Basic and diluted loss per share	11	(4.50) p	(6.64) p

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

REGISTERED NUMBER: 03869545

AS AT 30 JUNE 2022

	Note	2022 £000s	2021 £000s
ASSETS			
Non-current assets			
Plant and equipment	14	238	74
Intangible assets	13	2,661	2,366
Trade and other receivables	15	964	801
Deferred taxation	18	–	–
Non-current assets		3,863	3,241
Current assets			
Trade and other receivables	15	4,203	2,928
Cash and cash equivalents		4,888	7,518
Current assets		9,091	10,446
Total assets		12,954	13,687
LIABILITIES			
Current liabilities			
Trade and other payables	16	(11,372)	(7,817)
Current liabilities		(11,372)	(7,817)
Non-current liabilities			
Other payables	17	(1,397)	(1,941)
Non-current liabilities		(1,397)	(1,941)
Total liabilities		(12,769)	(9,758)
Net assets		185	3,929
EQUITY			
Share capital	20	656	655
Share premium		14,281	14,243
Other reserves		650	404
Currency reserves		(620)	466
Profit and loss account		(14,782)	(11,839)
Total equity		185	3,929

The Board of Directors approved and authorised the issue of the financial statements on 5 September 2022.

J Barham **Director**

T W Good **Director**

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022

	Share capital £000s	Share premium £000s	Other reserves £000s	Profit and loss account £000s	Currency Reserves £000s	Total Equity £000s
Balance as at 1 July 2020	594	9,018	289	(7,802)	(187)	1,912
Share option charge	–	–	115	–	–	115
New shares issued net of costs	61	5,225	–	–	–	5,286
Transactions with owners	61	5,225	115	–	–	5,401
Foreign exchange translation differences	–	–	–	–	653	653
Loss for the year	–	–	–	(4,037)	–	(4,037)
Total comprehensive loss	–	–	–	(4,037)	653	(3,384)
Balance at 30 June 2021	655	14,243	404	(11,839)	466	3,929
Share option charge	–	–	246	–	–	246
New shares issued net of costs	1	38	–	–	–	39
Transactions with owners	1	38	246	–	–	285
Foreign exchange translation differences	–	–	–	–	(1,086)	(1,086)
Loss for the year	–	–	–	(2,943)	–	(2,943)
Total comprehensive loss	–	–	–	(2,943)	(1,086)	(4,029)
Balance at 30 June 2022	656	14,281	650	(14,782)	(620)	(185)

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022

	2022 £000s	2021 £000s
Cash flows from operating activities		
Loss after taxation	(2,943)	(4,037)
Adjustments for:		
Depreciation of equipment and fixtures	85	69
Amortisation of intangible assets	85	76
Amortisation of capitalised development	803	595
Loss on disposal of equipment and fixtures	3	–
Interest income	(1)	–
Interest expense	11	206
Exchange differences	(1,124)	676
Income taxes	(164)	(154)
Share based payments	246	115
Increase in trade and other receivables	(1,438)	(1,017)
Increase in trade and other payables	2,918	3,721
Cash (used in)/generated from operating activities	(1,519)	250
Income taxes received	164	154
Interest paid	(11)	(206)
Net cash (used in)/generated from operating activities	(1,366)	198
Cash flows from investing activities		
Purchase of equipment and fixtures	(124)	(40)
Purchase of intangible assets	(48)	–
Development expenditure capitalised	(1,098)	(920)
Interest received	1	–
Net cash used in investing activities	(1,269)	(960)
Cash flows from financing activities		
Issue of shares	39	5,608
Expenses related to issue of shares	–	(323)
Drawdown on loan facility	–	1,250
Repayment of loan facility	–	(2,523)
Principal element of lease payments	(34)	(33)
Net cash generated from financing activities	5	3,979
Net (decrease)/increase in cash	(2,630)	3,217
Cash and cash equivalents at beginning of year	7,518	4,301
Net (decrease)/increase in cash	(2,630)	3,217
Cash and cash equivalents at end of year	4,888	7,518

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

1. AUTHORISATION OF FINANCIAL STATEMENTS

The Group's consolidated financial statements (the "financial statements") of PCI-PAL PLC (the "Company") and its subsidiaries (together the "Group") for the year ended 30 June 2022 were authorised for issue by the Board of Directors on 5 September 2022 and the Chief Executive, James Barham, and the Chief Financial Officer, William Good, signed the balance sheet.

2. NATURE OF OPERATIONS AND GENERAL INFORMATION

PCI-PAL PLC is the Group's ultimate parent company. It is a public limited company incorporated and domiciled in the United Kingdom. PCI-PAL PLC's shares are quoted and publicly traded on the AIM division of the London Stock Exchange. The address of PCI-PAL PLC's registered office is also its principal place of business.

The Company operates principally as a holding company. The main subsidiaries provide organisations globally with secure cloud payment and data protection solutions for any business communication environment.

3. STATEMENT OF COMPLIANCE WITH IFRS

The principal accounting policies adopted by the Group are set out in Note 4. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these financial statements.

Standards and interpretations in issue but not yet effective
At the date of authorisation of these financial statements, there are several new amendments and interpretations to IFRS in issue that are not yet effective or are effective but are not relevant or material to the Group.

4. PRINCIPAL ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the accounting policies set out below, and under the historical cost convention. These are in conformity with the UK adopted international accounting standards and the requirements of the Companies Act 2006.

The financial statements are presented in pounds sterling (£) rounded to the nearest £1,000, which is also the functional currency of the parent company.

b) Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings (see Note 19) drawn up to 30 June 2022. A subsidiary is a company controlled directly by the Group and all of the subsidiaries are 100% owned by the Group. Control is achieved when the Group 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.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Unrealised gains on transactions within the Group are eliminated on consolidation.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group has utilised the exemption (within IFRS 1) not to apply IFRS to pre-transition business combinations. All other subsidiaries are accounted for using the acquisition method.

c) Going concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons:

The Group meets its day-to-day working capital requirements through its cash balances and trading receipts. Cash balances for the Group were £4.89 million at 30 June 2022.

The Board continues to monitor the Group's trading performance carefully against its original plans, global economic pressures, such as inflation, and other factors affecting our core markets and products. It also reviews the potential impact of the COVID-19 pandemic. However, the challenges the business faced from the pandemic in FY22 have continued to diminish as the year progressed and a greater understanding of the risks were developed. The pandemic has not had a significant impact on the Group's financial performance.

During the year the Group continued to win new contracts, recording new ACV sales of £3.46 million, as well as substantial growth in its transactional revenues.

The Group deployed new customer contracts with an annual recurring revenue value of £3.36m. At the end of the financial year the group had £11.05 million of deployed, live contracts contributing to revenue recognition which helps underpin our expectations for revenue growth in FY23.

With the Group year-end being 30 June, the Group prepared its next financial year budgets in the April to June period. The budget for FY23 was prepared, along with an extended forecast into FY24, following detailed face-to-face meetings with all managers with a focus on building on the FY22 excellent performance and on the product plans and roadmap established in FY22. The budget includes an assumption of a more modest expansion of headcount as compared to FY22.

The Board considered the budget presentation in June and the controls in place that are designed to allow the Group to control its overhead expenditure while still maintaining its momentum and delivering market forecasts. Particular attention was paid to the potential sensitivity impacts that any adverse movement in sales and customer deployments might have on the Group's net cash position and the level of headroom achieved.

The Board considered the likely timing and impact of the legal fees relating to the patent claim being made against it on the cash flow of the Group over the next 24 to 36 months. The sensitivity scenarios around the budget models indicate that the Group would continue to have sufficient resources to meet its expansion plans in FY24 whilst at the same time meeting the cost requirements of defending the patent case.

The Board also considered actions that would help to mitigate the actual results if the assumptions made in the original forecast proved to be overly optimistic, such as lower commission and bonus payments, slower investment and timings of new hires. At all points the Directors were satisfied in the robustness of the Group's financial position from the presented plans which, they believe, take a balanced view of the future growth prospects, together with the contingencies that can be taken if the budget assumptions prove to be materially inaccurate.

Based on these reviews, the Directors have concluded that the group will be able to meet its' obligations as they fall due for the foreseeable future (and in any event for at least 12 months from the date of approval of these financial statements) and accordingly have elected to prepare the financial statements on a going concern basis.

The Directors recognise that during the forthcoming year the Group is expected to remain loss making on a month-to-month basis, albeit with an improving trend. The Directors will review, on a regular basis, the actual results achieved against the planned forecasts. Some of the planned expenditure assumptions in the current forecast remain discretionary and as a result the Directors can delay such expenditure to further ensure the Group is able to meet its day-to- day financial working capital needs.

d) Revenue

Revenue represents the fair value of the sale of goods and services and after eliminating sales within the Group and excluding value added tax or overseas sales taxes. The following summarises the method of recognising revenue for the solutions and products delivered by the Group.

