ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2021

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”).

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

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.”

www.pcipal.com

HIGHLIGHTS

FOR THE YEAR ENDED 30 JUNE 2021

Metric	Change	Value	Prior year
Revenue	+67% ▲	£7.36m	2020: £4.40m
Gross Margin	+9% ▲	75.5%	2020: 69.2%
Loss before Tax £m	+4% ▲	£4.19m	2020: £4.35m
Adjusted EBITDA Loss £m[1]	+27% ▲	£2.70m	2020: £3.68m
New ACV £m	+19% ▲	£3.11m	2020: £2.62m
TACV £m[2]	+41% ▲	£9.51m	2020: £6.75m
Partner Sales % of contracts sold	N/C% ▲	78.0%	2020: 78.0%
Recurring Revenues % of total revenue in period	+5% ▲	88.0%	2020: 84.1%
Cash Balances £m	+75% ▲	£7.52m	2020: £4.30m
Deferred Income £m	+79% ▲	£8.09m	2020: £4.53m

1 Operating Loss plus depreciation/amortisation plus or minus exchange losses recognised in the profit and loss

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

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)

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

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.

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."

"As part of our mission to deliver the highest level of security and compliance to our customers we are pleased to extend our partnership with PCI Pal. 8×8 is helping to transform the way the world communicates, and we've worked hard to become the leading choice for businesses looking for powerful, seamless services to meet all of their communications, collaboration and customer experience needs."

8×8 Inc

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

3 September 2021

CHIEF EXECUTIVE'S STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

"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."

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).

Delivering our growth strategy

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.

Equity placing

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

Revenue +260%

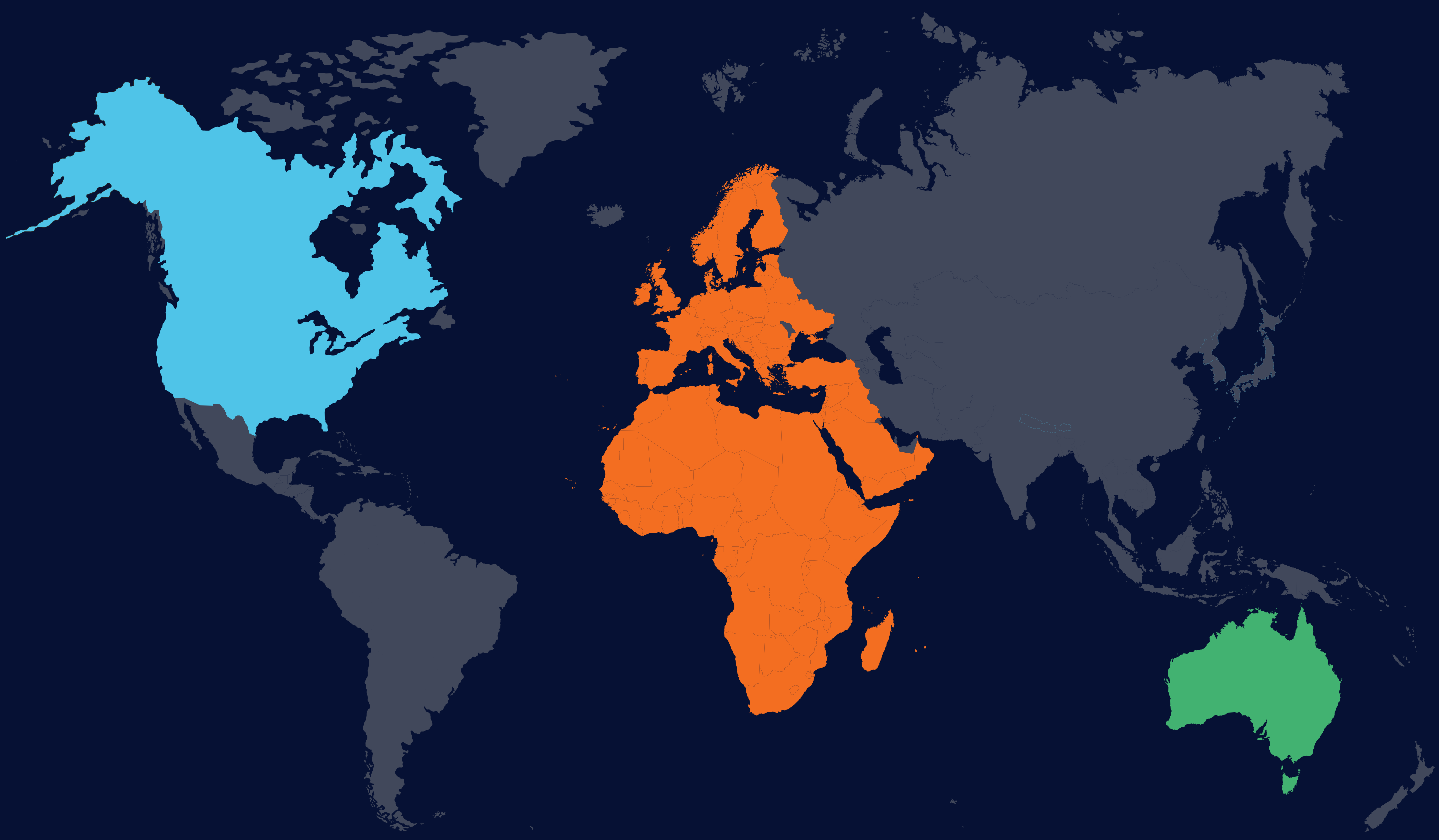
NORTH AMERICA

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.

Revenue +41%

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).



