6 September 2021

PCI-PAL PLC
("PCI Pal", the "Company" or the "Group")
Results for the year ended 30 June 2021
Analyst Briefing & Investor Presentation

Substantial increase in revenues and continued strong new business momentum

PCI-PAL PLC (AIM: PCIP), the global provider of secure payment solutions, is pleased to announce full year results for the year ended 30 June 2021 (the "Period").

Financial Highlights

- Revenue increased by 67% to £7.36 million (2020: £4.40 million)
- Gross margin increased to 76% (2020: 69%) reflecting the continuing transition of our service delivery mix to the higher margin, cloud based Amazon Web Services ("AWS") platform
- Significant increase in new sales bookings leading to signed recurring Annual Contract Value ("ACV") increasing by 19% to £3.11 million (2020: £2.62 million)
- Total contracted recurring ACV ("TACV[1]") increased 41% to £9.51 million at 30 June 2021 (2020: £6.75 million)
- Deferred income increased 79% to £8.09 million (2020: £4.53 million)
- Loss before Tax in line with expectations at £4.19 million (2020: £4.35 million) following continued investment in our growth plans and a £0.55 million foreign exchange loss in the period (2020: Foreign exchange gain of £0.02 million)
- Raised £5.18 million net of expenses to fund further expansion into Canada, Australia and mainland Europe in April 2021 to grow the Group's addressable market by 40%
- Cash balances at year end of £7.52 million (2020: £4.30 million) and the Group is debt free having repaid its debt facility prior to the period end (2020: drawn down debt of £1.27 million)

Operating and Other Highlights

- North American momentum continues to build, with revenue up 279% and new ACV sales up 29%. North America now accounts for 26% of the Group revenue (2020: 10%)
- Recurring revenue model proven with record full year on year revenue growth, recurring revenues now stand at 88% of all revenue (2020: 84%)
- Signed 195 new sales contracts in the year (2020: 109)
- A further 121 new contracts live with our services in the period
- Time to go live of new contracts signed in the last 18 months from the date of signature to deployment ("TTGL") was consistent with the prior year at around 5 months average across all sales channels
- 78% of new sales contracts for the Group generated from channel partners (2020: 78%)
- Formed the PCI Pal Advisory Committee ("PAC") which included the committee's first member, payments and cyber-security specialist, Neira Jones.
- Completed planned hiring of new Chief Technology Officer ("CTO") with cloud and payments technology leader, Mufti Monim, joining the business in April 2021.

[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

Current Trading

- Strong start to new financial year with new ACV in line with management expectations.
- Sales highlights since year end:
    - Two sizeable contracts won through resellers in the US:
        - the first providing our Agent Assist services to a well-known NASDAQ-listed hosting provider covering contact centres in US and UK;

    - the second through a new reseller, at whom we displaced one of our main competitors as their PCI solution of choice, to win our first deal with a major LATAM-focused energy provider leveraging our services through our recently announced improved product offering with Genesys.
    - Continuing to build on our government sector strength in the UK, with a further large council based in Wales.
- Signed a new reseller partnership with a multi-national German headquartered technology provider and BPO which has included the partnership's first new customer.
- 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 Office at Vonage Inc, and Emilia D'Anzica, a customer success executive and consultant.

Board Change

- PCI Pal today announces that after 24 years with PCI Pal and its former businesses, Geoff Forsyth, Chief Information Security Officer (CISO) and current executive director, has informed the Board of his intention to step down from the Board at the Company's upcoming AGM. He will continue in his role as CISO for the Company, serving on the Company's management team, as he works towards retirement which is expected to be in the next 24 months.

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

"We have taken another sizeable step forward in FY21. Our advanced cloud capabilities have allowed us to continue to grow our customer reach through our expanding partner eco-system, serving customers not only in our primary geographic focus areas, but across the world.

"With our key sales metric of TACV having grown by a further 41% year-on-year, I have been particularly pleased to see a real cohesion in the business this year, as despite a near doubling in new contracts won, we have maintained a strong deployment performance of customers going live in the year.

"I am delighted by the continued growth being shown by the business as we deliver against our strategy. We have therefore continued to make positive, progressive changes internally as we further refine our operations to best support our pace of growth. As well as the further geographic expansion planned in FY22, we are hugely excited by the additional foundational strength we are putting in place across Customer Success, Engineering, and Product Management.

"I am looking forward with confidence as we look to deliver another strong year of performance from the Group in FY22 as we further cement our relationships with our current and future partners, and drive customer go-lives of our class-leading cloud solutions with organisations across the world."

Analyst Briefing: 9.30am on Monday 6 September 2021

An online briefing for Analysts will be hosted by James Barham, Chief Executive, and William Good, Chief Financial Officer, at 9.30am today, Monday 6 September 2021, to review the results and prospects. Analysts wishing to attend should contact Walbrook PR on pcipal@walbrookpr.com or 020 7933 8780.

Investor Presentation: 4.00pm on Wednesday 8 September 2021

The Directors will hold an investor presentation to cover the results and prospects at 4.00pm (UK time) on Wednesday 8 September 2021.

The presentation will be hosted through the digital platform Investor Meet Company. Investors can sign up to Investor Meet Company and add to meet PCI-PAL PLC via the following link https://www.investormeetcompany.com/pci-pal-plc/register-investor. For those investors who have already registered and added to meet the Company, they will automatically be invited.

Questions can be submitted pre-event to pcipal@walbrookpr.com or in real time during the presentation via the "Ask a Question" function.

For further information, please contact:

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About PCI Pal:

PCI Pal is a leading provider of Software-as-a-Service ("SaaS") solutions that empower companies to take payments from their customers securely, adhere to strict industry governance, and remove their business from the significant risks posed by non-compliance and data loss. 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 worlds' leading business communications vendors, as well as major payment service providers.

The entirety of our product-base is available from our global cloud platform hosted in Amazon Web Services ("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.

For more information visit www.pcipal.com or follow the team on Linkedin:
https://www.linkedin.com/company/pci-pal/

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014.

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021

I am very pleased to report on another year of significant progress for the business. In a year overshadowed by the impacts of the COVID-19 pandemic, the PCI Pal team has nonetheless forged ahead to achieve impressive top line growth. As a result, our leading forward indicator of growth, TACV, grew by 41% to £9.5 million in the year and deferred revenue grew 79% to £8.1 million, helping to grow our forward recognized revenue visibility. Recognised revenue also grew strongly by 67% to £7.4 million and gross margins continued to improve to 75%. These financial metrics are all hallmarks of a strong and growing cloud company and SaaS business model.

Not only did the Group not need to furlough or layoff any staff as a result of the COVID-19 pandemic, we continued to hire in order to support that strong growth. At the same time, the team have continued to build the Group's infrastructure through investment in process, systems, and importantly, our incredibly talented people. We are grateful for the support of our people in these challenging personal times, as well as other key stakeholders, including our new and existing shareholders in supporting of the equity funding in April 2021, and our channel partners with whom we continue to drive our growth.

People

The COVID-19 pandemic is lasting longer than most of us expected, but our people have proved to be incredibly resilient and have adapted well to the new circumstances, and I personally thank them for that. The Company has put a great deal of effort in to supporting our people; not just by accommodating work-from-home requirements and providing collaborative technologies, but by being understanding, respectful, flexible, and most importantly listening to people's needs and concerns. From this enhanced culture, communication and teamwork, new opportunities for individuals and the business are emerging. We have also taken advantage of the opportunity to invest in new or deeper skills, most notably in engineering, customer success, and senior management with the recruitment of a new CTO to lead our technology and product plans for the next phase of our strategic growth plan.

Overall, the PCI Pal team has grown from 58 to 71 employees over the course of the year, and we plan additional expansion in FY22. As the world tentatively emerges from lockdown and uncertainty is reduced, the market for talent has become more competitive, willingness to move jobs has increased, and the supply of technical Cloud-experienced people has tightened. The Board remains as committed as ever to supporting our people in terms of professional development, flexible hybrid work environments and competitive compensation and benefit packages. I am therefore confident of our ability to not only retain our people, but also attract new talent necessary to support our ambitious growth goals.

Board Change

Geoff Forsyth, CISO and current executive director, has notified the Board of his intention to step down from the Board with effect from the Company's upcoming AGM. Geoff will continue his important management role as CISO for the Company, leading our Information Security and Compliance team, until his intended retirement in the next two years. Geoff is one of the founders of the PCI Pal business and has played a critical role in building the security, technology, and compliance foundations of this fast-growing business. On behalf of the Board and everyone at PCI Pal, I would like to thank Geoff for his significant contribution, and we look forward to his continued valuable input as he works towards retirement.

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. FY21 again delivered tangible evidence of the ongoing success of that strategy, and not just in the achievement of impressive top line growth. The Group continues to derive most of its growth and new customer acquisitions from its partner relationships and has expanded its partner ecosystem by adding world leading organisations. Accelerating rates of Cloud adoption and digital transformation initiatives at end customers around the world matches well with our pure Cloud approach, further differentiating ourselves from our competition in the eyes of partners, customers, and industry analysts alike. In FY21 the Group added 195 new customers contracts, almost double the 109 achieved in the prior year.

Building on this strategic success to date, the Board undertook a detailed refresh of a five-year strategic plan early in the current year. The Board concluded that further success was achievable through, geographic expansion, customer success and gains in net retention, and the professionalisation of our product management function to assess opportunities for additional features and/or products in the arena of secure payment solutions. The Board is optimistic about what can be achieved in the future.

Fund Raising and Debt Repayment
To support the necessary investment and execution of our refreshed strategic plan, the Company raised an additional £5.18 million (net of expenses) through an equity placing at £0.95 pence per share in April 2021. The placing was well received by existing shareholders and attracted further new institutional investors both in the UK and North America.