The Group sells long-term secure payment and data protection contracts that charge annual licence or monthly usage fees. The payment profile for such contracts also typically includes payment for one-off set up, professional services and installation fees made at the point of signature of the contract. For revenue recognition purposes, these one-off charges are deemed to be an integral part of the wider contract rather than a separate performance obligation.

(i) Revenue recognition of licence and usage fees

Revenue relating to the monthly element of the licence fee or the monthly usage fees generated in the period will be recognised monthly from the point the contract goes live or when the customer takes over the solution for user acceptance testing.

(ii) Revenue recognition of the one-off set up fees

Revenue for the one-off set up, professional services and installation fees will be deferred and will be recognised evenly over the estimated term of the contract, having accounted for the auto-renewal of our contracts. The estimated term of a contract is typically four years, and will start being recognised as revenue starting in the month following when the contract either goes live or when the customer takes over the solution for user acceptance testing. The Board has estimated that the four year period is appropriate as a typical contract normally has a minimum term of between 12 months and 36 months, but due to the automatic renewal clause it is estimated to have a four year life as these contracts will normally roll for a certain period.

There are two exceptions to the four year life estimation:

- If the contract does not have an automatic renewal clause then the deferral will be over the minimum term of that contract; and
- If the minimum term of the contract is greater than four years, that minimum term period will be used as the estimated length of the contract.

e) Deferred Costs

Under IFRS 15 costs directly attributable to the delivery and implementation of the revenue contracts, such as third-party costs, will be deferred and will be recognised in the statement of comprehensive income over the length of the contract.

Costs directly attributable to the delivery of the PCI Compliance solutions and hosted telephony services will be capitalised as 'costs to fulfil a contract' and released over the estimated term of the contract, having accounted for the automatic auto-renewal of our contracts, up to a maximum of four years, starting the month following from the date of signature of the underlying contract.

If the minimum term of the contract is greater than four years, the minimum term period will be used as the estimated length of the contract.

Costs relating to commission costs earned by employees for winning the contract will be capitalised as 'direct costs to obtain a contract' at the date the commissions payments become due and will be released to administrative expenses in monthly increments over the estimated economic length of the contract, as defined in 4d above, starting the month following the date the cost is capitalised.

f) Intangible assets

Research and development

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Development costs incurred are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale
- the Group intends to complete the intangible asset
- the Group is able to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the expenditure attributable to the intangible asset during the development can be measured reliably

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include, for example, development engineer's salary and on-costs, such as pension payments, employer's national insurance & bonuses, incurred on software development.

The cost of internally generated software developments are recognised as intangible assets and are subsequently measured in the same way as externally acquired software. Where the internally generated asset relates to on-going development of the platform, the costs are capitalised and start to be amortised in the month following. Where the costs relate to a longer term project the costs will be capitalised and held as an intangible asset until the project is launched. At that point the asset will start to be amortised starting the month following the completion of the project. Until completion of the development project, the assets are subject to impairment testing only.

Amortisation commences upon completion of the asset and is shown within administrative expenses in the statement of comprehensive income. Amortisation is calculated to write down the cost less estimated residual value of all intangible assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

- Development costs 20%

The Directors have reviewed the development costs relating to the new AWS platform and are satisfied that the costs identified meet the tests identified by IAS 38 detailed above.

Specifically, the initial platform was launched in October 2017 and has been successfully sold in Europe, North America and Australia, with further sales expected, as detailed in the Chief Executives' statement.

The Directors expect that the AWS platform will continue to be developed, as more functionality is added, and as a result it is expecting to continue to capitalise the development costs (which are primarily labour costs) into the future.

Software licences

The cost of perpetual software licences acquired are stated at cost, net of amortisation and any provision for impairment.

- Software licences 33%

g) Land, building, plant and equipment

Land, buildings, plant and equipment are stated at cost, net of depreciation and any provision for impairment.

Disposal of assets

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

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all equipment assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

- Fixtures and fittings 20%
- Right to use asset Length of contract
- Computer equipment 33%

Material residual value estimates are updated as required, but at least annually.

h) Leases

From 1 July 2019, each lease is recognised as a right-of-use asset with a corresponding liability at the date at which the lease asset is available for use by the Group. Interest expense is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs and restoration costs.

Where leases include an element of variable lease payment or the option to extend the lease at the end of the initial term, each lease is reviewed, and a decision is made on the likely term of the lease.

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the consolidated income statement.

i) Impairment testing of other intangible assets, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less cost to sell, and value in use based on an internal discounted cash flow evaluation. Any impairment loss is first applied to write down goodwill to nil and then is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised no longer exists.

j) Equity-based and share-based payment transactions

The Company's share option schemes allow employees to acquire shares in PCI-PAL PLC to be settled in equity. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity in the Company accounts. The fair value is measured at grant date and spread over the period during which the employees will be entitled to the options. The fair value of the options granted is measured using either the Black-Scholes option valuation model or the Monte Carlo option pricing model, whichever is appropriate for the type of options issued. The valuations consider the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest.

k) Taxation

Current tax is the tax payable based on the loss for the year, accounted for at the rates substantively enacted at 30 June 2022.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, accounted for at the rates substantively enacted at 30 June 2022, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the year end.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited to other comprehensive income or directly to equity in which case the related tax charge is also charged or credited directly to other comprehensive income or equity.

l) Dividends

Dividend distributions payable to equity shareholders are included in "other short term financial liabilities" when the dividends are approved in general meeting prior to the year end. Interim dividends are recognised when paid.

m) Financial assets and liabilities

The Group classifies its financial assets under the definitions provided in International Financial Reporting Standard 9 (IFRS 9), depending on the purpose for which the financial assets were acquired.

Management determines the classification of its financial assets at initial recognition. Management considers that the Group's financial assets fall under the amortised cost category. These are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. The Group's financial assets held at amortised cost arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. As such they comprise trade receivables, other receivables and cash and cash equivalents. Financial assets do not comprise prepayments.

The Group's financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue. The exception are trade and receivables balances, which are recorded at their transaction price as they do not contain a significant financing component. The Group's financial assets are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables, being loss allowances for 'expected credit losses' (ECLs) per IFRS 9, are measured on a lifetime basis using the simplified approach set out in that financial reporting standard. The Group's method in measuring ECLs reflects:

- unbiased and probability-weighted amounts, determined using a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group has applied the practical expedient in IFRS 9 of using a provision matrix to calculate ECLs. This requires the use of historical credit loss experience, as revealed for groupings of similar trade receivable assets, to estimate the relevant ECLs. As such, the Group has employed the following process in calculating ECLs:

- Default definition – amounts not collected are defined in accordance with the credit risk management of the Group and include qualitative factors, broadly encompassing scenarios where the customer is either unable or unwilling to pay;
- Customer contract position, whether the underlying contract has been deployed live or not;
- Collection profiles and loss rates – the collection time periods (e.g. within 30 days, 30 – 60 days, etc.) for sales made in the preceding 12-month period are gathered, amounts not collected assessed and loss rates based on ageing inferred;
- Historical periods – historic losses are reviewed over a 3-year time horizon;
- Forward-looking assessment – the Group considers relevant future economic factors affecting each group of trade receivables, giving an expected probability of default for the portfolio.

The resultant expected loss rates are applied to the ageing profile of grouped trade receivables at the balance sheet date to give the lifetime ECLs for each. This produces the loss allowances to be booked as an impairment adjustment to the carrying value of trade receivables.

Trade receivables are reported net of the resultant loss allowances. The loss is recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. Impairment provisions for other receivables are recognised based on the general impairment model within IFRS 9.

The Group classifies its financial liabilities under the definitions provided in IFRS 9. All financial liabilities are recorded initially at fair value plus or minus directly attributable transaction costs. Except where noted, such liabilities are then measured at amortised cost using the effective interest method.

Financial liabilities measured at amortised cost include trade payables, bank loans and accruals. All financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provision of the instrument. Financial liabilities do not comprise deferred income.

Unless otherwise indicated, the carrying values of the Group's financial liabilities measured at amortised cost represents a reasonable approximation of their fair values.

n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on demand deposits.

o) Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares. The shares have attached to them voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.
- "Share premium" represents the difference between the nominal and issued share price after accounting for the costs of issuing the shares
- "Other reserves" represents the cumulative charge for the Company's share options scheme
- "Profit and loss account" represent retained cumulative profits or losses generated by the Group
- "Currency reserves" represents exchange differences arising from the translation of assets and liabilities of foreign operations

p) Contribution to defined contribution pension schemes

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period and are recognised in the Statement of Comprehensive Income.

q) Foreign currencies

Transactions in foreign currencies are translated into a Company's functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the year end.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the statement of comprehensive income in the period in which they arise.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at the exchange rate applicable at the date of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income. Exchange differences arising in respect of the retranslation of the opening net investment in overseas subsidiaries are accumulated in the currency reserve.

r) Exceptional items

The Group has elected to classify certain items as exceptional and present them separately on the face of the Statement of Comprehensive Income to aid the understanding of users of the financial statements. Exceptional items are classified as those which are separately identified by virtue of their size, nature or expected frequency, to allow a better understanding of the underlying performance in the year.

s) Significant estimates

In the application of the Group's accounting policies the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other commercial and market factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis, and at least annually. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The key areas are summarised below:

Amortisation of capitalised development expenditure

Amortisation rates are based on estimates of the useful economic lives and residual values of the assets involved. The assessment of these useful economic lives is made by projecting the economic life cycle of the asset which is subject to alteration as a result of product development and innovation. Amortisation rates are changed where economic lives are re-assessed and technically obsolete items written off where necessary.