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. After all, 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 correlation 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 ninth 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 | CEO
3 September 2021

"PCI Pal has further enhanced our strong portfolio of PCI solutions by providing a fully assisted service for customers taking telephone payments. PCI Pal's technology is all cloud-based and compatible with the latest advances in VoIP telephony. This enables Pay360 to offer unrivalled choice when it comes to safeguarding our customers' sensitive financial data."
Pay360 part of Capita Software

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
1	Revenue	£7.36m	+67%	£4.40m	+56%	£2.82m
2	Gross Margin	76%	+9%	69%	+15%	60%
3	Annual Recurring Revenue[1]	£6.48m	+75%	£3.70m	+56%	£2.37m
4	Annual recurring revenue as % of Revenue	88%		84%		84%
5	Revenue generated from Non-UK deployments	£2.06m	+280%	£0.76m	+400%	£0.31m
6	Percentage of Revenue from non-UK deployments	28%		17%		11%
7	Adjusted EBITDA[2]	(£2.56m)	+28%	(£3.57m)	+20%	(£4.44m)
8	Cash facilities available[3]	£7.52m		£5.55m		£1.49m
9	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
1	Contracted TACV[1] deployed and live	£7.69m	+90%	£4.04m		Not Calculated
2	Contracted TACV in deployment	£1.12m	-49%	£2.19m		Not Calculated
3	Contracted TACV – projects on hold	£0.70m	+34%	£0.52		Not Calculated
4	Total Contracted TACV	£9.51m	+41%	£6.75m	+66%	£4.06m
5	ACV of contracts cancelled before deployment	£0.2m		Not Calculated		Not Calculated
6	Signed ACV in financial period	£3.11m	+19%	£2.62m	+37%	£1.91m
7	AWS Platform Churn[2]	6.7%		Not Calculated		Not Calculated
8	AWS Platform Net Retention Rate[3]	111.1%		Not Calculated		Not Calculated
9	Headcount at end of year (excluding non-executive directors)	71		58		50
10	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 £000s	North America £000s	Central £000s	Total £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 £000s	North America £000s	Central £000s	Total £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
3 September 2021

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MITIGATION

The Board of the Company regularly reviews business risk and the Group's appetite for risk relative to its growth and expansion goals. There are a number of potential risks and uncertainties, some of which could have a material impact on the Group's performance, and therefore could cause actual results to differ materially from those expected. Where possible, processes are in place to monitor and mitigate identified risks.

The Group's Information Security department, led by the Group's Chief Information Security Officer ("CISO"), maintains a 'risk register' and on a regular basis, in conjunction with the Audit Committee, carries out an annual review of the Group's primary risks and uncertainties to update the risk register as well as recommending allocation of resources to mitigate key risks. This year the annual assessment has been led jointly by all the Executive Directors in combination with senior members of their respective management teams. The evolution of our approach reflects the broader business risks faced by the Group, beyond those presented by information security.

The risk map highlights the core areas that the Board monitors and discusses. The higher the combined score, the higher the risks are to the Group. Mechanisms such as the risk heat map allow the Directors to identify the highest priorities and to put in place suitable risk mitigations to reduce the likelihood of a risk from happening and reduce the impact of a risk event should it happen. No business can fully plan and eliminate all the risks it faces and so the Board looks to manage and minimise risks down to an acceptable level.

PCI PAL PLC Risk Map

Risk Area	Impact	Likelihood	Vulnerability	Speed of onset	Impact v Likelihood	Vulnerability v speed of onset	Combined
1 Information security and cyber risks	5	3	2	4	15	8	23
2 Loss of or infringement of IPR	5	2	3	4	10	12	22
3 Business Interruption	5	2	2	5	10	10	20
4 Recruitment and retention	4	2	3	2	8	6	14
5 Market and product development	4	2	2	3	8	6	14
6 Reputational risk	4	2	3	2	8	6	14
7 Financial risk	4	2	3	2	8	6	14
8 Generation of sales through key partners	3	2	2	3	6	6	12
9 Regulation and industry standards	4	2	1	3	8	3	11
10 Pandemic risks	2	2	2	3	4	6	10
	1: Incidental 2: Minor 3: Moderate 4: Major 5: Extreme	1: Rare 2: Unlikely 3: Possible 4: Likely 5: Almost certain	1: Very Low 2: Low 3: Medium 4: High 5: Very High	1: Very Low 2: Low 3: Medium 4: High 5: Very High			

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MITIGATION CONTINUED

Set out below are the significant business risks areas identified, together with an overview of the mitigating factors considered by the Board. This is not an exhaustive list of the risks faced by the Group and is not necessarily presented in order of priority.

Specific Risk Area	Mitigating factors
1. Information Security and Cyber risks	
The ever-evolving, sophisticated nature of the cyber threat landscape poses an ongoing risk to the Group. Given our market and our cloud platform services, revenue is heavily dependent upon the security of the Company and its systems and processes.	Trend: Increasing risk The Group continually invests in informational security, data protection and regulatory compliance under the leadership of the Group CISO. It keeps under review formal data security and business continuity policies which are independently audited by a Qualified Security Assessor ("QSA") for PCI compliance, and a qualified assessor for ISO compliance. Both PCI DSS and ISO 27001 certification auditing are some of the most thorough of all certification systems currently available, and the Group has again been successfully accredited this year. Our primary AWS cloud platform, which now handles more than 90% of customer transactions, takes full advantage of the Amazon AWS secure cloud computing environment. The platform utilises AWS data centres and associated network architected to protect information, identities, applications, and devices.
A successful cyber-attack against the Group's digital assets could significantly impact the Group's ability to function, damage its business reputation and trust among its partners and customers, and therefore its ability to retain existing and attract new business. During the past fiscal year, the general cyber security environment has become more challenging with the rise of "Ransomware" attacks, and the global pandemic. Work-from-home requirements around the globe have made employees more susceptible to social engineering-based attacks, the need for endpoint security measures around remote equipment even more important, and has heightened the risk that breaches of third-party suppliers can impact their trading partners.	The Group utilises the latest security products such as end point security systems and phishing simulation software, with staff receiving regular security awareness training and testing. The security regime is regularly reviewed, and the Company invests in state-of-the-art systems to keep both its cloud platform and office networks protected against cyber-attack. The Group promotes a 'zero blame culture' across all staff to help ensure that staff take ownership of raising issues and that teams work together to ensure they are quickly resolved. Escalation procedures are in place to notify incidents to the executive management and the Board. To further mitigate the risks from Ransomware attacks, operational partitioning is practiced to physically isolate its cloud production and development environments from internal office network systems. In addition, our systems are subjected to frequent and rigorous third-party penetration testing to help ensure our system integrity. These take place during the year rather than only a single point in time each year. The Group's solutions are designed to minimise storage of clients' payment data or that of their end customers. This significantly mitigates potential exposure in the event of a data security breach. The Group also carries global insurance risk coverage for cyber security breaches and business interruptions.
2. Loss of or infringement of intellectual property rights ("IPR")	
The Group is reliant on IPR to protect its internally generated and licensed software. It may be possible for third parties to obtain and use the Group's IPR without its authorisation. Third parties may also challenge the validity and/or enforceability of the Group's IPR.	Trend: Level risk The Group utilises several IPR protections such as patents, copyrights, knowhow, and contractual provisions for both partners and customers, as well as with current and former employees and contractors. Additionally, the Group invests time with specialist IP and Patent law firms in both the UK and US to ensure it does not infringe third party IPR.
Protection of the Group's IPR may involve substantial cost and the diversion of resources and management attention.	To counteract the risk of third parties infringing PCI Pal's own IPR, or claim that PCI Pal has infringed their rights, the Company regularly reviews its proprietary software and development activities with its IPR lawyers. As such the Directors do not envisage the risk of loss or infringement to be significant.