The strong trading and cash flow performance in FY21 enable the Board to take the economic decision to fully repay in June 2021 its outstanding debt facility, ahead of schedule. It should also be noted that the Board chose not to benefit from direct government support relating to the COVID-19 pandemic in any of the territories in which it operates.

Full disclosure of the terms of the equity raise, and the early repayment of debt, has been made in the notes to these accounts and within the Chief Financial Officer's Review.

Corporate Governance
Last year I outlined several key areas of corporate governance and related initiatives aimed at setting the Board on a path of continuous improvement over time. These areas included formal and structured board effectiveness evaluations, a fresh approach to the assessment of the Company's risk profile, expansion of the work undertaken by the board committees', and embarking on a five-year refresh of our forward strategic plan to take effect from FY21 onwards. This year the Board has continued to seek improvements in these areas and has taken advantage of remote board meetings to increase the frequency of board meetings while seeking to reduce the length of these meetings. This has allowed the Board to address more matters than in the past, and to improve our ability to challenge and question the executive management as they continue to drive the business forward as we deliver against the undoubted market opportunity, thereby helping our independent judgement. The new Environmental, Social and Governance ("ESG") report and commitment to improving our ESG footprint over time is another example of improvement steps taken this year.

One consequential element of refreshing our five-year strategic plan is assessing the future governance needs of the Board as the Company becomes larger, more internationally complex, serving a broader range of global partners and customers, and building an even more culturally diverse team of people in different countries. To that end the Board has actively discussed succession planning of non-executive directors who will reach term limits in the near term to ensure that we continue to have the necessary range of expertise, skills, and diversity on the Board to support the achievement of the refreshed five-year strategic plan.

Earlier this year we announced the formation of the PCI Pal Advisory Committee (the "PAC"). The formation of the PAC is intended to assist the CEO and senior management with expert outside functional advice most relevant to the execution of its refreshed strategic plan. It is also intended to enhance the Board's ability to meet its governance responsibility to manage its risk profile by having access to expert and more diverse, global outside viewpoints. I am therefore very pleased that following the year end, we have expanded the PAC to now include a total of three members with a range of backgrounds and expertise for business communications in the Cloud including payments, product management and customer success. All of which are key areas of our refreshed strategic plan. The profiles of the PAC members can be found on in the biography section below, with the two newest members Jay Patel and Emilia D'Anzica both being US-based.

Environmental, Social and Governance
This year, the Board has produced its first ESG report, which sets out our commitment to understanding, measuring, and over time improving our 'ESG footprint'. This report also sets out our initial assessment of the key ESG metrics which we believe are most applicable to the Group, as well as our goals for achieving measurable improvement for each metric over time. Closely linked to ESG, and to the success of our people and our business, is a culture that is supportive of promoting diversity and inclusion. The Company is committed to achieving a balance of diversity across its teams, for example in gender and ethnicity, and is putting in place several initiatives to better understand its data

related to these aspects of our team make-up. This data will in turn allow us to better refine our processes to ensure that we are working towards a working environment that promotes diversity and inclusion. The Board is fully committed to supporting management to be successful in these goals and has itself made early progress in this area through the membership of the newly formed Advisory Committee. The Board fully intends to continue this progress as we plan for the succession of retiring directors in the future.

Although PCI Pal is a small software company relative to the grand scale of global challenges around corporations 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.

Changes in Auditors

During the year, the Audit Committee took the decision to rotate its external auditors from Grant Thornton who had served as the Company's auditors for many years. This governance best practice step led to the appointment of BDO who has now completed their first year's audit of the Group.

Stakeholder Communications

As a board, continuous improvement in shareholder communications remains a constant objective. With the equity placings over recent years, the mix of our shareholders has shifted to a greater proportion of institutional investors. Nonetheless we remain focused on clear communications to all investors, both retail and institutional. This year the CEO and CFO have provided further depth in key metric disclosures and have hosted several 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. As Chairman, 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. Also, in recognition of the Company's wider communication responsibility to all stakeholders, this year the Company has expanded its media plan of publishing articles and content on social media and through the Company website to help provide a deeper understanding of the Group's products and markets.

Finally, I am pleased to note that for the first time, the Board has provided disclosures under S.172 of the Companies Act 2006. These disclosures are intended to explain how the Directors undertake to promote the success of the Company for the benefit of all its stakeholders as a whole.

Looking Forward

PCI Pal is well placed to benefit from the continuing trends of Cloud adoption, digital transformation in the business communications space, and the evolution of payment technology and social purchasing preferences. These trends have only accelerated since the onset of the pandemic and are creating a net positive environment for our business model of providing pure Cloud services. Our successes in FY21 have further strengthened our confidence in our business model and the timing of our additional investments to expand more internationally through our global partner channels.

I look forward to sharing further progress reports and news during the coming financial year, as we continue our strategic growth journey.

Simon Wilson
Non-Executive Chairman

CHIEF EXECUTIVE'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021

Introduction

PCI Pal has had an excellent year, proving both the strength of our market opportunity, as well as the robustness of our product strategy and SaaS business model in the face of the COVID-19 pandemic. I am particularly pleased with the continued revenue growth momentum since the half year, ending the period ahead of market expectations with revenue increased a substantial 67% year on year to £7.4 million (2020: £4.4 million).

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 meet this vision we set ourselves three key strategic pillars for growth; firstly, to be the leader for true cloud solutions in our space; for these solutions to be available to customers globally; and to leverage a sales model that by majority sells through channel partners. This strategy has driven a significant increase in customer adoption of our products, with customer numbers substantially increased year on year. Subsequently, this continued momentum is further driving sustained strong revenue growth in line with our plans.

As a result of our successful execution against sales plans, we have increased our key growth metric and indicator of future revenues of TACV by 41% year on year to £9.5 million (2020: £6.7 million). It is the sustained accumulation of this metric that is driving our continued revenue growth.

Behind this strong growth in momentum in TACV, is the annual value of contracts signed which increased 19% year on year. It is particularly pleasing to see the progress of our volume-based sales strategy working which minimises the risk of significant customer concentration. As a result, we achieved a substantial uplift in the quantity of new customer contracts signed in the year which increased 79% to 195 (2020: 109).

<u>Delivering our growth strategy</u>

The increase in new customer contracts won is further evidence of the opportunity with the small to mid-size volume end of the contact centre market globally, where the vast majority of contact centres are 250 agent seats or less. In the US alone there are 37,000 contact centres with between 10 and 250 agent seats, representing 94% of all contact centres. Our strategy to be able to serve the breadth of this market both in size and geography has enabled us to continue to grow new business sales even in a year when many businesses were re-prioritising their own internal projects to defend against the impacts of the pandemic.

As well as the higher quantities of small to mid-size contact centres, we have continued the trend set in the prior year of winning business with enterprise-size organisations. Highlights include a competitive contract win with a well-known global sports-fashion retailer headquartered in North America, a service that is now live across more than 1,500 agents; a FTSE-listed Pan-European UK airline, and a Fortune 500 supply chain management firm. These enterprise wins continue to be the result of both our channel partner strategy as well as our direct account-based marketing efforts driving enterprise lead generation.

It is testament to the strength of the core markets across which we operate, namely the business communications space, payments market, and cybersecurity industries, that demand continues to increase for our cloud-based secure payment services. This is particularly true considering the increased numbers of homeworkers and the sustained requirement for flexible working, as companies look to leverage cloud services to provide their teams with secure solutions that allow them to continue their business operations no matter where they are working. Additionally, as the communications mix continues to grow through increasing touch-points with digital customer engagement, our solutions not only secure, but act as an enabler in our partner's omni-channel customer experience environments.

<u>Equity placing</u>

Having made significant progress in refreshing the Group's five-year strategic plan through the first three quarters of the financial year, the business took the decision to undertake an equity placing in April 2021, raising gross proceeds of £5.5 million (£5.18 million net of expenses) to allow it to invest in further expansion into the new global territories of Canada, Australia, and mainland Europe. These are some of the largest contact centre markets in the world and will grow PCI Pal's addressable market by over 40% as we begin to expand our proactive sales and marketing efforts into these regions. To succeed in these new regions we will be looking to hire talented people and to work with our existing, and growing, network of global partners, many of whom already have operations in these territories.

The majority of the execution of those plans commence in FY22, but naturally we have not wasted any time in maintaining the pace as we roll out these calculated but ambitious next steps as we head into the new financial year.

PCI Pal Advisory Committee ("PAC")
Having established the Company's Advisory Committee in September 2020, we set out our plans to leverage the collective professional and industry experience of advisors whom we intended to add to the committee over the coming years. During the year we were very pleased to welcome the highly experienced payments expert Neira Jones to the PAC. As anticipated, the PAC has been an excellent resource for myself and the Board as we undertook a refresh of the Company's five year strategic plan during the year.

Since the year end, we have added two further members to the PAC, Jay Patel and Emilia D'Anzica, covering key strategic areas for the business including product development and management of global cloud voice and digital environments, and customer success to minimise churn and drive upsell over the long term as we continue to scale this business. The PAC will continue to add value as we build on our rolling strategic plan and product vision in the years to come.

COVID-19
As previously reported, PCI Pal was well positioned to deal with the implications of the onset of the COVID-19 pandemic. Supporting our view that the contact centre market was likely to grow, Contact Babel has confirmed in its recent market reporting that both the US and UK contact centre markets have expanded by 2% and 4% respectively across 2020, the largest single increase in both regions for more than five years.

Our early investment in cloud technology has been a key component of our capability to deal with the operational changes that occurred during the pandemic. Today, as the market settles we are now at the forefront of flexible cloud solutions for secure working for contact centre workers. Homeworking, and the knock-on challenges posed to businesses who have employees working remotely, is something that all businesses are incorporating into their business communications requirements. PCI Pal is working closely with our partners to ensure our payment products are closely aligned with their solution offerings so, as the digital shift gathers even more pace, we are at the forefront of this opportunity.