The remaining net book value of the capitalised development is shown in Note 13

- Alternative accounting estimates that could have been applied – not capitalising internally generated development costs.
- Effect of that alternative accounting estimate – reduction of £2,432,000 of assets' carrying value.

Contract revenue and direct costs

The Group has adopted IFRS 15. A key estimate is the term used to recognise deferred contract revenue and costs.

Having reviewed the terms and conditions of the Group's contracts it has estimated that:

- for contracts with defined termination dates, revenue will be recognised over the period to the termination date
- for rolling contracts with automatic renewal clauses, revenue will be recognised over 4 years, representing the Directors' current best estimate of a minimum contract term.

  The Board has estimated that the four-year period is appropriate as a typical contract normally has a minimum term of between 12 months and 36 months, but due to the automatic renewal clause it is estimated to have a 48-month life as these contracts will normally roll for a certain period.
- If the minimum term of the contract is greater than four years, the minimum term period will be used as the estimated length of the contract.

Associated direct costs such as commission costs directly linked to individual contracts will be assessed and will also be deferred over 48 months.

- Alternative accounting estimates that could have been applied – this could be the contractual period without taking into account the automatic renewal clause
- Effect of that alternative accounting estimate – increase in the revenue figure reported by an immaterial amount and an equal decrease in deferred income.
- Second alternative accounting estimates that could have been applied – this could be a longer period other than the four years, with reference to low churn rates.
- Effect of that alternative accounting estimate – decrease in the revenue figure reported by an immaterial amount and an equal increase in deferred income.

Deferred tax

The calculation of the deferred tax asset involved the estimation of future taxable profits. In the year, the Directors assessed the carrying value of the deferred tax asset and decided not to recognise the asset, as the utilisation of the assets was unlikely in the near future. The Directors have reached the same conclusion for this accounting period and so no asset has been recognised.

- Alternative accounting estimate that could have been applied – recognition of the asset
- Effect of that alternative accounting estimate – creation of a deferred tax asset of £4,911,000 and corresponding change in the tax charge reported.

Leases & adoption of IFRS 16

The Group has adopted IFRS 16: Leases. The Directors have determined the only two operating leases within the Group relates to its commercial offices in Ipswich, which renewed in the period. These leases do not have an implied interest rate and so the management have estimated using an incremental borrowing rate of 6% to be used as the discount rate to calculate the lease liabilities for each of the leases. This rate was obtained using the expected underlying rate of interest to be applied to the new Silicon Valley Bank rolling credit facility.

- Alternative accounting estimate that could have been applied – use of a lower or higher discount rate
- Effect of that alternative accounting estimate – corresponding immaterial change in the interest charged in the period and amortisation of the right to use asset.

Share based payments

The fair value of share-based payments is calculated using the methods detailed in Note 20 and using certain assumptions. The key assumptions around volatility, expected life and the risk free rate of return are based on historic volatility over previous periods, the management's judgement of the average expected period to exercise, and the yield on the UK 5-year gilt at the date of issuance.

- Alternative accounting estimate that could have been applied – change the expected time to maturity of the option
- Effect of that alternative accounting judgement – the change would result in a lower or higher option valuation, changing the charge made in the Statement of Comprehensive Income and an equal change to the share option reserve held in the Statement of Financial Position.

t) Significant judgements

In the process of applying the Group's accounting policies, the Directors makes various judgements that can significantly affect the amounts recognised in the financial statements. The critical judgements are considered to be the following:

Capitalised development expenditure

The Group exercises judgement concerning the future in assessing the carrying amounts of capitalised development costs. To substantiate the carrying amount the Directors have applied the criteria of IAS 38 and considered the future economic benefit likely as a result of the investment.

Careful judgement by the Directors is applied when deciding whether the recognition requirements for development costs have been met. Judgement factors include: the current sales of the AWS platform; future demand; type of additional features being added; and the resource necessary to finalise the development roadmap over the next few years. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the Directors.

Contract revenue and direct costs

The Group has adopted IFRS 15. A key related judgement is whether the contract and direct costs has to be deferred and held in the Statement of Financial Position and recognised over the estimated economic period of the contract or alternatively released straight to the Statement of Comprehensive Income over the estimated term of the contract.

Valuation of separately identifiable intangible assets

Separately identifiable intangible assets are identified and amortised over a defined period. The Directors use certain judgements and assumptions to ascertain the appropriate value of the intangible asset and the period of amortisation to be used for the asset.

Patent case

The Directors have reviewed the potential requirement for a provision in relation to the ongoing patent case in accordance with IAS 37. From the advice given by the Group's legal advisors in both the UK and the US, the directors have used their judgement and consider that it is only possible, but not probable, that an obligation will arise from this claim. For this reason, no provision has been made in the financial statements for either the potential damages being sought by Sycurio Limited, or the incremental future legal costs expected to be incurred in defending the case. For further details, see Note 24.

5. LOSS BEFORE TAXATION

The loss on ordinary activities is stated after:

	2022 £000s	2021 £000s
Disclosure of the audit and non-audit fees		
Fees payable to the Group's auditors for: The audit of Company's accounts	37	22
The audit of the Company's subsidiaries pursuant to legislation	42	26
There were no fees payable to the Group's auditors for other services in either the current or prior year.		
Depreciation and amortisation – charged in administrative expenses		
Right of use assets, equipment and fixtures	85	69
Intangible assets	85	76
Capitalised development	803	595
	973	740
Loss on disposal of equipment and fixtures	3	–
Rents payable on flexible office space	53	44
Share based payments charge	246	115
Foreign exchange loss/(gain) in period	(832)	550

6. EXCEPTIONAL ITEMS

The exceptional items referred to in the income statement can be categorised as follows:

	2022 £000s	2021 £000s
Legal fees in respect of patent case	797	–
	797	–

The exceptional item relates to non-recurring legal fees in respect of defending the unfounded patent claim against the Group and are presented separately in the Statement of Comprehensive Income to aid the understanding of users of the financial statements.

For further details, see Note 24.

Alternative accounting that could have been applied would be to treat the costs as non-exceptional and not present them separately on the face of the Statement of Comprehensive Income.

7. FINANCE INCOME

	2022 £000s	2021 £000s
Bank interest receivable	1	–
	1	–

8. FINANCE EXPENDITURE

	2022 £000s	2021 £000s
Interest on bank borrowings	–	194
Other	44	36
	44	230

9. DIRECTORS AND EMPLOYEES

Staff costs of the Group, including the directors who are considered to be part of the key management personnel, paid during the year were as follows.

	2022 £000s	2021 £000s As restated
Wages and salaries	7,910	5,726
Social security costs	799	572
Other pension costs	136	75
	8,845	6,373

During the year, the above disclosure was reviewed and additional costs relating to healthcare expenditure in the US and commissions payable of £561,000 were identified to be included for 2021 and as such the figures for 2021 have been restated. This does not affect the costs recognised in the Statement of Comprehensive Income for the prior year.

As part of this review, the disclosure treatment of sales commissions has been adjusted. Previously, the amount recognised in the Statement of Comprehensive Income was disclosed, this has been changed to disclose the total amount paid or payable to employees during the year.

Therefore, included in the above figures is £850,000 (2021: £717,000) of sales commissions paid, recognised as an asset under IFRS 15 and deferred and released over the estimated life of the related contract. Similarly, the release of sales commissions under IFRS 15 of £452,000 (2021: £313,000) has been excluded from the above disclosure.

Average number of employees during the year:

	2022 Heads	2021 Heads
Sales and marketing	27	21
Engineering and professional services	52	35
Administration and management	14	12
	93	68

Remuneration in respect of directors was as follows:

	2022 £000s	2021 £000s
Emoluments	610	627
Bonus	159	192
Pension contributions to money purchase pension schemes	27	35
Employer's national insurance and US federal taxes	100	98
	896	952

During the year 5 (2021: 4) directors participated in money purchase pension schemes.

The Board consider the board of directors to be the key management for the Group. The amounts set out above include remuneration in respect of the highest paid director as follows:

	2022 £000s	2021 £000s
Emoluments	212	187
Bonus	94	108
Pension contributions to money purchase pension schemes	21	20

A detailed breakdown of the Directors' Emoluments, in line with the AIM rules, appears in the Directors' Report.