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MITIGATION CONTINUED

Specific Risk Area	Mitigating factors
3. Business interruption	
The loss, failure, or other lack of availability ("downtime") of PCI Pal systems would impact both the Group's cloud platform services to its resellers and customers, as well as the Group's own ability to operate internally.	Trend: Level risk PCI Pal is accredited to the ISO 22301 (Business Continuity) standard. Robust management systems are in place to detect, minimise and restore systems in the event of a platform outage. Escalation procedures are in place to notify incidents to the executive management and the Board. Additionally, the company holds ISO 9001 (Quality Management) certification which reaffirms our commitment to continually measure and improve every aspect of our business operations. The primary AWS cloud platform is hosted across multiple AWS regions, and within those regions retains resilience through a minimum of two independent availability zones. Load balancers and auto-scaling groups running within each availability zone constantly monitor the health and capacity of the network and automatically act, launching new server instances in the event of high load or server outage. Our first-generation platform, which now handles less than 10% of transactions, is configured as a fully resilient privately hosted system with all components configured into failover pairs. Additionally, the entire platform is duplicated across two physical data centre locations in the UK. These back-up facilities have independent telephony and computer data systems synchronised to the main data centre such that they automatically fail-over to the back-up in the event of a major incident occurring. Traffic on this platform is being migrated to our primary platform hosted on AWS with the intent that the platform will be de-commissioned within the next two years.
4. Recruitment and retention	
PCI Pal, as a growth company, has a dependence on the recruitment and retention of highly skilled employees. The job market is increasingly competitive in the cloud technology sector, and more so since the 2020-21 pandemic and the acceleration of cloud adoptions and digital transformation trends. Employees may revisit their own career plans or be approached directly as recruitment activity increases.	Trend: Increasing risk PCI Pal works closely with external parties to source accurate market data to ensure competitive pay and benefits are being offered to both attract and retain people. We continue to invest in people development and training initiatives to provide opportunities for career fulfilment and progression. Wherever appropriate we seek to develop and promote from within the existing staff pool. As work from home rules are relaxed, we nonetheless will continue to operate a hybrid work policy that balances employee preference with the needs of our customers and partners. People KPIs are closely tracked and provide early identification of risks to allow corrective action to be taken.
The Company requires specialist technical skills that can be scarce (along with identification of knowledge depth). The Company needs to move fast to secure such resources.	PCI Pal management are consistently and proactively involved in recruitment, with dedicated internal resource and software to manage and achieve recruitment goals. Technical tests are used to ensure candidates meet required criteria. We utilise our own people networks and contacts to target specific skillsets, as well as specialised industry recruitment firms.
Homeworking has contributed to the ability for people to work for any company/anywhere. Managing high performing teams and maintaining staff wellbeing can present challenges.	PCI Pal provides an Employee Assistance Programme and Wellbeing portal to allow people to obtain support and guidance. Managers are trained in providing support and know where to obtain help. Surveys are used to take pulse checks at individual and team level to pinpoint areas of concerns and allow corrective action to be taken.
Succession planning whilst company has rapid growth will continue to be a challenge.	Reasonable staff turnover is not considered unhealthy. PCI Pal ensures information, knowledge and resources are stored and shared centrally to remove risk when our people do move on.

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MITIGATION CONTINUED

Specific Risk Area	Mitigating factors
5. Market and Product Development	
The Group provides cloud-based technology solutions to its customers and partners. PCI Pal has been at the forefront of cloud technology in its space, but as the market evolves there is a risk of competitors developing and driving cloud products and services that compete with our own offerings.	Trend: Increasing risk The Group has continued to invest in cloud and has established an extensive eco-system of integrations to core systems in the secure payment space across business communications, payment providers, and CRM applications. The Group will continue to drive expansion of this eco-system and integrations to maintain its position with the most mature cloud offering in its space. PCI Pal retains high retention of partners and customers across its cloud products, having invested significant time in advance of our competitors in cloud technology. These factors act as mitigations to the speed with which a competitor could compete at the same level as PCI Pal in these areas. A number of PCI Pal's main competitors market either an on-premise hardware-based solutions or their services are delivered via privately hosted environments. Any committed shift to a pure-cloud solution would be a distraction for those organisations, again acting as a mitigator for this risk.
The payment and security markets are high-paced environments of change. As the markets evolve, and both compliance and technology adapt, consumer demand can change. Organisations may adopt alternative methods for security and payments which may not require PCI Pal's services as they stand today.	PCI Pal keeps abreast of market trends through the expertise it has within its people and partners. We have recently bolstered this with the formation of the PCI Pal Advisory Committee, with our first member having an extensive international payments background. This should allow the Board to identify trends in advance and plan ahead accordingly. The Group plans to invest further in research and development in the coming year, developing product features that will maintain or grow our relevance to our partners and customers. PCI Pal's global cloud platform, integrated with many of the largest cloud communications platforms globally, provides the Company with a significant opportunity for future growth through product innovation.
6. Damage to reputation	
As the Group continues to expand globally, compliance with international and regional regulation is important where it is relevant for any of the services (or elements of services) that PCI Pal is providing within those regions. A lack of compliance with regulation could result in fines and reputational damage should they be announced.	Trend: Level risk The Group takes great care and invests in advisory services with lawyers who are expert in these fields to ensure that it works within the confines of any relevant regulation in the regions within which it operates or provides services. Furthermore, PCI Pal's infosec and compliance team works closely with product management to ensure that we are ahead of any compliance requirements before the Company becomes subject to them.
Despite the Company having low employee churn rates, we anticipate that Company growth will naturally cause the number of employees that may leave the business over time to increase. If employees that leave are dissatisfied with their experience at the Company, this could lead to a negative reputation impact on the company.	We have made extensive progress in our people and development processes, in line with the maturing of the business in the last twelve months. We take considerable care when we hire, and we are investing more time, spend, and effort in further improving our career progression and personal development opportunities for our people. We have made efforts to keep close to our people (virtually) during the regional lockdowns, and we run regular employee surveys to maintain open feedback. We have minimal people churn in the business, high measurable rates of employee satisfaction, and due to the controls and focus we have been building in our People department, see this as a manageable area of risk.
PCI Pal's highly available cloud product suite is a lynchpin in our strategy. Should PCI Pal suffer product performance or platform performance issues that impact customers it would suffer reputational damage that, depending on the severity of any incidents, could have wide reaching reputation impact.	The Group has invested heavily in the first global cloud platform in its market. In FY21, uptime of the entire platform, including voice connectivity from suppliers, exceeded 99.99% and so we believe that the risk of poor platform or service performance going forward, given our further investment in engineering and technology, is manageable. Furthermore, we have stated that we intend to invest more in product management, which is a critical component to high performing products and services.