Finally, the Group is currently undertaking a 'Return to Work' assessment for its employees in the UK and US head offices. We are continuing to monitor the situation and anticipate having more clarity on our plans by the end of H1 FY2022, depending on local government guidance. We have remained in contact with our people either through company-wide surveys or through 1:1 manager engagement. As such we have begun to plan for what the Return to Work may look like for PCI Pal but believe it sensible to let the current situation stabilise further before making a final decision. Before the pandemic more than 60% of the Group's employees were already home-based and so PCI Pal has faced little disruption with all team members moving to working from home.

Our People
Focus on people is a critical aspect to PCI Pal's business strategy. We have maintained a corporate objective throughout the last two years to *create a culture that people want to be part of*. I have been with the PCI Pal business from day one, and I am extremely proud to see the business evolve and grow from the small team that started it, to the 71 employees that we had at the year end, with more expected to join over the coming year as we continue to execute against our plans, and achieve our vision.

Our people are the backbone of the business and to see them achieve their own goals, working together whilst also '*Enjoying the Journey*', which is one of our key values, gives me real confidence for the future of this growing business. Many businesses have been hindered operationally by the recent COVID-19 pandemic, but our team was able to take it all in their stride and we were brought closer together and more cohesive as a result.

Strategy and Market
PCI Pal's mission is '*to provide organisations globally with secure cloud payment and data protection solutions for any business communications environment including voice (phone), chat, social, and email, all of which are commonly*

incorporated into the contact centre customer engagement mix'.

PCI Pal's vision is to be '*the preferred solutions provider that organisations turn to globally for securing payments across all business communications through easy to integrate and simple to deploy cloud technology'*.

Our addressable market 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.

PCI Pal has customers across the globe today as a result of our cloud capabilities. We have had a particular focus on the UK market where the business was established, and the US where we launched in 2018. Following our most recent fund raise in April 2021, we are now planning to start to proactively expand the business into three new core territories; Canada, Australia, and mainland Europe. These three new territories represent some of the largest contact centre markets in the world and as such we expect that over time this will grow our addressable market by at least 40% as we begin to execute on those plans.

With more than 75% of our new business generated from channel partners, and with many of our partners being large, globally-dispersed organisations themselves, we are well-positioned to leverage these routes to market to support our further global expansion. We will continue to strategically target new partners, both those with a global footprint as well as regional sector specialists.

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 secondly, 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.

Further to this, contact centres are the modern day shop-front of many organisations, and customers today expect not only an exceptional customer experience but also to feel secure at the same time, especially when sharing their most sensitive personal data, such as payment data. PCI Pal solutions solve both the security and compliance challenge for any business taking payments from these customers, and we do it to benefit the wider customer experience, working seamlessly with organisations' omni-channel customer engagement tools.

By using PCI Pal services, companies not only secure the most sensitive of customer data, 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.

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 are expanding into in FY22. Our ability to serve any size contact centre 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.

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 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 (defined as being contracts with an annually recognised revenue value for the Group in excess of £100,000 p.a.) which currently represent 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.

PCI Pal Cloud
Having launched our cloud environment in October 2017, and having defined a key strategic objective to be the leader in cloud-based secure payments services in our market globally, we have gathered significant technical momentum. Our platform continues to evolve as the most mature in the space with the majority of competitive solutions available still leveraging on-premise customer hardware or privately hosted hybrid-cloud environments.

We have focused much of our earlier stage product development efforts on our capability to integrate cloud-to-cloud with major technology vendors with whom we partner. These include some of the best-known names in both the business communications and payments space including Genesys, Worldpay, Vonage, 8x8, and Talkdesk. Furthermore, we have pioneered the availability of viable secure payment cloud solutions for some of the largest contact centres in our target markets, supporting more and more enterprise business moving to the Cloud, providing our services to enterprise-level customers with contact centres exceeding 5,000 agents.

Amazon Web Services is our chosen provider of virtualised cloud services where we host our platform today. Validating our technology strategy, AWS is the most commonly used cloud hosting provider across all our partners and is consistently growing in utilisation by organisations around the world undertaking digital transformation to the Cloud. Additionally, utilising AWS has enabled us to produce highly flexible services and integration methods which allows us to be agnostic to the communications environment to which we are integrating.

Our true-cloud approach allows us to deliver services across the globe whilst maintaining data sovereignty and regional handling of payment traffic as we are able to leverage the data regions we have created within the AWS global hosting environment. This is both of appeal to smaller local customers who need their data to be handled in the territory within which they trade; but equally to larger multi-national organisations whose businesses may be geographically dispersed with complex data governance requirements. Our customers can therefore use a single PCI Pal service, but choose to handle their customers' data locally wherever that customer is utilising the service.

PCI Pal's cloud platform has been developed from the outset using cloud native technologies, and today our platform continues to evolve. We leverage both a micro release strategy enabling us to be more nimble with development cycles and DevSecOps, automatically baking-in security which reinforces our ability to develop secure software at speed. This strategy, along with our agile product development teams, ensures we continue at pace to test and learn for new products and features. Our investment in our cloud platform places us in a position of strength from which we can forge ahead as we invest further in new product and features to further capitalise on the breadth of the market opportunity globally.

Product Update
Our core products today cover the entire spectrum of business communications; Agent Assist, our live agent secure payment tool; IVR, our fully automated service for auto-attendant environments where no agent is involved; and Digital, our offering to facilitate businesses to handle secure payments through any number of digital channels such as chat, social, SMS, email and more.

In the year we launched our speech recognition offering for both our Agent Assist and IVR services. This offering is most popular where a customer may have difficulty entering their card details using their telephone keypad, so instead can speak them. We have successfully sold our new speech service in the year, with a number of customers now live using these services.

Since taking over as CEO in late 2018, I have driven further investment into our engineering resources and worked towards implementing product management functions within the business. Afterall, it is the relevance of our products to our partners and customers that is a critical component of our ability to retain and grow our business. FY21 was always planned to be a year of further positive development for PCI Pal from an engineering and product standpoint.

I was pleased to announce our new CTO's arrival to the business after an extensive search where we sought to find the right mix of cloud, payments, and communications experience. Mufti Monim is a high energy technology and product leader with extensive experience across the cloud payment space, as well as having experience working in the mobile communications industry. His previous roles include CTO at Deko, a leading, high-growth, retail finance cloud technology provider, and Head of Technology for financial and online at Lebara, the well-known, multi-national telecommunications and international money transfer business.

With the new CTO's input and experience, alongside that of our existing management team, plus the advice and experience we are gathering from our advisory committee, we are well placed to further evolve our product offerings over the coming years. Following the equity fund raise in April 2021, we will continue to accelerate our investment in product development and product management, and I look forward to updating investors throughout the year on that progress.

North America

Having completed our third full financial year in the US since launch in 2018, we have seen sales and revenue momentum continue to build as well as further success in securing new partnerships with additional US-headquartered global businesses.

Our sales progress is particularly evident in the increased quantities of customer contracts that we have signed as a result of our success in the last two years of acquiring and on-boarding new partners, as well as our direct marketing efforts. In the year, we increased the number of customer contracts won by 68% to 62 contracts (2020: 37), with 76% of these coming from channel partners. These new contracts allowed us to increase our key growth metric of TACV by 66% year on year to £2.76 million (2020: £1.66 million), an good indicator of future revenues.

Contributing to the TACV uplift we completed the year with £1.34 million of new ACV contract value, an increase of 26% on the prior year's achievement which included the Company's second largest contract in history. Excluding this one-off deal in FY20, the average ACV contract values are £21,500 in FY21 against £17,400 in FY20, which illustrates the significant increase in underlying velocity and quantity of deals that the US business has produced.

Further to this increase in volume sales, we have continued to be successful in signing additional enterprise-size businesses, including several Fortune 500 companies, and one of the best known sports fashion retailers in North America.

As a result of growing sales success since our launch in the US, revenues for the region are now beginning to build to more notable levels, increasing to £1.8 million (2020: £0.5m). Our US-based deployment team have been very successful in the year. We finished the year with £2.06 million of live annual ACV contracts from North America (2020: £0.59 million). The highlight deployment was one of the region's largest deals which went live across more than 1,500 agents in less than 2 months from date of signing.

We have continued to expand our channel partner eco-system in the region in line with our plans, this has also included notable extensions to existing relationships with major players in both the CCaaS and Business Process Outsourcer ("BPO") sectors respectively. In Q4 we announced the expansion of our existing relationship with Genesys, one of the largest technology suppliers to the contact centre market worldwide. PCI Pal products are now available natively within Genesys Cloud products as a premium partner on the Genesys AppFoundry globally. Adding to our growing strength in the BPO sector, we expanded one of our existing regional channel relationships with one of the market leaders to a global arrangement, which during the year resulted in a number of new contracts across both the US and Europe. Further to that, we signed another major BPO with global operations as a channel partner during the period, signing our first US deal with that partner in H2.

The US sales effort with new partners continues to benefit the business Group-wide, with many of our global partners having headquarters in the US, but with global operations spread across our key markets. We have seen a direct corelation between our partner activities in the US through to increased sales pipeline in other regions. PCI Pal remains tactical in how we both seek out new partners, and how we then enable the full potential of those relationships over time. This is only possible through the quality of the people we have brought into this business, particularly across sales and marketing, and the increasing data analytics capabilities of our sales and delivery efforts that allow us to better understand how best to invest time and effort.

In the final month of the financial year we hired a new sales leader who will be running our US sales team, reporting to our US-based group Chief Revenue Officer. This was a newly created role to add a layer of regional sales management focus and to free up our CRO as we begin to expand into new territories. The US is our most important market and we will continue to invest into the country to maintain our strong growth.

EMEA

The EMEA business had an excellent year and, as the more mature region in the Group, saw another year of substantial revenue growth with a year-on-year increase of 41% to £5.5 million (2020: £3.9 million). This growth continues to be driven by the accelerated sales bookings from the back end of the prior year and across FY21, as customers signed reach 'go-live', and we begin to release revenue in line with our revenue recognition policies.