10. SEGMENTAL INFORMATION

PCI-PAL PLC operates one business sector: the service of providing data secure payment card authorisations for call centre operations and this is delivered on a regional basis. The Group manages its operations by reference to geographic regions, which are reported on below. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

2022	PCI Pal EMEA £000s	PCI Pal North America £000s	PCI Pal ANZ £000s	Central £000s	Total £000s
Revenue	8,457	3,309	171	–	11,937
Cost of sales	(1,779)	(144)	(1)	–	(1,924)
Gross profit	6,678	3,165	170	–	10,013
	79%	96%	99%		84%
Administration expenses	(6,401)	(4,320)	(358)	(1,201)	(12,280)
Exceptional items	(37)	(182)	–	(578)	(797)
Profit/(loss) from operating activities	240	(1,337)	(188)	(1,779)	(3,064)
Finance income	–	–	–	1	1
Finance costs	(36)	(8)	–	–	(44)
Profit/(loss) before tax	204	(1,345)	(188)	(1,778)	(3,107)
Segment assets	7,420	2,808	151	2,575	12,954
Segment liabilities	(7,269)	(4,990)	(172)	(338)	(12,769)
Other segment items:					
Capital Expenditure - Equipment, Fixtures & Licences	170	–	2	–	172
Capital Expenditure - Capitalised Development	1,014	84	–	–	1,098
Depreciation - Equipment, Fixtures & Licences	135	–	–	–	135
Depreciation - Capitalised Development	727	76	–	–	803

2021	PCI Pal EMEA £000s	PCI Pal North America £000s	PCI Pal ANZ £000s	Central £000s	Total £000s
Revenue	5,457	1,813	92	–	7,362
Cost of sales	(1,646)	(155)	(4)	–	(1,805)
Gross profit	3,811	1,658	88	–	5,557
	70%	91%	96%		75%
Administration expenses	(4,677)	(3,648)	(75)	(1,118)	(9,518)
Loss from operating activities	(866)	(1,990)	13	(1,118)	(3,961)
Finance income	–	–	–	–	–
Finance costs	(30)	(6)	–	(194)	(230)
Loss before tax	(896)	(1,986)	13	(1,312)	(4,191)
Segment assets	5,357	3,790	204	4,336	13,687
Segment liabilities	(5,847)	(3,499)	(157)	(255)	(9,758)
Other segment items:					
Capital Expenditure - Equipment, Fixtures & Licences	40	–	–	–	40
Capital Expenditure - Capitalised Development	761	159	–	–	920
Depreciation - Equipment, Fixtures & Licences	145	–	–	–	145
Depreciation - Capitalised Development	547	48	–	–	595

Note that the ANZ division was reported within the North American division in the previous year.

Revenue can be split by location of customers as follows:

Customer location	2022 £000s	2021 £000s
United Kingdom	8,202	5,298
United States of America	2,872	1,440
Canada	418	329
Rest of Europe	250	195
Asia Pacific	195	93
Middle East	–	7
Total	11,937	7,362

98% (2021: 100%) of all non-current assets are located in the United Kingdom and the largest customer accounted for 16% (2021: 10%) of the revenue of the Group.

11. LOSS PER SHARE

The calculation of the loss per share is based on the loss after taxation added to reserves divided by the weighted average number of ordinary shares in issue during the relevant period as adjusted for treasury shares. Details of potential share options are disclosed in Note 20.

	12 months ended 30 June 2022	12 months ended 30 June 2021
Loss after taxation added to reserves	(£2,943,000)	(£4,038,000)
Basic weighted average number of ordinary shares in issue during the period	65,369,256	60,829,234
Diluted weighted average number of ordinary shares in issue during the period	72,247,589	66,418,818
Basic and diluted loss per share	(4.50)p	(6.64)p

There are no separate diluted loss per share calculations shown as it is considered to be anti-dilutive.

12. TAXATION

	2022 £000s	2021 £000s
Analysis of charge in the year		
Current tax:		
In respect of the year:		
Corporation tax based on the results for the year	–	–
Adjustment in respect for prior periods (R & D Tax credit received)	165	154
Foreign corporate taxes paid	(1)	–
Total current tax credited	164	154
Deferred tax:		
Origination and reversal of timing differences	–	–
Total deferred tax charged	–	–
Tax on profit on ordinary activities credited	164	154

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year was lower than the standard rate of corporation tax in the UK of 19% (2021: 19%)

	2022 £000s	2021 £000s
Loss on ordinary activities before tax	(3,107)	(4,191)
Tax on loss on ordinary activities at standard UK rate of taxation	(590)	(796)
Effects of:		
Overseas tax rates	(110)	(77)
Expenses not deductible for tax purposes	61	26
Adjustments in respect of prior periods R & D tax credit received	165	154
Fixed asset differences	(11)	–
Other permanent differences	(10)	–
Minimum US state taxes paid in year	(1)	–
Origination and reversal of timing differences on unrecognised deferred tax losses	550	1,419
Effect of change in tax rate	110	(572)
Total tax credited for the year	164	154

The Group has unrecognised tax losses carried forward of £20.6 million (2021: £18.1 million).

The R&D tax credit received in FY 2022 is in respect to the trading in FY 2020. No credit has been recognised in relation to the financial years 2021 or 2022 which are pending submission to HMRC.

13. INTANGIBLE ASSETS

2022	SIP, RTP and SBC licences £000s	Capitalised Development £000s	Total £000s
Cost:			
At 1 July 2021	379	3,415	3,794
Additions	48	1,098	1,146
Foreign exchange movement	–	51	51
At 30 June 2022	427	4,564	4,991
Amortisation (included within administrative expenses):			
At 1 July 2021	113	1,315	1,428
Charge for the year	85	803	888
Foreign exchange movement	–	14	14
At 30 June 2022	198	2,132	2,330
Net book amount at 30 June 2022	229	2,432	2,661

2021	SIP, RTP and SBC licences £000s	Capitalised Development £000s	Total £000s
Cost:			
At 1 July 2020	379	2,519	2,899
Additions	–	920	920
Foreign exchange movement	–	(24)	(24)
At 30 June 2021	379	3,415	3,794
Amortisation (included within administrative expenses):			
At 1 July 2020	37	723	298
Charge for the year	76	595	671
Foreign exchange movement	–	(3)	(3)
At 30 June 2021	113	1,315	1,428
Net book amount at 30 June 2021	266	2,100	2,366

14. PLANT AND EQUIPMENT

2022	Right of use Asset £000s	Fixtures and Fittings £000s	Computer Equipment £000s	Total £000s
Cost:				
At 1 July 2021	82	22	297	401
Additions	128	12	112	252
Disposals	(82)	–	(214)	(296)
At 30 June 2022	128	34	195	357
Depreciation (included within administrative expenses):				
At 1 July 2021	68	18	241	327
Charge for the year	35	5	45	85
Disposals	(82)	–	(211)	(293)
At 30 June 2022	21	23	75	119
Net book amount at 30 June 2022	107	11	120	238

2021	Right of use Asset £000s	Fixtures and Fittings £000s	Computer Equipment £000s	Total £000s
Cost:				
At 1 July 2020	82	22	258	362
Additions	–	–	40	40
Disposals	–	–	(1)	(1)
At 30 June 2021	82	22	297	401
Depreciation (included within administrative expenses):				
At 1 July 2020	35	14	210	259
Charge for the year	33	4	32	69
Disposals	–	–	(1)	(1)
At 30 June 2021	68	18	241	327
Net book amount at 30 June 2021	14	4	56	74

15. TRADE AND OTHER RECEIVABLES

Due within one year	2022 £000s	2021 £000s
Trade receivables	2,962	2,146
Accrued income	45	45
Deferred costs	572	333
Other prepayments	613	404
Other debtors	11	–
Trade and other receivables due within one year	4,203	2,928

Due after more than one year	2022 £000s	2021 £000s
Deferred costs	964	801
Trade and other receivables due after one year	964	801

All amounts are considered to be approximately equal to the carrying value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

Trade receivables are reviewed at inception under an expected credit loss model, and then subsequently at each period end for further indicators of impairment, and a provision has been recorded as follows:

	2022 £000s	2021 £000s
Opening provision at 1 July	1	1
Credited to income	–	–
Closing provision at 30 June	1	1

All of the impaired trade receivables are past due at the reporting dates. In addition, some of the non-impaired trade receivables are past due at the reporting date:

	2022 £000s	2021 £000s
0-30 days past due	242	177
30-60 days past due	67	16
Over 60 days past due	165	–
	474	193

The carrying value of trade receivables is considered a reasonable approximation of fair value. All of the receivables have been reviewed for indicators of impairment. The movement in the expected credit losses (ECLs) provision is shown above. Trade receivables are recorded and measured in accordance with Note 4 (m) above. The Group applies the IFRS 9 simplified approach to measuring ECLs using a lifetime expected credit loss provision for trade receivables. The expected loss rates are based on the Group's historical credit losses experienced over the three-year period prior to the period end, the future economic conditions of the country relating to the overdue debtor and the contract position of each overdue debtor.