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MITIGATION CONTINUED

Specific Risk Area	Mitigating factors
7. Financial risk management	
The principal financial instruments used by the Group, from which financial risk arises, are trade receivables, cash at bank, trade and other payables, and the bank debt facility.	Trend: Level risk The Board has overall responsibility for the determination of the Group's financial risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing, operating and reporting thereof to the Group's finance function. The overall objective is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.
Credit risk Credit risk is the risk of financial loss to the Group if a partner or customer or a counter party to a financial instrument fails to meet its contractual obligations.	The Group is mainly exposed to credit risk from credit sales and/or bank default. It is Group policy to assess the credit risk of new customers and partners before entering new contracts and it has a frequent and proactive collections process. The Group does not sell hardware. The concentration of credit risk is limited as the credit given is spread across all clients and partners. Under the terms of our contracts many services are charged for in advance of delivery, thus mitigating the risk further. The Group's largest customer for FY21 accounted for less than 10% of the Groups revenue, and this customer pays its contractual commitments in advance of delivery of the service. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. At the year-end, the Group's cash at bank was held across two leading banks in different countries.
Market risk Market risk arises from the Group's use of interest-bearing and foreign currency financial instruments.	The Group does not use interest-bearing or foreign currency financial instruments and so does not have any exposure to market risk.
Liquidity risk Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.	On a monthly basis, the Directors review the Group's trading to date, the Group's full year financial projections as well as information regarding cash balances, debtors, trading and prospects. This allows the Directors to form an opinion as to the working capital of the Group and its likely future requirements, and to plan accordingly. The Group raised £5.0 million of new equity finance in April 2020, as part of a reaction to any potential liquidity risks from the COVID pandemic. In April 2021 a further £5.18 million (net of expenses) of new equity finance was raised to fund its planned expansion in to Canada, Australia and mainland Europe. The Group is currently debt free and the Directors believe, if necessary, it could establish new debt facilities to provide liquidity to the Group. The Board currently has no plans to establish such a debt facility as it believes it has sufficient cash to meet its trading obligations.
Currency risk As a consequence of the increasingly international nature of its business, the Group has become more exposed to risks associated with changes in foreign currency exchange rates. The Group is based in the United Kingdom and presents its consolidated financial statements in pounds Sterling. The Group's current revenues are generated primarily in pounds sterling but increasingly it is envisaged that the revenues will be generated in foreign currency, particularly the US dollar, the Canadian dollar and the Australian dollar. The Group also has substantial contractual obligations (primarily employment contracts) that are denominated in US Dollars.	Currently the Group does not have currency hedging arrangements in place. Notwithstanding any future currency hedging arrangements that the Group may put in place, the Group will have exposure to translation effects arising from movements in the relevant currency exchange rates against sterling. Therefore, there can be no assurance that its future results or resources will not be significantly affected by fluctuations in exchange rates. Currently the Group holds most of its cash resources in Sterling thereby minimising the risk of adverse currency translation on its cash assets. The Company does have substantial inter-company balances made in sterling with its US subsidiary, which is subject to translation risk as the US company revalues these balances at the end of each trading month. This inter-company debt is considered to be long-term in nature and there are no requirements for repayment. The crystallisation of a loss is therefore unlikely in the near future. The Group continues to win foreign currency sales contracts, particularly in the US. The sales contracts generates foreign currency income which offsets the cash contract liabilities in the local region.