Revenues in EMEA are generated both from services on our first generation, privately-hosted platform and, since 2018, from our margin-rich, true-cloud AWS environment. We ceased selling new services on the first-generation platform in 2018 and have an active transition programme to move customers from this platform over to our AWS platform over the next 18 months to allow us to de-commission that environment.

EMEA new sales momentum in the year has been strong throughout with our key future indicator of revenue, TACV, increasing 34% to £6.7 million (2020: £5.0 million). Illustrating the strength of our channel strategy, we sold a further 126 customer contracts in the year, a 64% increase on the prior year, with 79% coming from channel partners. The ACV value of these contracts increased 12% year on year to £1.7 million against a relatively strong prior year comparator (2020: £1.5 million).

Our partners continue to perform well for us in the region. Many of the top performing resellers are US-headquartered multi-national organisations with whom the EMEA team are benefitting from our North American partner relationship expansion work. Additionally, we have long standing partnerships with key regional players such as Civica and Capita, for whom we are the solution of choice for their payments businesses.

Sales highlights in the year include a contract, which is now live, with one of the best-known pan-European airlines in the UK, a FTSE100 energy provider, and more than 25 further contracts with government agencies, the majority of which are local authorities across the UK. Already working with two of the largest central government agencies across more than 7,000 agent seats, during the year we increase our total of UK government customers to over 60, further strengthening our position in this important and stable sector.

The EMEA business has to date been primarily focused on the UK market. However, we have also successfully sold and deployed solutions across other countries in Europe. As a result of our fund raise in April 2021 we are beginning to execute on our plans to establish a formal footprint in mainland Europe and aim to make our first dedicated European hires later in the financial year to June 2022. We see an extensive opportunity for the business in mainland Europe which, similar to North America, is a relatively untapped market.

Channel Partners

Our channel sales model has been one of our three pillars of strategic focus since we set out the current plan over four years ago. Our partners include some of the best-known names in the high-growth business communications markets (CCaaS and UCaaS) such as Genesys, 8x8, Talkdesk, and Vonage; as well as partners from a variety of markets including payment service providers, BPOs, and systems integrators. In the year, 78% of all new contracts were generated from partners (2020: 78%), which contributed 72% in ACV value for the year (2020: 42%).

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.

The business has balanced its investment and time-focus across two initiatives with our partners in the year. Firstly, focused effort to capitalise on the true depth of relationships with partners, many of whom are multi-national large organisations; and secondly, to strategically target new partners with whom we seek to work with and whose customers include organisations that takes payments across business communications environments.

The year has seen good progress against both of those initiatives. We have signed a number of new target partners in the period, including a major vendor in the government IT services sector in the US, a European headquartered global leader in the enterprise technology in the travel space, and numerous regional Solution Provider vendors. Additionally, we have been successful in expanding and further deepening our relationships with a number of existing global partners. We continue to both progress and build our pipeline of new partner accounts as we enter the new financial year.

We work in a highly collaborative way with our partners with our marketing efforts closely aligned to our sales goals. A channel marketing highlight of the year was the establishment and launch of our first virtual conference "*Payments: The Future of Security and CX*". The event was the first of its kind in our space, where we had the majority of our global partners not only in attendance but many taking speaking slots to discuss the relationship between security and CX, and the challenges that companies face in achieving both to a high standard whilst still commercialising their activities. In attendance at the event were Worldpay, Verizon, PayPal, Calabrio, Talkdesk, 8x8, Capita, Civica, NICE inContact, and Oracle, as well as a keynote from our Advisory Committee representative, payments expert, Neira Jones. We look forward to the FY 2022 event.

Operations

PCI Pal is growing strongly with more and more customers choosing our solutions to secure their payments and data. Operationally we have already made many changes to grow with this demand. Notably, this year we took the decision to further evolve how we engage with our partners and customers to give us the framework to continue to maintain low churn rates and drive positive net retention rates. Therefore we have created Customer Success as a department within the business, incorporating the three key functions of Professional Services, Service Excellent (or Service Desk), and Relationship Management:

Professional Services

The Professional Services team is responsible for the deployment of our solutions once signed. It was another excellent year of progress and the team has worked fantastically in spite of the restrictions placed on our partners and customers due to the pandemic. In the last two years, we have invested extensive time in understanding, controlling, and improving our key delivery metric of time-to-go-live ("TTGL"). In the year we signed nearly twice the number of new customers as the prior year, yet due to our substantial operational improvements since we introduced the TTGL metric, we were able to maintain it at the same highly improved level as last year at 5 months on average. These new customers accounted for £3.6 million in annual recurring revenue showing the value we have built in our professional services capabilities.

At PCI Pal, we are hugely passionate about hiring and we see every new vacancy as an opportunity to add value to this business. We have expanded both UK and US professional services teams in line with our plans and we have been successful in on-boarding these people to their new roles and ensuring they are up to our required level of service excellence to engage with our customers. In addition to our strong performance against TTGL, our Net Promoter Scores for our project engagement activities remain high at 58% above global benchmarks illustrating the customer satisfaction following their go live with of our services.

Service Excellence

Since the launch of the AWS platform in late 2017 the Group has expanded its customer base significantly. I am proud of what we have achieved to date and how our professional services team delivers our solutions. However, as a business we need to drive more focus into supporting these deployed customers and their technical requirements. Previously, our support team had been part of the professional services department, however we have recently brought support into its own centre of excellence, headed by a VP. That VP's task is to structure our support function for the future allowing us to provide worldwide support. We will be separately measuring their performance via customer satisfaction (CSAT) surveys, as well as expanded NPS scoring to ensure that they meet our high expectations of service as we increase our focus on churn and retention metrics.

Relationship Management

The Professional Services and Service Excellence teams are the foundations to establishing partner and customer relationships in the right way, leading to achieving the long-term adoption of our solutions and customer loyalty. The third leg of the changes being introduced is the creation of a dedicated account management function with the planned hiring of regional Success Managers. These Success Managers will work closely with our partners and customers to ensure they are successful in using our products and services.

Over time, our increased focus and investment in the Customer Success function will help us protect our low churn rates and drive positive net retention. Already PCI Pal achieves positive net customer retention, with a net retention rate in the year of 111.1%. We are using this opportunity to disclose our retention metric for this last financial year for the first time as well as installing it as a key metric for the business to focus on going into FY22.

Completing the changes and additions, since the year end, we announced that we had added two new members to the PCI Pal Advisory Committee. Emilia D'Anzica has more than twenty years' experience in Customer Success, which today includes being founder of her own West Coast US-based consultancy, and in the past has included senior roles at a number of high-growth SaaS companies in the United States, including WalkMe the Forbes Cloud 100 unicorn. So, the addition of Emilia to our resources on the PAC is the final piece in the business' current plan to create the starting foundations to on-going excellence in customer success.

Infosec

Paramount, and an intrinsic part of everything we do, is the security of our services and cloud platform. We achieved certification for the fourth year running against the current version of the Payment Card Industry Data Security Standards (PCI DSS) for our AWS cloud platform since its full launch; and for the nineth year running for our first-generation platform. This certification testifies that PCI Pal is the highest level of security required under PCI DSS and, as a Service Provider, can therefore handle payment data for any size organisation across the globe.

In addition to PCI DSS, we continue to maintain a variety of globally-recognised standards, including ISO27001 (Information Security Management Systems), ISO22301 (Business Continuity), ISO9001 (Quality Management Systems), and ISO14001 (Environmental Management). In totality our accreditations not only bolster our own processes but ensure that our partners and customers have points of reference to recognisable standards by which the Company operates when they are procuring our services.

Outlook

After a strong year I believe that the business is set to take another sizeable step forward in the next financial year. Whilst we do continue to be mindful of the pandemic, we believe that the momentum we have built, together with our ability to deliver new customer deployments, and our near-term sales pipelines means we are well-positioned to have another year of substantial progress.

Since the year end, we have already concluded a number of notable new sales, including: a competitive enterprise win to provide our Agent Assist services to a NASDAQ-listed hosting provider covering customer's contact centres in both the UK and US; and a competitor displacement at a new partner, which has resulted in the new partnership's first customer contract. This new partner is a Genesys VAR in the US. and the customer is using our recently announced improved combined product offering with the Genesys Cloud.

Operationally, following the fund raise, we have started to implement the new geographic expansion and other strategic plans set out to investors at the time of the raise. Our people remain key to helping us deliver on these enhanced plans and, so far in the new financial year, we have already found and hired several key, talented people to help us achieve this. I am therefore confident in the long-term future of the business as we continue driving sustained revenue growth capitalising on the foundations we have built. I look forward to updating investors further on progress throughout FY22.

James Barham
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REVIEW
FOR THE YEAR ENDED 30 JUNE 2021

Key financial performance indicators

The Directors use several Key Financial Performance Indicators (KPIs) to monitor the progress and performance of the Group, its subsidiaries and targets. All the core KPIs are showing top quartile performance against expectations.