16. CURRENT LIABILITIES

	2022 £000s	2021 £000s
Trade payables	693	557
Social security and other taxes	519	368
Deferred Income	9,286	6,153
Right of use lease liability	42	15
Accruals	832	724
Total current liabilities due within one year	11,372	7,817

The deferred income figure above includes amounts relating to contracts where the annual licence fee has been invoiced in advance and deferred set-up and professional fees that have not reached a stage where the revenue is being recognised and so is treated as all due in less than one year for reporting purposes.

17. NON-CURRENT LIABILITIES

	2022 £000s	2021 £000s
Deferred Income	1,330	1,941
Right of use lease liability	67	–
Total non-current liabilities due after one year	1,397	1,941

The deferred income figure above includes amounts relating to contracts where the annual licence fee has been invoiced multi years in advance, and deferred set up and professional services fees that have not reached a stage where the revenue is being recognised and so is treated as all due in less than one year for reporting purposes.

18. DEFERRED TAXATION

	2022 £000s	2021 £000s
Balance at 30 June	–	–
Unprovided deferred tax assets		
Accelerated capital allowances	–	–
Trading losses	4,911	4,143
	4,911	4,143

The unprovided deferred tax assets are calculated at an average rate for each country as follows:

UK	25.0%	(2021: 25.0%)
USA	23.0%	(2021: 23.0%)
Australia	25.0%	(2021: not applicable)
Canada	26.5%	(2021: not applicable)

19. GROUP UNDERTAKINGS

At 30 June 2022, the Group included the following subsidiary undertakings, which are included in the consolidated accounts:

Name	Country of Incorporation	Class of share capital held	Proportion held	Nature of business
PCI-Pal (U.K.) Limited[1]	England	Ordinary	100%	Payment Card Industry software services provider
IP3 Telecom Limited[1]	England	Ordinary	100%	Dormant
The Number Experts Limited[1]	England	Ordinary	100%	Dormant
PCI Pal (US) Inc[2]	United States of America	Ordinary	100%	Payment Card Industry software services provider
PCI Pal (AUS) Pty Ltd[3]	Australia	Ordinary	100%	Payment Card Industry software
PCI Pal (Canada) Inc[4]	Canada	Ordinary	100%	Payment Card Industry software

1 Registered at 7 Gamma Terrace, Ransomes Europark, Ipswich, Suffolk IP3 9FF

2 Registered at 2215B Renaissance Drive, Las Vegas, Nevada USA 89119

3 Registered at 62 Burwood Road, Burwood, NSW 2134 Australia

4 Registered at 199 Bay Street, Suite 4000, Toronto, Ontario, Canada M5L 1A9

20. SHARE CAPITAL

Group	2022 Number	2022 £000s	2021 Number	2021 £000s
Authorised:				
Ordinary shares of 1 pence each	100,000,000	1,000	100,000,000	1,000
Allotted called up and fully paid:				
Ordinary shares of 1 pence each	65,619,818	656	65,479,818	655

On 10 December 2021 the Company issued 50,000 ordinary shares of 1 pence in settlement of an exercise of options at 33 pence per share. On the same day, the Company issued 40,000 ordinary shares of 1 pence in settlement of an exercise of options at 26.5 pence per share.

On 30 June 2022 the Company issued 40,000 ordinary shares of 1 pence in settlement of an exercise of options at 22 pence per share. On the same day, the Company issued 10,000 ordinary shares of 1 pence in settlement of an exercise of options at 26.5 pence per share.

The Group owns 167,229 (2021: 167,229) shares and these are held as Treasury Shares.

During the year, the share price fluctuated between 95.0 pence and 53.5 pence and closed at 58.0 pence on 30 June 2022.

Share Option schemes

The Company operates an Employee Share Option Scheme. The share options granted under the scheme are subject to performance criteria and generally have a life of 10 years. The grant price is normally taken with reference to the closing quotation price as derived from the Daily Official List of the London Stock Exchange, however, the Remuneration Committee will adjust the grant price if it deems there are extraordinary circumstances to justify doing so.

The performance criteria are set by the remuneration committee. The grants are individually assessed with regard to the location of the employee and generally have one of the following performance criteria:

1: 50% of the options will vest if the share price of the Company as measured on the London Stock Exchange trades above the share price at the date of grant, for a continuous 30 day period; 25% or the options will vest if the share price of the Company trade 50% above the share price of the Company at the date of Grant for a continuous 30 day period; and the remaining 25% will vest if the share price of the Company trades 100% above the share price of the Company at the date of Grant for a continuous 30 day period. The options cannot be exercised for a three year period from the date of Grant, or;

2: The number of options granted will vest equally over a four year period in monthly tranches with the earliest exercise date being 12 months from the date of issue of the option

All options will lapse after a maximum ten-year period if they have not been exercised.

The following options grants have been made and are valued using the Monte Carlo Pricing model with the following assumptions:

Date of Grant	25-May-17	10-May-19	13-Jun-19	08-Jul-19	08-Jul-19	08-Jul-19	08-Jul-19	08-Jul-20	01-Dec-20	28-Jan-21	23-Mar-21	23-Mar-21	12-Apr-21	12-Apr-21	28-Jan-21	15-Nov-21	15-Nov-21	02-Mar-22	02-Mar-22	02-Mar-22	25-May-22	Total
Exercise Price	33.0 pence	22.0 pence	28.5 pence	28.5 pence	26.5 pence	19.0 pence	23.0 pence	40.0 pence	44.0 pence	60.0 pence	65.0 pence	65.0 pence	113.5 pence	113.5 pence	93.0 pence	68.5 pence	68.5 pence	57.5 pence	57.5 pence	57.5 pence	61.0 pence	
Price at date of grant	33.0 pence	22.0 pence	28.5 pence	28.5 pence	26.5 pence	19.0 pence	23.0 pence	40.0 pence	44.0 pence	60.0 pence	108.5 pence	108.5 pence	113.5 pence	113.5 pence	93.0 pence	68.5 pence	68.5 pence	57.5 pence	57.5 pence	57.5 pence	61.0 pence	
Estimated time to Maturity	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	
Expected Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Volatility	20.00%	20.00%	20.00%	69.00%	69.00%	69.00%	69.00%	45.89%	45.60%	45.88%	45.88%	45.88%	45.88%	45.88%	45.99%	42.98%	42.98%	44.89%	44.89%	44.89%	43.23%	
Risk Free Rate	0.57%	0.87%	0.62%	0.59%	0.59%	0.59%	0.59%	–0.04%	0.04%	–0.03%	0.37%	0.37%	0.37%	0.37%	0.35%	0.71%	0.71%	1.07%	1.07%	1.07%	1.56%	
No Steps used in calculation	10	10	10	10	10	10	10	225	225	250	250	250	250	250	250	250	250	250	250	250	250	
No of simulations used in calculation	100000	100000	100000	100000	100000	100000	100000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	10000	
Fair value of Option	14.11 pence	14.23 pence	14.30 pence	15.42 pence	13.15 pence	11.29 pence	13.38 pence	15.63 pence	17.24 pence	24.91 pence	61.63 pence	61.63 pence	42.40 pence	42.40 pence	37.06 pence	25.82 pence	25.82 pence	23.50 pence	23.50 pence	23.50 pence	24.37 pence	
Weighted average life in years	Fully vested	1.86 years	1.95 years	2.02 years	2.02 years	2.02 years	2.02 years	3.02 years	3.42 years	3.58 years	3.73 years	3.73 years	3.78 years	3.78 years	3.99 years	4.38 years	4.38 years	4.67 years	4.67 years	4.67 years	4.90 years	
# option shares issued at grant	3,065,000	145,000	525,000	215,000	115,000	20,000	105,000	815,000	140,000	65,000	315,000	25,000	220,000	30,000	25,000	560,000	65,000	568,477	276,523	205,000	30,000	7,530,000
# option shares forfeited	1,080,000	25,000	0	25,000	0	0	0	0	0	20,000	10,000	0	0	0	0	0	0	0	0	0	0	1,160,000
# option shares exercised	285,000	40,000	0	0	50,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	375,000
# option shares outstanding as at 30 June 2022	1,700,000	80,000	525,000	190,000	65,000	20,000	105,000	815,000	140,000	45,000	305,000	25,000	220,000	30,000	25,000	560,000	65,000	568,477	276,523	205,000	30,000	5,995,000
# option shares exercisable as at 30 June 2022	1,700,000	80,000	525,000	190,000	65,000	20,000	105,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,685,000
Charge for year	£44,421	£5,523	£14,982	£5,847	£5,676	£451	£2,804	£25,491	£4,829	£1,825	£37,281	£3,083	£18,667	£2,545	£1,854	£17,997	£2,089	£8,790	£4,276	£3,170	£144	£211,747
Total cumulative charge as at 30 June 2022	£280,044	£12,844	£45,769	£17,462	£11,671	£1,346	£8,375	£50,423	£7,620	£3,183	£47,818	£3,920	£22,707	£3,096	£1,859	£17,997	£2,089	£8,790	£4,276	£3,170	£144	£554,604

The fair value of these options has been calculated on an issue by issue basis and £211,747 (2021: £83,668) has been charged to the statement of comprehensive income account for this financial year.