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MITIGATION CONTINUED

Specific Risk Area	Mitigating factors
Inflation risk Inflation risk has been benign for most of the last decade. However, following substantial government support for all the major trading countries of the world as a result of the pandemic there is a risk that inflation may build in the future. Adverse inflationary pressure may affect the value of the assets of the group; create adverse exchange rate pressure; create adverse pressure on the wages and supplier costs that may not be able to be passed on to customers; and potentially force central banks to raise interest rates.	The Board receives monthly reports on the asset base of the Group and the trading with it. The Board has also monitored the reports of the Central Banks of the UK and US and noted that they believe the risk of inflation above their 2% targets to be short term in nature and will decrease as the economies start to recover from the pandemic. As detailed above, the Directors regularly monitor pressure on wages and demand for employees and so are aware of the current underlying inflationary pressure on employee costs. The Board believe this pressure is a manageable risk as part of the Group's operations. As a result of its work the Board believes this risk to be of a short to medium term and so it only needs to be monitored rather than acted upon.
Taxation risk The Group's operations and business will be subject to the effect of future changes to tax legislation and practice in the countries in which it operates. Any change in the tax status of the Group or any member of the Group or in applicable tax legislation or regulations in any relevant jurisdiction could affect its ability to provide returns to shareholders or negatively alter post tax returns to shareholders.	The Group currently has substantial tax losses available to use in its UK and North American trading entities and so it is envisaged that the Group will not be subject to any meaningful corporation tax in the short term. As the Group expands into more economic regions the Group takes appropriate tax advice from professional tax specialists for each region it operates in and implements processes and procedures to ensure all relevant taxes are paid on time at the correct level. The Board has recently decided to split its tax advisory service from its audit function and so tax advice is now handled by a separate professional firm of international standing. This firm has been asked to undertake a review of the Group's current tax structure, as well as the plans for the future expansion, to ensure all tax scenarios for the next few years are identified and planned accordingly.
Litigation risk Companies in all sectors, including the sector in which the Group operates, are subject to legal claims, with and without merit. The Group may become involved in legal disputes in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Group's financial position, results of operations and/or prospects.	The Group has retained the services of appropriate external law firms in each of the geographies it operates to advise accordingly. It proactively reviews and manages key potential areas of litigation, such as IPR infringement and customer or partner contract disputes. The Directors therefore believe that the likelihood of the Group being successfully sued is low and so not material.

8. Generation of sales through key partners

While the Board continues to be confident that our channel go-to-market sales model is the most appropriate route to market to scale the business, delays could arise in the expected timetable of engagement and enablement of those partners. Such delays could slow the rate of growth in the Group's sales bookings and revenues. This could have an impact on the trading and financial position of the Group and the planned future timing of when it is expected to reach break-even.

Trend: Level risk

The Board is confident that the Group has hired the right people, adding to an already experienced team, to capitalise on existing channel partnerships whilst growing new channel routes-to-market. We have worked extensively to refine our enablement and partner-engagement processes. Our continued investment in global expansion, as well as product and technology, will enable PCI Pal to capitalise on the relationships it is building with partners, particularly those with a global footprint.

9. Regulation and Industry Standards

The Group operates across a range of countries, each of which has its own legal regulations. Additional laws may be enacted covering issues such as data protection, taxation, pricing, or law enforcement which may impact the Group's ability to operate.

Trend: Level risk

The Group has a long-established and experienced Information Security team, headed by our CISO, which focuses on ensuring the highest standards of regulatory compliance and data security.

Additionally, the Company works with specialist law firms in the UK and US, both of whom have significant international experience. As a small company, PCI Pal utilises external counsel to ensure compliance with regulatory and industry standards wherever it operates.

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MITIGATION CONTINUED

Specific Risk Area	Mitigating factors
The Group's solutions rely on PCI DSS compliance and adherence to industry standards such as ISO 27001. Changes to these standards, or the introduction of new ones, could potentially impact operations.	PCI Pal is a Participating Organisation of the Payment Card Industry Security Standards Council ("PCI SSC") and as such, is directly involved in the process of updates and revisions to the PCI Data Security Standard. Our compliance and information security team is therefore well positioned to both anticipate and respond to the evolution of PIC DSS.
10. Pandemic Risk	
Changes to government guidance could lead to further repeated lockdowns and restrictions, and could in turn have a negative impact on existing or prospective partners' and customers' businesses and industries (for example, those most at risk such as travel or hospitality).	Trend: Decreasing risk Firstly, prior to the pandemic more than 60% of PCI Pal's employees were already regularly working from home. Having moved the remaining staff to homeworking in late March 2020 with no disruption, we are confident that we can maintain full operating efficiency across all departments and regions. We continue to update detailed risk assessments, local to our employees, to ensure that our policies and plans are well communicated, tested and up to date. Secondly, the PCI Pal customer base is broad and not concentrated in any specific industry segment(s). Furthermore, we have seen that the need for our services increases when contact centre agents work from home. PCI Pal's revenue model is primarily based on minimum committed annual licences rather than usage-based models. The Company has experienced little impact on either our expected recognised revenues, or our underlying growth rates and continues to have that expectation going forward, should there be a resurgence in the pandemic.
Some PCI Pal staff will continue to work from home for some portion of the working week. Managing remote high performing teams and maintaining staff wellbeing can present challenges, particularly in sharing knowledge, ideas and maintaining engagement, as well as personal well-being.	Dedicated internal resource and software is used to both increase and maintain staff engagement. Our specialised management training programme provides advanced coaching in engagement techniques, and enables managers to ensure they keep focused on overall team cohesiveness whether working in the office or remotely. The Company's Employee Assistance Programme and Wellbeing Portal provides support in dealing with personal issues, and physical/mental health. Wellbeing surveys take pulse checks at individual, team and company level to pinpoint areas requiring attention and allow corrective action to be taken.
Limits on International travel could pose challenges to planned expansion into new territories.	Our People function already had in place remote hiring, on-boarding, and training strategies. Well-established communication protocols (both software tools and processes) ensure that barriers to engagement are identified, monitored and resolved. Outside the UK, local specialised contract resource is used to help support company expansion plans as needed.
Outbreaks of disease and local government enforced lockdowns could impact regional working environments.	As PCI Pal is a cloud vendor it requires no physical access to customers' premises in order to deploy or maintain services, we can maintain high service levels during these periods. While our first-generation platform does require physical access to our co-location provider from time to time as equipment needs servicing, the platform has full dual back-up systems. A project is underway to migrate customers from this first generation platform to the AWS platform over the next 18 months.
We may experience shortages of staff if they become ill.	The majority of our employees are based in the UK and US where the COVID vaccine programme roll outs have been advanced compared to other developed countries. Additionally, all employees can work remotely from home during the pandemic, thus reducing the chance of COVID-19 spreading through the business.
Large marketing events may be cancelled impacting lead generation.	We have adjusted our marketing focus away from large events to account for reductions in such events and increased our focus into digital marketing and increased collaborative efforts with partners.

CORPORATE SOCIAL RESPONSIBILITIES

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

Mission, Vision and Values

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

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

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

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

Our Values:

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

Customer Engagement & Business

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

Employee Engagement, Retention and Development

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

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

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

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

Our employee turnover is very low, but in the event that employees do decided to move on from PCI Pal, we take this opportunity to interview and document their reasons for leaving to allow us to make improvements wherever possible.