The principal financial KPIs are as follows:

	2021	**Change %**	**2020**	**Change %**	**2019**
Revenue	£7.36m	+67%	£4.40m	+56%	£2.82m
Gross Margin	76%	+9%	69%	+15%	60%
Annual Recurring Revenue[1]	£6.48m	+75%	£3.70m	+56%	£2.37m
Annual recurring revenue as % of Revenue	88%		84%		84%
Revenue generated from Non-UK deployments	£2.06m	+280%	£0.76m	+400%	£0.31m
Percentage of Revenue from non-UK deployments	28%		17%		11%
Adjusted EBITDA[2]	(£2.56m)	+28%	(£3.57m)	+20%	(£4.44m)
Cash facilities available[3]	£7.52m		£5.55m		£1.49m
Deferred Income	£8.09m		£4.53m		£2.45m

[1] Annual 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

[2] Adjusted EBITDA is the loss on Operating Activities before 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:

	2021	**Change %**	**2020**	**Change %**	**2019**
Contracted TACV[1] deployed and live	£7.69m	+90%	£4.04m		Not Calculated
Contracted TACV in deployment	£1.12m	-49%	£2.19m		Not Calculated
Contracted TACV – projects on hold	£0.70m	+34%	£0.52		Not Calculated
Total Contracted TACV	£9.51m	+41%	£6.75m	+66%	£4.06m
ACV of contracts cancelled before deployment	£0.2m		Not Calculated		Not Calculated
Signed ACV in financial period	£3.11m	+19%	£2.62m	+37%	£1.91m
AWS Platform Churn[2]	6.7%		Not Calculated		Not Calculated
AWS Platform Net Retention Rate[3]	111.1%		Not Calculated		Not Calculated
Headcount at end of year (excluding non-	71		58		50

executive directors)					
Ratio Personnel cost to administrative expenses	71%		77%		70%

[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 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

Revenue and gross margin

Overall Group revenue grew by 67% to £7.36 million (2020: £4.40 million) and gross margin improved to 75% (2020: 69%) as more revenue continued to be generated from the AWS platform. The first-generation platform, which we have not proactively sold since 2019, now accounts for 24% of revenues (2020: 48%).

The Group launched its first international operation in February 2018 in North America, and I am pleased to say that revenues are growing strongly in this region. Since then, we have also generated revenue in Australia, which is progressing well in preparation for our planned increased investment in that territory later in FY 2022. Revenues from our non-UK customers now make up 28% (2020: 11%) of the overall Group revenues. Over the next few years, the revenues generated from our international operations are expected to continue to grow strongly as we strengthen our position in the United States and invest in expanding our services more into Canada, Australia and into 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. 88% (2020: 84%) of revenues come from annually recurring licences and transactions giving 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 currently after an average of 26 weeks. ACV grew by 19% in the year to £3.11 million (2020: £2.62 million) positively reflecting the successful evolution the sales and marketing operations had to undertake to reflect the changing working environments driven by the COVID 19 pandemic.

TACV

TACV at the end of the financial year increased 41% to £9.51 million (2020: £6.75 million). This metric is a key indicator of our accumulating ability to reach future cash flow and then profit break-even as customers go live with our services. Growing levels of TACV produces increasing levels of future revenue visibility, an attractive aspect of the Group's business model.

This £9.51 million of TACV is analysed as follows:

2021	2020	
£7.69 million	£4.04 million	Live and delivering monthly revenue
£1.12 million	£2.19 million	Mid-deployment and therefore expected to deliver revenues in the next few months
£0.70 million	£0.52 million	Classed as on hold

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 disproportionally 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 increase from $1.25 to $1.40 which had the effect of reducing the sterling value of the US denominated contracts for TACV purposes by approximately £0.26m from the original internal expectations set using the $1.25 original exchange rate.

Churn and Net Retention

On the launch of the AWS platform in October 2017, the Group initially focused its resources on signing new contracts with new logo customers. However, as the number of 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 FY21 represented £0.54 million of the £3.11 million total.

For the AWS platform, upsells in the financial year to customers that have gone live were far greater than contract losses leading to a positive net retention of 111.1%.

The pandemic naturally put pressure on some of our customers, for example those in the travel and hospitality sector. During the year we agreed to terminate £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 6.7%.

Adjusted operating loss[1]

Adjusted operating loss for the Group changed as follows for the year:

	EMEA	**North America**	**Central**	**Total**
	£000s	£000s	£000s	£000s
2021				
Loss from Operating Activities	(866)	(1,977)	(1,118)	(3,961)
Exchange rate movements	(12)	562	-	550
Expenses relating to Share Options	-	-	115	115
Adjusted operating loss	(878)	(1,415)	(1,003)	(3,296)
2020				
Loss from Operating Activities	(1,330)	(2,081)	(800)	(4,211)
Exchange rate movements	18	(35)	2	(15)
Expenses relating to Share Options	-	-	108	108
Adjusted operating loss	(1,312)	(2,116)	(690)	(4,118)
Change in year	434	701	(313)	822

[1] Loss from Operating Activities before exchange losses/gains recorded in the profit and loss and share option charges

Adjusted EBITDA

	EMEA	**North America**	**Central**	**Total**
	£000s	£000s	£000s	£000s
2021				
Adjusted operating loss (from above)	(878)	(1,415)	(1,003)	(3,296)
Depreciation and amortization	692	48	0	740
Adjusted EBITDA	(186)	(1,367)	(1,003)	(2,556)
2020				
Adjusted operating loss (from above)	(1,312)	(2,116)	(690)	(4,118)
Depreciation and amortization	528	16	0	544
Adjusted EBITDA	(784)	(2,100)	(690)	(3,574)

Change in year	598	733	(313)	1,018

EMEA
The EMEA region's Adjusted Operating Loss decreased by £0.43 million in the year to £0.88 million (2020: £1.31 million). The region continued to deliver strong revenue which grew by 40% to £5.46 million (2020: £3.89 million) resulting in an improvement of £1.22 million in Gross Profit at a margin of 70% (2020: 67%).

Administrative costs, before exchange movements, grew by £0.79 million to £4.69 million primarily reflecting a further investment in personnel, especially in the Engineering and Professional Services departments.

Depreciation and amortisation costs were £0.69 million (2020: £0.53 million) meaning that the EMEA operation recoded an adjusted EBITDA loss of £0.19 million (2020: £0.78 million).

North America
The North America region's Adjusted Operating Loss (which includes the Australia trading results) decreased by £0.70 million in the year to £1.42 million (2020: £2.12 million). The region continued to deliver strong revenues which grew by £1.40 million to £1.91 million resulting in an improvement of £1.29 million in Gross Profit at a margin of 92% (2020: 90%).

Administrative costs before exchange movements grew by £0.59 million to £3.16 million primarily reflecting a further investment in personnel especially in marketing and professional services.

Depreciation and amortisation costs were £0.04 million (2020: £0.02 million) meaning that the North American operation recoded an adjusted EBITDA loss of £1.37 million (2020: £2.10 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 three non-executive directors.

Further segmental information is shown in Note 9.

Administrative expenses
Total statutory administrative expenses were £9.52 million (2020: £7.25 million), an increase of 31%. Of the £2.27 million increase, £0.56 million related to the movement in exchange rates and £0.01 million to the movement in share option charges. The underlying increase was therefore £1.7 million, of which £0.76 million was from the overall increase in personnel costs as the Group moved from 58 employees to 71 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 £0.9 million, an increase of £0.4 million over the prior year. Depreciation and amortisation increased by £0.2m to £0.74 million.

Personnel costs charged to the Comprehensive Income Statement (including commission, bonuses and travel and subsistence expenses) were £6.30 million (2020: £5.54 million), and £0.79 million (2020: £1.00 million) of the personnel costs were capitalised as Development costs. These personnel costs make up 71% (2020: 77%) of the administrative costs of the business. Travel expenditure fell to £0.03 million (2020: £0.26 million) due to the restrictions enforced during the pandemic.

Administrative expenses in FY22
Following the successful equity placing in April 2021, the Group raised a net £5.18 million to fund its expansion into Canada, Australia and mainland Europe as well as strengthen the product engineering teams and launch the customer success initiatives. As a result, it is planned that headcount will increase in the coming year and so administrative expenses will also increase proportionately. This investment is expected to lay the foundations for the Group's future growth in FY23 and beyond.

Changes in accounting policies
During FY21 our accounting policy relating to the treatment of initial set up fees relating to contracts signed was amended. We deemed this change immaterial to the financial results. There are no changes in our accounting policies anticipated for FY22.

Capital expenditure
As required by IAS 38, the Group capitalised a further £0.79 million (2020: £1.00 million) in development expenditure as we continue to invest in the AWS cloud platform and introduce new features and products. The Group also capitalised £0.13 million (2020: £nil) of external contractor work relating to the Group's new website and management reporting systems.

Other capital expenditure relating to computer equipment was £0.04 million (2020: £0.03 million). Most of this expenditure related to new laptops for the new staff who joined in the year.

Set-up and Professional Services Fees
During the financial year, the Group generated £1.63 million (2020: £1.29 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 79% to £8.09 million (2020: £4.53 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 IFRS15.

Trade receivables
Trade receivables grew to £2.14 million (2020: £1.26 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 2021, £0.61 million of the outstanding debtors related to newly signed contracts.

Our debtor collection rates remain high ending the year with 91% (2020: 89%) of debtors less than 60 days old. There were no debtors outstanding more than 120 days at the year end.

Taxation
During the year the UK entity received £0.15 million (2020: £0.22 million) as an R & D tax credit from HMRC relating to the financial year ended 30 June 2019. An application is being made relating to the financial year ended 30 June 2020, the amount of which is currently unknown.

Cashflow and liquidity
Cash as at 30 June 2021 was £7.52 million (2020: £4.30 million).

In April 2021 the Group conducted an equity placing of 5.789 million shares at 95 pence per share to raise £5.50 million (£5.18 million net of expenses). During the year, the Group also received £0.10 million from the exercise of share options.

In FY21 the Group generated £0.25 million (2020: used £1.76 million) of cash from its operating activities in spite of recording a statutory pre-tax loss of £4.07 million (2020: £4.13 million). The strong cash generation is primarily driven by our SaaS business model that typically invoices in advance for the solutions sold.

The Group's strong cash generation allowed it to repay in full its outstanding loan that was taken out in September 2019, without penalty.

Going Concern considerations

The Board of Directors continue to monitor the Groups trading performance carefully. It also reviews the potential impact of the COVID-19 pandemic, however, the challenges the business faced from the pandemic in FY21 have diminished as the year progressed and greater understanding of the risks were developed.