The following options have been valued using a Black Scholes Pricing model with the following assumptions:

Date of Grant	28-Jun-17	04-Oct-17	12-Jul-18	12-Jul-18	12-Nov-18	12-Nov-18	07-Jan-19	27-Feb-19	08-Jul-20	23-Apr-19	01-Dec-20	28-Jan-21	23-Mar-21	15-Nov-21	02-Mar-22	25-May-22	Total
Exercise Price	41.5 pence	44.5 pence	28.5 pence	28.5 pence	26.5 pence	26.0 pence	18.4 pence	23.0 pence	40.0 pence	44.0 pence	44.0 pence	60.0 pence	108.5 pence	68.5 pence	57.5 pence	61.0 pence	
Price at date of grant	41.5 pence	44.5 pence	28.5 pence	28.5 pence	26.5 pence	26.0 pence	18.4 pence	23.0 pence	40.0 pence	44.0 pence	44.0 pence	60.0 pence	108.5 pence	68.5 pence	57.5 pence	61.0 pence	
Estimated time to Maturity	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	4 years	
Expected Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Risk Free Rate	0.57%	0.57%	1.00%	1.00%	1.03%	1.03%	0.89%	0.96%	–0.04%	0.82%	0.04%	–0.03%	0.37%	0.71%	1.07%	1.56%	
Volatility	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	59.00%	34.00%	64.00%	54.00%	52.00%	43.00%	44.89%	43.20%	
Fair value of Option	7.8 pence	8.4 pence	5.6 pence	5.6 pence	5.0 pence	5.2 pence	3.6 pence	4.5 pence	17.8 pence	1.3 pence	21.0 pence	24.6 pence	43.6 pence	23.4 pence	20.7 pence	21.7 pence	
Weighted average life in years	fully vested	fully vested	0.03 years	1.03 years	0.37 years	0.37 years	0.52 years	0.66 years	2.02 years	0.81 years	2.42 years	forfeited	2.72 years	3.37 years	3.67 years	3.90 years	
# option shares issued at grant	150,000	150,000	415,000	641,667	150,000	60,000	15,000	100,000	80,000	200,000	85,000	55,000	35,000	190,000	480,000	105,000	2,911,667
# option shares forfeited	0	22,500	25,000	550,000	0	0	0	0	20,000	0	20,000	55,000	0	0	0	0	692,500
# option shares exercised	0	67,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	67,500
# option shares outstanding at 30 June 2022	150,000	60,000	390,000	91,667	150,000	60,000	15,000	100,000	60,000	200,000	65,000	0	35,000	190,000	480,000	105,000	2,151,667
# option shares exercisable as at 30 June 2022	150,000	60,000	387,075	91,667	136,125	54,450	13,050	83,500	29,700	159,500	25,675	–	11,200	–	–	–	1,201,942
Total charge for year	£0	£329	£5,490	£1,032	£1,854	£773	£202	£1,132	£2,668	£639	£2,810	–£1,430	£3,814	£6,960	£8,252	£577	£35,104
Total cumulative charge as at 30 June 2022	£11,756	£10,715	£21,840	£4,106	£6,747	£2,815	£470	£3,787	£5,285	£2,043	£5,409	£0	£4,858	£6,960	£8,252	£577	£95,621

The fair value of these options has been calculated on an issue by issue basis and £35,104 (2021: £31,013) has been charged to the statement of comprehensive income account for this financial year.

The analysis of the Company's option activity for the financial year is as follows:

	2022		2021	
	Weighted Average exercise Price £	Number of Options	Weighted Average exercise price £	Number of Options
Options outstanding at start of year	0.397	5,911,667	0.302	4,916,667
Options granted during the year	0.613	2,480,000	0.566	2,090,000
Options exercised during the year	0.275	(140,000)	0.356	(302,500)
Options lapsed during the year	0.574	(105,000)	0.269	(792,500)
Options outstanding at end of year	0.463	8,146,667	0.397	5,911,667
Options exercisable at the end of year		3,886,942		2,653,242

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group uses various financial instruments including cash, trade receivables, trade payables, other payables, loans and leasing that arise directly from its operations. The main purpose of these financial instruments is to maintain adequate finance for the Group's operations. The existence of these financial instruments exposes the Group to a number of financial risks, which are described in detail below. The Directors do not consider price risk to be a significant risk. The Directors review and agree policies for managing each of these risks, as summarised below, and these remain unchanged from previous years.

Capital Management

The capital structure of the Group consists of debt, cash, loans and equity. The Group's objective when managing capital is to maintain the cash position to protect the future on-going profitable growth which will reflect in shareholder value.

At 30 June 2022, the Group had a closing cash balance of £4,888,000 (2021: £7,518,000) and borrowings of £nil (2021: £nil).

At the year-end. The Group does not have any debt facilities available.

Financial risk management and objectives

The Group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Directors achieve this by regularly preparing and reviewing forecasts based on the trends shown in the monthly management accounts.

On 30 April 2021 the Company placed 5,864,473 ordinary shares of 1 pence with various institutional investors, priced at 95 pence per share. The placing raised a gross amount of £5.50 million before expenses.

Interest rate risk

In June 2021 the Company repaid its outstanding debt facility with Shawbrook Bank and so does not have any interest rate risk.

Credit risk

The Group's principal financial assets are cash and trade receivables, with the principal credit risk arising from trade receivables. In order to manage credit risks the Group conducts third party credit reviews on new clients and takes deposits or advanced payments where this is deemed necessary.

Where possible the Group collects payment by direct debit, limiting the exposure to a build-up of a large outstanding debt. Concentration of credit risk with respect to trade receivables are limited due to the wide nature of the Group's customer base: The largest customer accounted for 16% of revenues in the financial year, but this is expected to continue to drop in the next financial year as we add more and more customers. Historically, bad debts within the Group are minimal due to the importance of our service to the customer as well as the level of payments in advance we receive. This situation is not expected to change in the future.

Liquidity risk

The Group aims to mitigate liquidity risk by closely monitoring cash generation and expenditure. Cash is monitored weekly and forecasts are prepared monthly to ensure that the movements are in line with the Directors' strategy.

Foreign currencies and foreign currency risk

During the year exchange gains of £832,000 (2021: loss of £550,000) have arisen, which are mostly unrealised exchange movements. As at the 30 June 2022 the Group held the following foreign currency cash balances:

US Dollar	$589,226	Sterling equivalent: £478,695	(2021: £754,233)
Canadian Dollar	$405,330	Sterling equivalent: £254,493	(2021: £155,211)
Australian Dollar	$35,571	Sterling equivalent: £20,065	(2021: £105,127)
Euro	€387,639	Sterling equivalent: £333,711	(2021: £126,263)
Total		Sterling equivalent: £1,086,964	(2021: £1,140,834)

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction and monetary assets and liabilities in foreign currencies are translated at the rates ruling at the year end. At present foreign exchange translation is low and therefore hedging and risk management is not deemed necessary as the company trades and spends in the various currencies.

The Group's principal exposure to exchange rate fluctuations arise on the translation of overseas net assets, profits and losses into Sterling, for presentational purposes. The exchange rate fluctuations are reported by taking the differences that arise on the retranslation of the net overseas investments to the currency reserve.

Foreign currency risk on cash balances is monitored through regular forecasting and the Group tries to maintain a minimum level of currency in the accounts so as to meet the short term working capital requirements.

No sensitivity analysis is provided in respect of foreign currency risks as the risk is considered to be moderate.

22. CAPITAL COMMITMENTS

The Group has no capital commitments at 30 June 2022 or 30 June 2021.

23. CONTINGENT ASSETS

The Group has no contingent assets at 30 June 2022 or 30 June 2021.

24. CONTINGENT LIABILITIES

In October 2019 the Group entered into a £2.75 million loan facility with Shawbrook Bank. As part of the loan agreement Shawbrook Bank will be entitled to receive a cash based payment calculated on the value generated, over a 10 year period up to October 2029, on the equivalent of £206,250 of phantom shares (being 7.5% of the facility) if there is a takeover of the Group or a debt refinancing of the Shawbrook debt.