Community Impact

PCI Pal recognises the importance of the communities within which we operate, aiming to positively contribute towards them by being sensitive to their needs whilst promoting ethical and socially responsible trading. For FY22 the Company has a chosen a global charity that was selected following an all company employee survey. The charity, Girls Who Code, aims to increase the number of women in computer science by equipping young women with the necessary computing skills to pursue modern day opportunities. We look forward to supporting this charity with employee challenges and donations.

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

COVID-19

The safety of our employees is paramount to the Directors. We have carried out risk assessments relating to the COVID-19 situation based on guidance available from the UK and US governments. The nature of our business means that our people can work remotely with ease. The risk of staff transmitting COVID-19 whilst performing their duties for PCI Pal is considered low if all government and advisory guidance is followed. We have developed clear Return to Work policies which have been communicated to all staff. All required government controls and safety measures are in place.

At the time of publication of this report the majority of staff are working from home, with a small number working from our Ipswich and Charlotte sites. The company is currently finalising its Return-to-Work plans and anticipates making decisions to finalise these plans in the Autumn of 2021 when the impacts of the unlocking in both the UK and US, and subsequent government policy, will be better understood. Whilst this is the Boards current ambition we recognise that there is still a high level of uncertainty and so the Board is continually reviewing what is best for our employees and for the Company.

Section 172(1) Statement – Board engagement with our stakeholders

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

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

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

The Board recognises that building strong relationships with our stakeholders will help us deliver our strategy in line with our long-term values and operate the business in a sustainable way. The Board is committed to effective engagement with all its stakeholders. Greater details of how the Board operates and the way in which it makes decisions, including key activities during the financial year ended 30 June 2021 and Board governance, can be read in the Board Committee reports later in this report.

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

The Board receives updates from the Executive Management on various metrics and via feedback and survey tools in relation to employees and customers. The Board reacted quickly to the onset of the COVID 19 pandemic in FY20 ensuring all staff were moved quickly and safely to a working from home environment, supported by appropriate wellbeing initiatives. For FY21 the employees continue to work-from-home and the Board has continued to support its employees throughout. Being a pure-cloud business, we were able to fully close our offices without affecting the running of the organisation, thus safeguarding these key stakeholders, and continuing to provide excellence of service.

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

Relationships with customers and partners are fostered and we listen to feedback through both surveys and regular direct relationship contact. Our net promoter scores (NPS) for FY21 for our deployment services now stands at 58% above the global standard for our industry. Our sales and pre-sales teams foster close working relationships with our channel partners and direct customers, supported by our Service Excellence and Customer Success teams.

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

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

Guidance also recommends that more detailed description is limited to matters that are of strategic importance in order to remain meaningful and informative for shareholders. The Board believes that one decision taken during the year fall into this category. This is the decision in April 2021 to place 5,789,473 shares to raise £5.18 million to allow the Group to accelerate its expansion into Canada, Australia and mainland Europe. The Board considered the current trading of the business and the growing demand for our solutions and decided that new equity was the most appropriate way to finance this expansion.

The Strategic Report for the Group was reviewed and approved by the Board of Directors on 6 September 2021

Signed by Order of the Board

James Barham | CEO
3 September 2021

BOARD OF DIRECTORS

SIMON WILSON

Non-Executive Chairman

Appointed to the Board
1 November 2019

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

Simon is a member of the Audit Committee

Committee membership:

A

JAMES BARHAM

Chief Executive Officer

Appointed to the Board
30 September 2016

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

WILLIAM GOOD

Chief Financial Officer

Appointed to the Board
1 April 2017

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

Committee membership key: A Audit R Remuneration

GEOFF FORSYTH

Chief Information Security Officer

Appointed to the Board
27 October 1999

Working history
A co-founder of PCI Pal, Geoff is responsible for the overall information security and regulatory compliance of the organisation's global services, including legal compliance, IT systems risk analysis, incident response planning and business continuity management. As a Fellow of the British Computer Society, Geoff has spent over 25 years working with internet and telecommunications services.

CHRIS FIELDING

Independent Non-Executive Director and Senior Independent Director

Appointed to the Board
1 September 2014

Working history
Chris is Managing Director, Corporate Finance at W H Ireland with over 30 years of corporate finance experience. Previous to his current role, Chris worked at Arden Partners and spent 11 years prior to that at Hoare Govett, where he was a director of Corporate Finance. He qualified as a chartered accountant with Price Waterhouse and subsequently held appointments at Thomas Cook, Cadbury Schweppes and Barclays de Zoete Wedd.

Chris is the Chairman of the Audit Committee and a member of the Remuneration Committee

Committee membership:

A Chairman R

JASON STARR

Independent Non-Executive Director

Appointed to the Board
1 January 2015

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

Jason is the Chairman of the Remuneration Committee and a member of the Audit Committee

Committee membership:

A R Chairman

ADVISORY COMMITTEE MEMBERS

NEIRA JONES

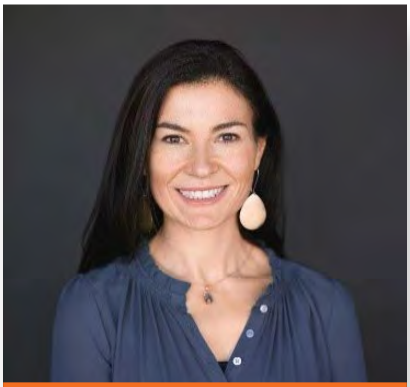
Appointed to the Committee
1 September 2020

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

JAYESH PATEL

Appointed to the Committee
1 September 2021

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



EMILIA D'ANZICA

Appointed to the Committee
1 September 2021

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

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

Dear Shareholder,

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

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

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

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

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

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

Simon Wilson | Chairman and Non-Executive Director
3 September 2021

COMPLIANCE STATEMENT

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

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

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

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

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

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

Principle 1: Establish a strategy and business model which promotes long-term value for shareholders

Application

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

Evidence & disclosure

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

At the start of this year, the Board initiated the beginning of a refreshed five-year review of the Company's longer-term strategic goals, details of which are included in the CEO review. In April 2021 the Company raised £5.18 million in new equity funds to allow it to undertake a faster expansion into three additional regions: Canada; Australia and mainland Europe. This planned geographic expansion was detailed to shareholders as part of the fund raise roadshow in April and is a component of the Group's new five-year plan under development.