Since the start of the outbreak, the pandemic has not had a significant impact on the Group's financial performance. The business was able to transition to home working with relative ease. Before the pandemic, some 60% of our employees already worked from home and it was therefore relatively easy to migrate the other 40% to home working as we already provide employees with laptops and cloud access to all core systems and documents. More importantly, our solutions are purely delivered through the Cloud and deployed remotely. Not having to visit our customers premises to install or maintain our solutions has been a significant advantage to both ourselves, our partners and customers in the pandemic.

During the year the Group continued to win new contracts recording new ACV sales of £3.11 million, while also deploying new customers with annual recurring revenue value of £3.65m, all achieved with our teams working fully from home. At the end of the financial year we had £7.69 million of deployed live contracts which help underpin our expectations for growth in FY22.

The Group has clearly had to adapt how it works as a business, with greater usage of video conferencing, which has reduced the travel expenditure year on year by 80%. We adjusted our marketing strategy increasing our digital marketing efforts and virtual collaboration with channel partners, which has contributed substantially to our continued strong growth.

As a result of the actions taken, and the robust trading performance in FY21, the Company has not had to furlough any of its employees, and in fact it has continued to hire, growing resources to help cope with the additional demand for our solutions. The Group has not taken out any government-backed loans, but it did take advantage of some of the tax payment deferrals that are available, such as VAT deferment in the UK. All these deferments had been fully caught up prior to the financial year end.

With the Group year-end being 30 June, the Group normally prepares its next financial year budgets in the April to June period. Historically, this has been undertaken face-to-face with all managers meeting in one location. In FY21, due to the pandemic, the budget sessions were moved to video conference, where the management team presented and discussed their departmental plans remotely from across the UK and US, where they are located. The Budget process for FY22 was undertaken in a similar remote manner.

Following the equity placing, the Group finished the year with a cash balance of £7.52 million and no debt. The new funds raised are to be used to further expand the Group internationally and to underpin its product management and customer success capabilities. Therefore, for this year's budget, the focus has been to build on the FY21 robust performance and to build in the plans for international expansion. The budget has, therefore, made certain assumptions based on the performance in FY21 as well as a controlled expansion of headcount, which will significantly increase in 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 of 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 also considered actions that could be taken to help mitigate the resulting loss in sales. 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 (2020: £nil).

William Good
Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 £000s	2020 £000s
Revenue		**7,362**	**4,396**
Cost of sales		(1,805)	(1,353)
Gross profit		5,557	3,043
Administrative expenses		(9,518)	(7,254)
Loss from Operating Activities		(3,961)	(4,211)
Adjusted Operating Loss		(3,846)	(4,103)
Expenses relating to Share Options		(115)	(108)
Loss from Operating Activities		(3,961)	(4,211)
Finance income	6	-	1
Finance expenditure	7	(230)	(140)
Loss before taxation	5	(4,191)	(4,350)
Taxation	11	154	221
Loss for the year		**(4,037)**	**(4,129)**
Other comprehensive expense: Items that will be reclassified subsequently to profit or loss			
Foreign exchange translation differences		653	(49)
Total other comprehensive income/(expense)		**653**	**(49)**
Total comprehensive loss attributable to equity holders for the period		**(3,384)**	**(4,178)**
Basic and diluted earnings per share	10	(6.64) p	(8.84) p

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	2021 £000s	2020 £000s
ASSETS			
Non-current assets			
Plant and equipment	13	74	103
Intangible assets	12	2,366	2,139
Trade and other receivables	14	801	368
Deferred taxation	17	-	-
Non-current assets		3,241	2,610
Current assets			
Trade and other receivables	14	2,928	2,343
Cash and cash equivalents		7,518	4,301
Current assets		10,446	6,644
Total assets		13,687	9,254
LIABILITIES			
Current liabilities			
Trade and other payables	15	(7,817)	(5,194)
Current portion of long-term borrowings	15	-	(545)
Current liabilities		(7,817)	(5,739)
Non-current liabilities			
Other payables	16	(1,941)	(875)
Long term borrowings	16	-	(728)
Non-current liabilities		(1,941)	(1,603)
Total liabilities		(9,758)	(7,342)
Net assets		**3,929**	**1,912**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 30 JUNE 2021

	Note	2021 £000s	2020 £000s
EQUITY			
Share capital	19	655	594
Share premium		14,243	9,018
Other reserves		404	289
Currency reserves		466	(187)
Profit and loss account		(11,839)	(7,802)
Total equity		**3,929**	**1,912**

The Board of Directors approved and authorised the issue of the financial statements on 3 September 2021.

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 2021

	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 2019	**427**	**4,618**	**181**	**(3,673)**	**(138)**	**1,415**
Share Option amortisation charge	-	-	108	-	-	**108**
New shares issued net of costs	167	4,400	-	-	-	**4,567**
Transactions with owners	**167**	**4,400**	**108**	**-**	**-**	**4,675**
Foreign exchange translation differences	-	-	-	-	(49)	**(49)**
Loss for the year	-	-	-	(4,129)	-	**(4,129)**
Total comprehensive loss	**-**	**-**	**-**	**(4,129)**	**(49)**	**(4,178)**
Balance at 30 June 2020	**594**	**9,018**	**289**	**(7,802)**	**(187)**	**1,912**
Share Option amortisation 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**

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 2021

	2021 £000s	2020 £000s
Cash flows from operating activities		
Loss after taxation	(4,037)	(4,129)
Adjustments for:		
Depreciation of equipment and fixtures	69	82
Amortisation of intangible assets	76	29
Amortisation of capitalised development	595	433
Interest income	-	(1)
Interest expense	206	126
Exchange differences	676	(49)
Income taxes	(154)	(221)
Share based payments	115	108
Increase in trade and other receivables	(1,017)	(713)
Increase in trade and other payables	3,721	2,575
Cash generated/(used) in operating activities	**250**	**(1,760)**
Dividend paid	-	-
Income taxes received	154	221
Interest paid	(206)	(126)
Net cash generated/(used) in operating activities	**198**	**(1,665)**
Cash flows from investing activities		
Purchase of equipment and fixtures	(40)	(33)
Purchase of intangible assets	-	(296)
Development expenditure capitalised	(920)	(1,004)
Interest received	-	1
Net cash used in from investing activities	**(960)**	**(1,332)**
Cash flows from financing activities		
Issue of shares	5,608	5,000
Expenses related to issue of shares	(323)	(432)
Drawdown on loan facility	1,250	1,500
Repayment of loan facility	(2,523)	(227)
Principal element of lease payments	(33)	(35)
Net cash generated from financing activities	**3,979**	**5,806**
Net increase in cash	**3,217**	**2,809**
Cash and cash equivalents at beginning of year	**4,301**	**1,492**
Net increase in cash	3,217	2,809
Cash and cash equivalents at end of year	**7,518**	**4,301**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. AUTHORISATION OF FINANCIAL STATEMENTS

In accordance with section 435 of the Companies Act 2006, the Directors advise that the financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 30 June 2021 or 2020, but is derived from these financial statements. The financial statements for the year ended 30 June 2020 have been audited and filed with the Registrar of Companies. The financial statements for the year ended 30 June 2021 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements for the year ended 30 June 2021 have been audited and will be filed with the Registrar of Companies following the Company's Annual General Meeting. The Independent Auditors Report on the Group's statutory financial statements for the years ended 30 June 2021 and 2020 were unqualified and did not draw attention to any matters by way of emphasis and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

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 standards and interpretations in issue that 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. These are based in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements are presented in pounds sterling (£), which is also the functional currency of the parent company, and under the historical cost convention.

b) Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings (see note 18) drawn up to 30 June 2021. 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 between the Group and its subsidiaries are eliminated. 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 £7.518 million at the 30 June 2021.

The Directors have considered financial forecasts for the coming year through to the end of October 2022. As part of these considerations, the Directors reviewed 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 likely impact from the COVID 19 pandemic. 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 growth opportunities, as it continues to grow.

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 the cash resources detailed above.

The Board also looked at some more severe possibilities, where new sales are much lower than presented in the forecast models. The executive team detailed what actions and mitigations the business could take in these circumstances to ensure the business could continue to trade into the foreseeable future.

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 no less than 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 the 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.

(iii) Third party equipment sales
Where the contract involves the sale of third-party equipment that could be acquired and supplied by other parties to the client the revenues and costs relating to this will continue to be released in full to the Statement of Comprehensive Income at the time the installation is complete.

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% to 33%

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 20% to 30%

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% to 50%
- 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 enacted at 30 June 2021.

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 enacted at 30 June 2021, 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. Current and 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.

q) Foreign currencies

Transactions in foreign currencies are translated into Sterling 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) 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 12

- Alternative accounting estimates that could have been applied – not capitalising development costs.
- Effect of that alternative accounting estimates – reduction of £2,100,000 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 four year 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 the same period.

- Alternative accounting estimates that could have been applied – this could be a longer period other than the four years
- 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 £4,364,000 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 operating lease within the Group relates to its commercial offices in Ipswich. These leases do not have an implied interest rate and so the management have estimate that a rate of 12% should be used as the discount rate to calculate the lease liabilities for each of the leases. This rate was obtained using the underlying rate of interest applied to the historic bank loan facilities.

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

Impairment of investments in subsidiaries (Company only)
The Company has intercompany receivables of £13.38 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.

Share based payments
The fair value of share-based payments is calculated using the methods detailed in note 19 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.

s) 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 road-map 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.