The exit fee is a cash payment of a sum equal to P, where:

P = (A x B) – C

and where:

A = the Phantom Shares Number – the Phantom Shares Value divided by the fair market value of one ordinary share, calculated using the average of the closing share price in the previous five days immediately prior to the date of the facility letter;

B = the fair market value of one ordinary share at the time of the exit fee event; and

C = the Phantom Shares Value, which is £206,250.

An Exit Fee Event is where there is:

(a) a sale or other disposition of all or substantially all of the assets in the Company in whatever form (whether in a single transaction or multiple related transactions); or

(b) an acquisition of shares in the Company by a person (and any persons acting in concert with that person) that results in that person (together with any such persons acting in concert) acquiring a controlling interest in the Company; or

(c) a reorganisation, consolidation or merger of the Company (whether in a single transaction or multiple related transactions) where shareholders before the transaction(s) directly or indirectly beneficially own issued voting securities of the surviving entity after the transaction(s) together carrying the right to cast 50% or less of the votes capable of being cast at general meetings of the surviving entity; or

(d) a distribution or other transfer of assets to the shareholders of the Company in connection with the liquidation of the Company; or

(e) a refinancing of the Facility with a bank or debt lender (other than the Bank) within thirty six months of the date of the Facility Agreement, provided that the outstanding balance of the Facility prior to the date of such refinancing is equal to or greater than £500,000

The debt facility was repaid from cashflow in June 2021 and so no exit fee was triggered. However, there still remains a contingent liability if the Company is taken over.

Patent case

In September 2021, Semafone Limited (now renamed Sycurio Limited), a competitor of the Group, lodged claims at the UK Patent Court against both PCI-Pal PLC and PCI-Pal (U.K.) Ltd and at the US Patent Court against PCI Pal (U.S.) Inc for breach of Semafone patents. The Group strongly refutes the claims that are being made against it and so instructed its lawyers to prepare a robust defence and counterclaims to be heard by the Courts in the UK and US.

A court hearing has been scheduled for June 2023 in the UK with the court proceedings expected to commence in the US in the summer/autumn of 2024.

The Group has formed a robust defence on non-infringement, despite the onus being on Sycurio to prove infringement, and has advanced strong counterclaims of invalidity of Sycurio's patents, such as prior-art. Following an extensive investigation into Sycurio's patents and the previous court challenges in the UK to their validity by other parties, the Group has formed a strong position on counterclaims challenging the validity of the patents. Both defence and counterclaims form the basis of our multi-faceted position in the UK and US cases.

The Group's legal advisors have advised the directors about the strength of the defence, the potential for recovery of costs incurred in defending the case and the processes involved in the Court hearings. Based on the legal advisors' advice, the directors consider that it is only possible, but not probable, that an obligation to Sycurio will arise from this claim. It is not practical to state an amount or timing of financial impact of this obligation, if any, as it depends upon the future outcome of the Court hearings, which are at an early stage, or any mediation or settlement negotiations with Sycurio.

As the Directors do not believe that the Group has infringed the Sycurio patents they have concluded that there is no past obligating event in relation to the Claim, therefore no provision for anticipated future legal costs has been made in the financial statements. The total value of the legal costs incurred to date and the estimate of the contingent liability for future legal fees at the year-end is as follow:

	Incurred in year £000s	To be incurred in future £000s	Total estimated cost £000
PCI-Pal PLC	578	1,194	1,772
PCI-Pal (U.K.) Ltd	37	–	37
PCI Pal (U.S.) Inc	182	1,706	1,888
	797	2,900	3,697

Note that the defence and costs of the UK claim are being managed and funded by PCI-Pal PLC, who was included in the Claim.

25. CHANGES IN ACCOUNTING POLICY

There were no changes in accounting policies during the financial year.

26. TRANSACTIONS WITH DIRECTORS

Apart from the directors' standard remuneration there were no other transactions with directors in the year to June 2022 or June 2021.

27. DIVIDENDS

The Directors are not proposing a dividend for the financial year (2021: nil pence per share).

28. SUBSEQUENT EVENTS

There are no subsequent events to report.

29. ALTERNATIVE PERFORMANCE MEASURES

The Group reports certain alternative performance measures ('APMs') that are not required under IFRS. The Group believes that these APMs, when viewed in conjunction with its IFRS financial information, provide valuable and more meaningful information regarding the underlying financial and operating performance of the Group to its stakeholders.

Company Statement of Financial Position

REGISTERED NUMBER: 03869545

AS AT 30 JUNE 2022

	Note	2022 £000s	2021 £000s
Fixed assets			
Investments	5	–	–
		–	–
Current assets			
Debtors: amounts falling due within one year	6	13,875	13,443
Cash at bank and in hand		2,477	4,295
		16,352	17,738
Creditors: amounts falling due within one year	7	(383)	(276)
Net current assets		15,969	17,462
Total assets less current liabilities		15,969	17,462
Net assets		15,969	17,462
Capital and reserves			
Called up share capital	8	656	655
Share premium account		14,281	14,243
Other reserves		650	404
Profit and loss account		382	2,160
Shareholders' funds		15,969	17,462

The loss for the Company for the year was £1,778,000 (2021: £1,313,000)

The financial statements were approved by the Directors and were authorised for issue on 5 September 2022.

J Barham **Director**

T W Good **Director**

Company Statement of Changes In Equity

FOR THE YEAR ENDED 30 JUNE 2022

	Share capital £000s	Share premium £000s	Other reserves £000s	Profit and loss account £000s	Total Equity £000s
Balance at 1 July 2020	594	9,018	289	3,473	13,374
Share option charge	–	–	115	–	115
New shares issued net of costs	61	5,225	–	–	5,286
Transactions with owners	655	5,225	115	–	5,401
Loss for the year	–	–	–	(1,313)	(1,313)
Total comprehensive loss	–	–	–	(1,313)	(1,313)
Balance at 30 June 2021	655	14,243	404	2,160	17,462
Share option charge	–	–	246	–	246
New shares issued net of costs	1	38	–	–	39
Transactions with owners	1	38	246	–	285
Loss for the year	–	–	–	(1,778)	(1,778)
Total comprehensive loss	–	–	–	(1,778)	(1,778)
Balance at 30 June 2022	656	14,281	650	382	15,969

The accompanying accounting policies and notes form an integral part of these financial statements.

Company Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022

	2022 £000s	2021 £000s
Cash flows from operating activities		
Loss after taxation	(1,778)	(1,313)
Adjustments for:		
Interest income	(1)	–
Share based payments	246	115
Decrease/(increase) in debtors and other receivables	(409)	443
Increase/(decrease) in creditors and other payables	84	160
Net cash used in operating activities	(1,858)	(595)
Cash flows from investing activities		
Interest received	1	–
Net cash generated from investing activities	1	–
Cash flows from financing activities		
Issue of shares – net of cost of issue	39	5,608
Expenses from issue of shares	–	(322)
Drawdown on loan facility	–	1,250
Repayment of loan facility	–	(2,523)
Net cash generated from financing activities	39	4,013
Net increase/(decrease) in cash	(1,818)	3,418
Cash and cash equivalents at beginning of year	4,295	877
Net (decrease)/increase in cash	(1,818)	3,418
Cash and cash equivalents at end of year	2,477	4,295

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Company have been prepared in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and the Companies Act 2006. This includes the recognition and measurement principles of IAS 39, whilst the Group accounts apply IFRS 9.

As disclosed in the Group's Directors Report above, the Directors have continued to adopt the going concern basis in preparing the financial statements.

The financial statements are presented in pounds sterling (£) rounded to the nearest £1,000, which is also the functional currency of the Company.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in future, have occurred by the year end. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the year end.

Investments

Shares in subsidiary undertakings are included at original cost less any amounts written off for permanent diminution in value.

Related Party Transactions

The Company maintains Group intercompany balances with 100% owned subsidiaries, and therefore has taken advantage of Section 33 of FRS102 which states that transactions between a parent and its 100% owned subsidiaries do not need to be disclosed.

Financial assets and liabilities

The Company's financial assets comprise cash and trade and other receivables, which under IAS 39 are classed as "loans and receivables". Financial assets are recognised on inception at fair value plus transaction costs. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in profit or loss in the year.

Provision against trade receivables is made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows.

The Company has a number of financial liabilities including trade and other payables. These are classed as "financial liabilities measured at amortised cost" in IAS 39. These financial liabilities are carried on inception at fair value net of transaction costs and are thereafter carried at amortised cost under the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on-demand deposits.

Intercompany balances

Intercompany balances represent amounts lent to subsidiary companies for working capital purposes. The loans are repayable on demand and interest is not charged on the balances outstanding.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares. The shares have attached to them voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.
- "Share premium" represents the difference between the nominal and issued share price
- "Other reserves" represents the cumulative charge for the Company's share options scheme
- "Profit and loss account" represent cumulative retained profits of the Company

Equity-based and share-based payment transactions

The Company's share option schemes allow employees to acquire shares in PCI-PAL PLC to be settled in equity. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity in the Company accounts. The fair value is measured at grant date and spread over the period during which the employees will be entitled to the options. The fair value of the options granted is measured using either the Black-Scholes option valuation model or the Monte Carlo option pricing model, whichever is appropriate for the type of options issued. The valuations consider the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Contribution to defined contribution pension schemes

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the year end.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise.