Principle 2: Seek to understand and meet shareholder needs and expectations

Application

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

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

Evidence & disclosure

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

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

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

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

Normally the Company, once a year, holds its AGM and the Board of Directors all attend and are available to answer any specific questions raised. Last year, the AGM was not held face to face due to the COVID 19 pandemic restrictions. This year, the Board is re-assessing that decision as well as looking at ways to enhance its availability to shareholders by providing real time video access, again probably using the Investor Meet Company portal.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

Application

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

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

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

Evidence & disclosure

The Group Corporate Responsibilities report shows that the Group has established a clear Mission, Vision and Value statement against which the Group's corporate responsibilities can be measured. For the first time this year the Board has made a Section 172 of the Companies Act 2006 declaration which requires a Director of a Company to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

The Group's staff are enormously important to the future performance of the Group and so significant time and effort is taken to ensure that each member feels part of the PCI Pal team and is rewarded accordingly. Last year, the CEO established a formal HR (People) department and the Group has a detailed staff handbook guiding the employees on the culture and expectations of each employee. The employees are regularly requested to provide feedback on core matters via surveys and all are given the opportunity to have 1:1 meetings with their team leaders and managers. Throughout the year managers look for opportunities to help people enhance their career direction and personal fulfilment and ensure that each employee participates in his/her annual performance review. Given the current high rate of growth of the business, particular focus this year has been given to the onboarding of new employees. It is the Group's policy that all staff should be awarded share options appropriate to their position in the Group. As a result of our policies staff retention remains high.

Both our partners and our customers are vital to the Group's growth strategy. Our Chief Revenue Officer ("CRO") leads our sales operation, and his team maintains regular dialogue with all our key channel partners and new sales prospects. However, our customer relationship management does not end with sales. We have during the year established a new Customer Success function. Customer Success merges our existing Service Excellence and Professional Service teams with a newly established Customer Success relationship management team. All new customer contracts are on-boarded and deployed by our Professional Services team. Each new contract, whether a new customer or an upsell, is allocated to a Project Manager who is responsible for co-ordinating the deployment. Every new customer that has gone through our deployment processes is given the opportunity to provide feedback via a survey. The results are evaluated as a Net Promoter Score ("NPS"). Our Professional Services Team has consistently ranked in the top quartile global benchmark of the NPS standard. Once deployed the customer's service is proactively monitored and managed by our dedicated Service Excellence team who is available to handle and escalate accordingly any issues or requirements the Customer might request. Given our channel-first go to market strategy, Customer Success in many cases starts with 'Partner Success'.

The Customer Success team therefore includes dedicated people responsible for building relationships with our key channel partners and their customers ensuring they have a formal communication route to the Group for not only issues but also to assist them with their future growth requirements.

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

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

Application

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

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

Evidence & disclosure

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

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

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

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

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

Principle 5: Maintain the board as a well-functioning, balanced team led by the chair

Application

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

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

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

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

Directors must commit the time necessary to fulfil their roles.

Evidence & disclosure

The Board is collectively responsible for the long-term success of the Group and provides effective leadership by setting the strategic aim of the Group and overseeing the efficient implementation of these aims in order to achieve a successful and sustainable business. The Board has a specific list of matters and activities that can only be authorised by the full Board and has delegated other matters to the CEO.

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

To assist the CEO, and the wider Board, the Group has established an Advisory Committee (the "PAC"), with the first appointment made in the financial year. Since the end of the financial year two further members have been added to the PAC, and collectively now bring additional deep international expertise in the areas of payments, product management and customer success. In addition to providing the CEO with advice in these areas, the PAC also provides the Board as a whole an additional source of expert knowledge to help it assess the ongoing risks and opportunities faced by the Group, thereby helping the Board fulfil its duties.

The three Non-Executive Directors are deemed to be independent. In reaching this conclusion, the Board has explicitly considered the prior consulting relationship of Simon Wilson with the Company, when he provided consulting advice to the Board and senior management in its market entry to, and expansion in, North America. As part of his compensation for these services, Mr Wilson was granted 250,000 options, the details of which are included in the Director's Report. The professional relationship between Chris Fielding and Jason Starr has also been explicitly considered by the Board. Chris Fielding is a Managing Director at the investment bank W H Ireland, and W H Ireland has been the appointed NOMAD for The Dillistone Group PLC since 2012, where Jason Starr is CEO and executive board director.

In both cases these potential conflicts were openly discussed by all Board Directors as part of an evaluation of board effectiveness exercise undertaken in FY20. The Board concluded that these relationships do not impair the independence of character, judgement and thought of the directors concerned, and therefore all of the non-executive directors were deemed to be independent. The Board continues to hold this opinion.

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

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

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

Directors' meeting attendance 2020/21

	Board Scheduled	Board Short Notice	Board Sub Committee	Audit Scheduled	Audit Short Notice	Rem Com Scheduled	Rem Com Short Notice
Executive Directors							
James Barham	6/6	7/7	6/6**	–	–	–	5*
William Good	6/6	7/7	6/6**	–	3*	–	5*
Geoff Forsyth	6/6	7/7	–	–	–	–	5*
Non-executive directors							
Simon Wilson	6/6	7/7	–	2/2	3/3	–	5*-
Chris Fielding	5/6	7/7	–	2/2	3/3	2/2	5/5
Jason Starr	6/6	7/7	–	2/2	3/3	2/2	5/5

* = attended by invitation of the Chairman of the Committee

** = during the year James Barham and William Good held 6 short notice Board meetings as an authorised committee of the Board

Directors can formally attend meetings either: in person; by conference call or by video conferencing. Since the advent of the coronavirus pandemic, all meetings in FY20/21 have been held remotely by video conference. A hybrid approach to board meetings using a mix of face to face and/or video conference will be adopted going forward, once work from home laws are relaxed or removed.