5. LOSS BEFORE TAXATION

The loss on ordinary activities is stated after:

	2021 £000s	2020 £000s
Disclosure of the audit and non-audit fees		
Fees payable to the Group's auditors for:		
The audit of Company's accounts	22	27
The audit of the Company's subsidiaries pursuant to legislation	26	15
Fees payable to the Group's auditors for other services		
Audit related assurance services	-	-
Tax – compliance services	-	6
Tax – advisory services	-	9
Depreciation and amortisation – charged in administrative expenses		
Right of use assets, equipment and fixtures	69	82
Intangible assets	76	29
Capitalised development	595	433
	740	544
Rents payable on flexible office space	44	64
Amortisation of share-based payments	115	108
Foreign exchange loss/(gain) in period	550	(15)

6. FINANCE INCOME

	2021 £000s	2020 £000s
Unwind of loan note receivable discount	-	-
Bank interest receivable	-	1
	-	1

7. FINANCE EXPENDITURE

	2021 £000s	2020 £000s
Interest on bank borrowings	194	126
Other	36	14
	230	140

8. 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.

	2021 £000s	2020 £000s
Wages and salaries	5,205	4,712
Social security costs	532	474
Other pension costs	75	82
	5,812	5,268

	2021 Heads	2020 Heads
Average number of employees during the year	68	54

Remuneration in respect of directors was as follows:

	2021 £000s	2020 £000s
Emoluments	627	523
Bonus	192	103
Pension contributions to money purchase pension schemes	35	27
Employer’s National insurance and US Federal Taxes	98	84
	952	737

During the year 4 (2020: 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:

	2021 £000s	2020 £000s
Emoluments	187	140
Bonus	108	49
Pension contributions to money purchase pension schemes	20	13

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

9. 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 segments, 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. Unallocated assets comprise items such as cash and cash equivalents, taxation and borrowings. All liabilities, other than the bank loan, are unallocated. 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.

2021	PCI Pal EMEA £000s	PCI Pal North America £000s	Central £000s	Total £000s
Revenue	5,457	1,905	-	7,362
Cost of Sales	(1,646)	(159)	-	(1,805)
Gross Profit	3,811	1,746	-	5,557
	70%	92%		75%
Administration Expenses	(4,677)	(3,723)	(1,118)	(9,518)
Loss from Operating Activities	(866)	(1,977)	(1,118)	(3,961)
Finance income	-	-	-	0
Finance costs	(30)	(6)	(194)	(230)
Loss before tax	(896)	(1,983)	(1,312)	(4,191)
Segment assets	5,357	3,994	4,336	13,687
Segment liabilities	(5,847)	(3,656)	(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

2020	PCI Pal EMEA £000s	PCI Pal North America £000s	Central £000s	Total £000s
Revenue	3,894	502	-	4,396
Cost of Sales	(1,303)	(50)	-	(1,353)
Gross Profit	2,591	452	-	3,043
	67%	90%		69%
Administration Expenses	(3,921)	(2,533)	(800)	(7,254)
Loss from Operating Activities	(1,330)	(2,081)	(800)	(4,211)
Finance income	-	-	1	1
Finance costs	(16)	(8)	(116)	(140)
Loss before tax	(1,346)	(2,089)	(915)	(4,350)
Segment assets	3,860	4,313	1,081	9,254
Segment liabilities	(3,848)	(2,127)	(1,367)	(7,342)
Other segment items:				
Capital Expenditure - Equipment, Fixtures & Licences	329	-	-	329
Capital Expenditure - Capitalised Development	826	178	-	1,004
Depreciation - Equipment, Fixtures & Licences	111	-	-	111
Depreciation - Capitalised Development	417	16	-	433

Revenue can be split by location of customers as follows:

	2021 £000s	2020 £000s
PCI – PAL division		
United Kingdom	5,298	3,638
United States	1,440	330
Canada	329	103
European Union	195	126
Asia Pacific	93	69
Middle East	7	130
Total	7,362	4,396

All non-current assets are located in the United Kingdom and the largest customer accounted for 10% (2020: 18%) of the revenue of the Group.

10. EARNINGS PER SHARE

The calculation of the earnings 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 19.

	12 months ended 30 June 2021	**12 months ended 30 June 2020**
Loss after taxation added to reserves	(£4,038,000)	(£4,129,000)
Basic weighted average number of ordinary shares in issue during the period	60,829,234	46,720,616
Diluted weighted average number of ordinary shares in issue during the period	66,418,818	51,687,283
Basic and diluted earnings per share	(6.64) p	(8.84) p

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

11. TAXATION

	2021 £000s	**2020 £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)	154	220
Total current tax credited	154	220
Deferred tax:		
Origination and reversal of timing differences	-	-
Total deferred tax charged	-	-
Tax on profit on ordinary activities credited	154	220

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% (2020: 19%)

	2021 £000s	2020 £000s
Loss on ordinary activities before tax	(4,191)	(4,350)
Tax on loss on ordinary activities at standard UK rate of taxation	(796)	(868)
Effects of:		
Overseas tax rates	(77)	-
Expenses not deductible for tax purposes	26	1
Adjustments in respect of prior periods	154	221
R & D tax credit received		
Depreciation (less than)/in excess of capital allowances for the year	-	60
Other	-	-
Movement on unrecognised deferred tax losses	1,419	807
Effect of change in tax rate	(572)	-
Total tax credited for the year	154	221

The Group has unrecognised tax losses carried forward of £18.1 million (2020: £13.7 million).

The R&D tax credit received in FY 2021 is in respect to the trading in FY 2019. No credit has been recognised in relation to the financial years 2020 or 2021 which are pending submission to HMRC.

12. INTANGIBLE ASSETS

2021	**SIP, RTP and SBC licences £000s**	**Capitalised Development £000s**	**Total £000s**
Cost:			
At 1 July 2020	379	2,519	2,898
Additions	-	920	920
Foreign exchange movement	-	(24)	(24)
Disposals	-	-	-
At 30 June 2021	379	3,415	3,794
Depreciation (included within administrative expenses):			
At 1 July 2020	37	723	760

Charge for the year	76	595	671
Foreign exchange movement	-	(3)	(3)
Disposals	-	-	-
At 30 June 2021	113	1,315	1,428
Net book amount at 30 June 2021	266	2,100	2,366

2020	**SIP, RTP and SBC Licences £000s**	**Capitalised Development £000s**	**Total £000s**
At 1 July 2019	83	1,515	1,598
Additions	297	1,004	1,301
Foreign exchange movement	-	-	-
Disposals	-	-	-
At 30 June 2020	380	2,519	2,899
Depreciation (included within administrative expenses):			
At 1 July 2019	8	290	298
Charge for the year	29	433	462
Foreign exchange movement	-	-	-
Disposals	-	-	-
At 30 June 2020	37	723	760
Net book amount at 30 June 2020	343	1,796	2,139

13. PLANT AND EQUIPMENT

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

2020	Right of use Asset £000s	Fixtures and Fittings £000s	Computer Equipment £000s	Total £000s
At 1 July 2019	-	22	226	248
On adoption of IFRS 16	82	-	-	82
Additions	-	-	32	32
Disposals	-	-	-	-
At 30 June 2020	82	22	258	362
Depreciation (included within administrative expenses):				
At 1 July 2019	-	10	167	177
Charge for the year	35	4	43	82
Disposals	-	-	-	-
At 30 June 2020	35	14	210	259
Net book amount at 30 June 2020	47	8	48	103

On the 1st July 2019 the Group adopted IFRS 16: *Leases.* At the time of the adoption the Group only held one operating lease for its office buildings in Ipswich.

Following the change in the accounting policy the following items were created in the balance sheet.

- Right to use asset – increase by £82,000
- Lease liability – increase by £82,000

The net impact on retained earnings on 1 July 2019 was £nil, and there were no other adjustments required on the balance sheet.

The total cash outflow for leases in the year was £45,000 (2020: £45,000), made up of the principal lease payments of £33,000 (2020: £35,000) and lease interest payments of £12,000 (2020: £10,000).

There were no additions to right-of-use assets acquired in the year.

14. TRADE AND OTHER RECEIVABLES

Due within one year	2021 £000s	2020 £000s
Trade receivables	2,146	1,263
Accrued income	45	60
Deferred costs	333	468
Other Prepayments	404	552
Trade and other receivables due within one year	2,928	2,343

Due after more than one year	2021 £000s	2020 £000s
Deferred costs	801	368
Trade and other receivables due after one year	801	368

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:

	2021 £000s	2020 £000s
Opening provision	1	8
Credited to income	-	(7)
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:

	2021 £000s	2020 £000s
0-30 days past due	177	103
30-60 days past due	16	4
Over 60 days past due	-	36

	193	143

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.

15. CURRENT LIABILITIES

	2021 £000s	2020 £000s
Trade payables	557	675
Social security and other taxes	368	242
Deferred Income	6,153	3,674
Right of use lease liability	15	32
Accruals	724	571
Trade and other payables	7,817	5,194
Bank Loan (note 16)	-	545
Total current liabilities due within one year	7,817	5,739

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.

16. NON-CURRENT LIABILITIES

	2021 £000s	2020 £000s
Deferred Income	1,941	859
Right of use lease liability	-	16
Other payables	1,941	875
Bank loans	-	728
Total non-current liabilities due after one year	1,941	1,603

Borrowings

Bank loans are repayable as follows:

	2021 £000s	2020 £000s
Within one year	-	545
After one year and within two years	-	545
After two years and within five years	-	183

Over five years	-	-
	-	1,273

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.

17. DEFERRED TAXATION

	Tax losses £000s	Total £000s
Opening balance at 1 July 2019	-	-
(Charged)/credited through the statement of comprehensive income in the year	-	-
At 30 June 2020	-	-
Charged through the statement of comprehensive income in the year	-	-
At 30 June 2021	-	-

	2021 £000s	2020 £000s
Unprovided deferred tax assets		
Accelerated capital allowances	-	-
Trading losses	4,143	2,600
	4,143	2,600

The unprovided deferred tax assets are calculated at an average rate of 25% for the UK and 23% for USA (2020: 19.0% UK 21% US).

18. GROUP UNDERTAKINGS

At 30 June 2021, 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%	Dormant

[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

19. SHARE CAPITAL

Group	2021 Number	2021 £000s	2020 Number	2020 £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	65,479,818	655	59,387,845	594

On 10 May 2021 the Company issued 75,000 ordinary shares of 1 pence in settlement of an exercise of options at 33 pence per share.