Significant Estimates

Impairment of receivables due from subsidiaries

The Company has intercompany receivables of £13.73 million. The management have reviewed these intercompany loans and have concluded that, given the strong growth and future prospects of the relevant subsidiaries, there is no impairment required.

- Alternative accounting estimate that could have been applied – impair the intercompany receivable
- Effect of that alternative accounting estimate – at Group level no impact, at Company level reduction of intercompany asset and corresponding charge to the Statement of comprehensive income.

Significant Judgements

Patent case

The Directors have reviewed the potential requirement for a provision in relation to the ongoing patent case in accordance with IAS 37. From the advice given by the Company's legal advisors in the UK, the directors have used their judgement and consider that it is only possible, but not probable, that an obligation will arise from this claim. For this reason, no provision has been made in the financial statements for either the potential damages being sought by Sycurio Limited, or the incremental future legal costs expected to be incurred in defending the case. For further details, see Note 11.

2. LOSS FOR THE FINANCIAL YEAR

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own the statement of comprehensive income in these financial statements. The loss for the Company for the year was £1,778,000 (2021: £1,313,000).

3. PERSONNEL REMUNERATION

During the period the Company had two employees James Barham and William Good and also pays the service fees of four non-executive directors. Their salaries and benefits are disclosed in the Directors Report in the Group accounts above.

4. INTEREST INCOME

The Company received interest from bank deposits of £885 (2021: £162).

The Company does not charge interest on its intercompany balances.

5. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £000s	Total £000s
Cost at 1 July 2020	–	–
Disposals	–	–
Additions	–	–
Cost at 30 June 2021	–	–
Additions	–	–
Disposals	–	–
Cost at 30 June 2022	–	–

Details of the investment in which the parent company hold 20% or more of the nominal value of any class of share capital are as follows;

Name	Country of Incorporation	Class of share capital held	Proportion held	Nature of business
PCI-Pal (U.K.) Limited[1]	England	Ordinary	100%	Payment Card Industry software services provider
IP3 Telecom Limited[1]	England	Ordinary	100%	Dormant
The Number Experts Limited[1]	England	Ordinary	100%	Dormant
PCI Pal (US) Inc[2]	United States of America	Ordinary	100%	Payment Card Industry software services provider
PCI Pal (AUS) Pty Ltd[3]	Australia	Ordinary	100%	Payment Card Industry software
PCI Pal (Canada) Inc[4]	Canada	Ordinary	100%	Payment Card Industry software

1 Registered at 7 Gamma Terrace, Ransomes Europark, Ipswich, Suffolk IP3 9FF

2 Registered at 2215B Renaissance Drive, Las Vegas, Nevada USA 89119

3 Registered at 62 Burwood Road, Burwood, NSW 2134 Australia

4 Registered at 199 Bay Street, Suite 4000, Toronto, Ontario, Canada M5L 1A9

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £000s	2021 £000s
Amounts due within one year		
Amounts owed by group undertakings	13,732	13,381
VAT recoverable	45	22
Prepayments	87	40
Other debtors	11	–
	13,875	13,443

There are no amounts due after one year.

Amounts owed by Group undertakings are repayable on demand and there is no interest charged.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £000s	2021 £000s
Trade creditors	115	32
Accruals	1,462	244
Total current liabilities due within one year	1,577	276

8. SHARE CAPITAL

Company	2022 Number	2022 £000s	2021 Number	2021 £000s
Authorised:				
Ordinary shares of 1p each	100,000,000	1,000	100,000,000	1,000
Allotted called up and fully paid:				
Ordinary shares of 1p each	65,619,818	656	65,479,818	655

On 10 December 2021 the Company issued 50,000 ordinary shares of 1 pence in settlement of an exercise of options at 33 pence per share. On the same day, the Company issued 40,000 ordinary shares of 1 pence in settlement of an exercise of options at 26.5 pence per share.

On 30 June 2022 the Company issued 40,000 ordinary shares of 1 pence in settlement of an exercise of options at 22 pence per share. On the same day, the Company issued 10,000 ordinary shares of 1 pence in settlement of an exercise of options at 26.5 pence per share.

The Group owns 167,229 (2021: 167,229) shares and these are held as Treasury Shares.

During the year, the share price fluctuated between 95.0 pence and 53.5 pence and closed at 58.0 pence on 30 June 2022.

9. DIVIDENDS

The Directors have proposed no final dividend of in respect of the year ended 30 June 2022 (2021: nil pence per share).

10. FINANCIAL ASSETS AND LIABILITIES

The Company uses various financial instruments including cash, trade payables, other payables, that arise directly from its operations. The main purpose of these financial instruments is to maintain adequate finance for the Company's operations. The existence of these financial instruments exposes the Company to a number of financial risks, which are described in detail below. The Directors do not consider price risk to be a significant risk. The Directors review and agree policies for managing each of these risks, as summarised below, and these remain unchanged from previous years.

Capital Management

The capital structure of the company consists of cash and equity. The Company's objective when managing capital is to maintain the cash position to protect the future on-going profitable growth which will reflect in shareholder value.

At 30 June 2022, the Company had a closing cash balance of £2,477,000 (2021: £4,295,000).

Financial risk management and objectives

The Company seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Directors achieve this by regularly preparing and reviewing forecasts based on the trends shown in the monthly management accounts.

Credit risk

The Company's principal financial assets are cash and intercompany receivables.

The main credit risk arises from the intercompany receivables. The Directors monitor the trading of its subsidiaries closely to ensure they are performing in line with expectations.

Liquidity risk

The Group aims to mitigate liquidity risk by closely monitoring cash generation and expenditure. Cash is monitored daily and forecasts are regularly prepared to ensure that the movements are in line with the Directors' strategy. The Company's liquidity risk is monitored as part of this overall Group review.

11. CONTINGENT LIABILITIES

In October 2019 the Company entered into a £2.75 million loan facility with Shawbrook Bank. As part of the loan agreement Shawbrook Bank will be entitled to receive a cash based payment calculated on the value generated, over a 10 year period up to October 2029, on the equivalent of £206,250 of phantom shares (being 7.5% of the facility) if there is a takeover of the Group or a debt refinancing of the Shawbrook debt.

The exit fee is a cash payment of a sum equal to P, where:

P = (A x B)- C

and where:

A = the Phantom Shares Number – the Phantom Shares Value divided by the fair market value of one ordinary share, calculated using the average of the closing share price in the previous five days immediately prior to the date of the facility letter;

B = the fair market value of one ordinary share at the time of the exit fee event; and

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An Exit Fee Event is where there is:

(a) a sale or other disposition of all or substantially all of the assets in the Company in whatever form (whether in a single transaction or multiple related transactions); or

(b) an acquisition of shares in the Company by a person (and any persons acting in concert with that person) that results in that person (together with any such persons acting in concert) acquiring a controlling interest in the Company; or

(c) a reorganisation, consolidation or merger of the Company (whether in a single transaction or multiple related transactions) where shareholders before the transaction(s) directly or indirectly beneficially own issued voting securities of the surviving entity after the transaction(s) together carrying the right to cast 50% or less of the votes capable of being cast at general meetings of the surviving entity; or

(d) a distribution or other transfer of assets to the shareholders of the Company in connection with the liquidation of the Company; or

(e) a refinancing of the Facility with a bank or debt lender (other than the Bank) within thirty six months of the date of the Facility Agreement, provided that the outstanding balance of the Facility prior to the date of such refinancing is equal to or greater than £500,000

The debt facility was repaid from cashflow in June 2021 and so no exit fee was triggered. However, there still remains a contingent liability if the Company is taken over.

Patent case

In September 2021, Semafone Limited (now renamed Sycurio Limited), a competitor of the Group, lodged claims at the UK Patent Court against both PCI-Pal PLC and PCI-Pal (U.K.) Ltd and at the US Patent Court against PCI Pal (U.S.) Inc for breach of Semafone patents. The Group strongly refutes the claims that are being made against it and so instructed its lawyers to prepare a robust defence and counterclaims to be heard by the Courts in the UK and US.

As reported above in the Group accounts, the Directors do not believe that the Company has infringed the Sycurio patents they have concluded that there is no past obligating event in relation to the Claim, therefore no provision for anticipated future legal costs has been made in the financial statements. The total value of the legal costs incurred to date by the Company and the estimate of the contingent liability for future legal fees at the year-end is as follow:

	Incurred in year £000s	To be incurred in future £000s	Total estimated cost £000
PCI-Pal PLC	578	1,194	1,772

Note that the defence and costs of the UK claim in total are being managed and funded by PCI-Pal PLC

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