On 30 April 2021 the Company placed 5,789,473 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. The new shares represent approximately 9.7% of the Company's issued ordinary share capital (excluding those held as treasury shares) immediately following the placing.

On 1 April 2021 the Company issued 60,000 ordinary shares of 1 pence in settlement of an exercise of options at 33 pence per share.

On 20 January 2021 the Company issued 67,500 ordinary shares of 1 pence in settlement of an exercise of options at 45.5 pence per share.

On 23 July 2020 the Company issued 100,000 ordinary shares of 1 pence in settlement of an exercise of options at 33 pence per share.

On 17 April 2020 the company placed 16,666,667 ordinary shares of 1 pence with various institutional investors, priced at 30 pence per share. The placing raised a gross amount of £5.00 million before expenses. The new shares represent approximately 28.14% of the Company's issued ordinary share capital (excluding those held as treasury shares) immediately following the placing.

The Group owns 167,229 (2020: 167,229) shares and these are held as Treasury Shares.

During the year, the share price fluctuated between 117.5 pence and 36.5 pence and closed at 93.0 on 30 June 2021.

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	12-Nov-18	10-May-19	13-Jun-19	08-Jul-19	08-Jul-19	08-Jul-19	08-Jul-19	25-Jul-19
Exercise Price	33.0 pence	26.5 pence	22.0 pence	28.5 pence	28.5 pence	26.5 pence	19.0 pence	23.0 pence	19.0 pence
Price at date of grant	44.0 pence	26.5 pence	22.0 pence	28.5 pence	28.5 pence	26.5 pence	19.0 pence	23.0 pence	33.0 pence
Estimated time to Maturity	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%
Volatility	20.00%	20.00%	20.00%	20.00%	69.00%	69.00%	69.00%	69.00%	69.00%
Risk Free Rate	0.57%	1.00%	0.87%	0.62%	0.59%	0.59%	0.59%	0.59%	0.59%
No Steps used in calculation	10	10	10	10	10	10	10	10	10
No of simulations used in calculation	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	10,000
Fair value of Option	14.11 pence	14.23 pence	14.23 pence	14.30 pence	15.42 pence	13.15 pence	11.29 pence	13.38 pence	14.25 pence
Weighted average life in years	0.90 years	0 years	2.85 years	2.95 years	3.02 years	3.02 years	3.02 years	3.02 years	0 years
# option shares issued at grant	3065000	225000	145000	525000	215000	115000	20000	105000	300000
# option shares forfeited	1080000	225000	25000	0	25000	0	0	0	300000
# option shares exercised	235000	0	0	0	0	0	0	0	0
# option shares outstanding as at 30 June 2021	1750000	0	120000	525000	190000	115000	20000	105000	0
# option shares exercisable as at 30 June 2021	1750000	0	0	0	0	0	0	0	0
Charge for year	£35,801	-£4,658	£2,592	£14,982	-£282	£711	£55	£1,628	-£12,211
Total cumulative charge as at 30 June 2021	£235,623	£0	£7,321	£30,787	£11,614	£5,995	£895	£5,570	£0

Date of Grant	08-Jul-20	01-Dec-20	28-Jan-21	23-Mar-21	23-Mar-21	12-Apr-21	12-Apr-21	28-Jan-21	Total
Exercise Price	40.0 pence	44.0 pence	60.0 pence	65.0 pence	65.0 pence	113.5 pence	113.5 pence	93.0 pence	
Price at date of grant	40.0 pence	44.0 pence	60.0 pence	108.5 pence	108.5 pence	113.5 pence	113.5 pence	93.0 pence	
Estimated time to Maturity	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%	
Volutility	45.89%	45.60%	45.88%	45.88%	45.88%	45.88%	45.88%	45.99%	
Risk Free Rate	-0.04%	0.04%	-0.03%	0.37%	0.37%	0.37%	0.37%	0.35%	
No Steps used in calculation	225	225	250	250	250	250	250	250	
No of simulations used in calculation	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	
Fair value of Option	15.63 pence	17.24 pence	24.91 pence	61.63 pence	61.63 pence	42.40 pence	42.40 pence	37.06 pence	
Weighted average life in years	4.02 years	4.42 years	4.58 years	4.73 years	4.73 years	4.78 years	4.78 years	4.99 years	
# option shares issued at grant	815000	140000	65000	315000	25000	220000	30000	25000	6,350,000
# option shares forfeited	0	0	0	0	0	0	0	0	1,655,000
# option shares exercised	0	0	0	0	0	0	0	0	235,000
# option shares outstanding as at 30 June 2021	815000	140000	65000	315000	25000	220000	30000	25000	4,460,000
# option shares exercisable as at 30 June 2021	0	0	0	0	0	0	0	0	1,750,000
Charge for year	£24,932	£2,791	£1,358	£10,537	£836	£4,040	£551	£5	£83,668
Total cumulative charge as at 30 June 2021	£24,932	£2,791	£1,358	£10,537	£836	£4,040	£551	£5	£342,857

The fair value of these options has been calculated on an issue by issue basis and £83,668 (2020: £95,438) 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
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
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
Estimated time to Maturity	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%
Risk Free Rate	0.57%	0.57%	1.00%	1.00%	1.03%	1.03%	0.89%	0.96%
Volatility	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
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
Weighted average life in years	fully vested	0.26 years	1.03 years	2.03 years	1.36 years	1.36 years	1.52 years	1.66 years
# option shares issued at grant	150,000	150,000	415,000	641,667	150,000	60,000	15,000	100,000
# option shares forfeited	0	22,500	25,000	550,000	0	0	0	0
# option shares exercised	0	67,500	0	0	0	0	0	0
# option shares outstanding at 30 June 2021	150,000	60,000	390,000	91,667	150,000	60,000	15,000	100,000
# option shares exercisable as at 30 June 2021	150,000	56,100	289,575	91,667	99,000	39,600	9,300	58,500
Total charge for year	£4,705	£3,485	£7,663	£1,032	£2,462	£1,027	£107	£1,437
Total cumulative charge as at 30 June 2021	£11,756	£10,386	£16,350	£3,074	£4,894	£2,042	£268	£2,655

Date of Grant	08-Jul-20	23-Apr-19	01-Dec-20	28-Jan-21	23-Mar-21	Total
Exercise Price	40.0 pence	44.0 pence	44.0 pence	60.0 pence	108.5 pence	
Price at date of grant	40.0 pence	44.0 pence	44.0 pence	60.0 pence	108.5 pence	
Estimated time to Maturity	4 years	4 years	4 years	4 years	4 years	
Expected Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	
Risk Free Rate	-0.04%	0.82%	0.04%	-0.03%	0.37%	
Volatility	59.00%	34.00%	64.00%	54.00%	52.00%	
Fair value of Option	17.8 pence	1.3 pence	21.0 pence	24.6 pence	43.6 pence	
Weighted average life in years	3.02 years	1.81 years	3.42 years	3.58 years	3.72 years	
# option shares issued at grant	80,000	200,000	85,000	55,000	35,000	2,136,667
# option shares forfeited	20000	0	0	0	0	617,500
# option shares exercised	0	0	0	0	0	67,500
# option shares outstanding at 30 June 2021	60,000	200,000	85,000	55,000	35,000	1,451,667
# option shares exercisable as at 30 June 2021	-	109,500	-	-	-	903,242
Total charge for year	£2,617	£1,404	£2,599	£1,430	£1,045	£31,013
Total cumulative charge as at 30 June 2021	£2,617	£1,404	£2,599	£1,430	£1,045	£60,518

The fair value of these options has been calculated on an issue by issue basis and £31,013 (2020: £13,215) 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:

	2021 Weighted Average exercise Price £	Number of Options	2020 Weighted Average exercise price £	Number of Options
Options outstanding at start of year	0.302	4,916,667	0.303	5,116,667
Options granted during the year	0.566	2,090,000	0.234	755,000
Options exercised during the year	0.356	(302,500)		-
Options lapsed during the year	0.269	(792,500)	0.254	(955,000)
Options outstanding at end of year	0.397	5,911,667	0.302	4,916,667
Options exercisable at the end of year		2,653,242		1,707,570

20. 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 2021, the Group had a closing cash balance of £7,518,000 (2020: £4,301,000) and borrowings of £nil (2020: £1,273,000).

The Company 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 10% 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 losses of £550,000 (2020: Gain of £15,100) have arisen and as at the 30 June 2021 the Group held the following foreign currency cash balances:

US Dollar:	$1,053,588	Sterling equivalent:	£ 754,233	(2020: £279,508)
Canadian Dollar:	$ 266,342	Sterling equivalent:	£ 155,211	(2020: £14,575)
Australian Dollar:	$ 195,517	Sterling equivalent:	£ 105,127	(2020: £17,608)
Euro	€ 147,627	Sterling equivalent:	£ 126,263	(2020: £Nil)
Total		Sterling equivalent:	£1,140,834	(2020: £311,691)

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.

21. CAPITAL COMMITMENTS

The Group has no capital commitments at 30 June 2021 or 30 June 2020.

22. CONTINGENT ASSETS

The Group has no contingent assets at 30 June 2021 or 30 June 2020.

23. 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:

$$P = (A \times B) - C$$

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.

The Group has no other contingent liabilities.

24. CHANGES IN ACCOUNTING POLICY

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

25. TRANSACTIONS WITH DIRECTORS

In the financial year to 30 June 2020, prior to becoming a director, Simon Wilson was paid $83,333 (£65,975) in salary and received $6,860 (£5,431) in benefits.

Apart from the director’s standard remuneration there were no other transactions with directors in the year to June 2021 or June 2020.

26. DIVIDENDS

The Directors are not proposing a dividend for the financial year (2019: nil pence per share).

27. SUBSEQUENT EVENTS

There are no subsequent events to report.