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

Division of roles and responsibilities

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

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

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

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

Committees

The Board has established two committees to assist in its considerations and to make recommendations to the Board. These committees are the Audit Committee and the Remuneration Committee, the terms of reference for each are published in full on the company website under the Corporate Governance section.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Application

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

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

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

Evidence & disclosure

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

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

Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Application

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

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

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

Evidence & disclosure

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

The Board conducted its first formal evaluation of its effectiveness during FY20 and has subsequently undertaken a further evaluation in FY21. Simon Wilson conducted the evaluation using a mixed methodology of an anonymous survey tool, direct one-on-one conversations, and frank and open group discussion among all board directors together. The exercise was designed to evaluate the effectiveness of the operation of the board as a whole; the board's individual committees; as well as the contributions of each individual director. The objective of these assessments is to enable the board, its committees, and its directors to set out down a path of continuous and incremental improvement of our governance at all levels. As part of the goal for continuous improvement, the evaluation of board effectiveness will be on-going periodic assessment process.

The broad conclusions of the FY21 evaluation were that during the year there had been substantial improvement in the running of the Board and sub- committees. There were several areas where further improvements were identified, especially as the work of the board naturally expands over time in the face of change, growth and complexity of the business. For example, in terms of the organisation of board meetings there had been a greater focus on the balance of agenda topics, the frequency, length and communication mode of meetings, and increased attention to forward looking matters. There is also recognition of the need to continue to deepen non-executive directors' knowledge of operational and market aspects of the Group's business; and to expand of the overview work of the two existing committees.

Examples of action already taken by the Board as a result of this evaluation process include: deep dive subject matter presentations by a variety of senior management; regularly scheduled closed board sessions where the non-executive Directors can discuss matters openly without management present; more extensive and scheduled committee activities; use of outside advisors; establishment of the PAC; rationalisation of information provided by management to the Board, and active and timely assessment of the effectiveness of each individual Board and committee meeting. The topic of succession planning has also been actively discussed by the Board in FY21 in the context of the likely needs of the business relative to its new evolving five-year strategic growth plan. Planning is now underway to anticipate the refresh of non-executive directors when they approach a nine-year period of service.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

Application

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

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

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

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

Evidence & disclosure

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

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

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

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

The majority of new employee positions are advertised to all employees in the Group and where possible we will look for opportunities to prepare and promote existing employees to more senior positions, before offering a position to a new externally hired person. In FY21 we promoted three employees to VP level positions as we continue to evolve our departmental structure in preparation for the further expansion of the Group.

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

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

Application

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

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

Evidence & disclosure

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

During the year the Group has evolved its management and departmental structure. As detailed earlier the Customer Success function has been created bringing greater clarity to the support and continued relationship with our customers and channel partners. In addition, since the year end, the Group has formed its first formal Product Management team who will take responsibility for ensuring that the products we sell are designed, delivered, and priced to meet the market requirements of both partners and customers.

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

Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Application

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

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

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

Application & disclosure

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

1. The annual and interim statutory financial reports and associated investor and analyst presentations and reports. The Company regularly presents to its larger institutional and other significant shareholders who, in combination, own approximately 50% of the Company shares. In addition, the Company uses the Investor Meet Company portal where the CEO and CFO share with our retail investors the presentations made to the larger institutions above. These presentations are normally recorded so that investors who miss the original meeting can receive the information.
2. Announcements relating to trading or business updates released to the London Stock Exchange. As the Company grows, the Board is committed to expanding its disclosures to ensure that all stakeholders are able to fully understand not just the Company's financial results, but also its business model, key metrics, and strategy.
3. The Company has in FY21 re-designed its main website and its associated investor pages adding in additional information that helps provide a greater understanding of the Group and its business, as well as providing a useful source of other information.

In normal circumstances, pre-pandemic, the Annual General Meeting provides shareholders with an opportunity to meet the Board of Directors and to ask questions relating to the business. The Company hopes to be able to have an open AGM this year depending on government guidelines. The Chairman also offers all major shareholders an opportunity to meet and share their views on the strategy of the Company and its board and management team around the time of each AGM. All votes made at any AGM or EGM are published and the Board will publish commentary on any vote where 20% or more of the independent shareholders have voted against any resolution.

All statutory financial reports are published on www.pcipal.com and are made available on a timely basis.

ENVIRONMENTAL SOCIAL AND GOVERNANCE REPORT

FOR THE YEAR ENDED 30 JUNE 2021

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

Understanding any company's ESG position is a complex process that is undertaken over many years. However, the directors believe they have identified an initial set of measurable and meaningful datapoints, and set core targets for each one. In this way, as the Group continues to expand and grow, it can continue to monitor its position and the Board and its stakeholders gauge its rate of progress.

This is the first year for this report. In future years actual data will be compared year-on-year to allow the reader to judge if progress is being made and what trends are emerging.

Environment

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

Clearly, the lockdowns driven by the COVID 19 pandemic have dramatically changed the way all businesses have been run in the current financial year. Moving forward we are expecting a partial return to "normality" that will once again involve some staff working from our offices and travelling, which will be recognized in some of the future datapoint measures. Our current sales growth trajectory will also mean that we will have more customers and an increased use of cloud data centres. Nonetheless, the Group does not sell computer hardware to its customers, nor provide software for use 'on-premises'. Our status as a pure-Cloud software company therefore already places us ahead of other software companies that continue to offer such on-premise solutions.

The Directors believe that the following data points are a good way of measuring the Group's impact on the environment. Nonetheless, as this is the first year for this report, these datapoints will be reviewed for relevancy each year by the Board.

Datapoint	Actual	Target	Reason/Comment
1. Percentage of staff working from home in year	99+% due to COVID	More than 50%	The higher the number of employees who work from home, the lower the environmental impact of commuter miles.
2. Average commuting miles (return journey) per annum made to place of work per employee (net of any miles driven in an EV)	Minimal miles per employee due to COVID	Less than 3300 miles per annum	Where employees are required to work from an office, we can reduce the distance they travel by hiring locally when suitable talent, skills and experience can be found.
3. Average car business miles claimed in the year and paid for by the Group (net of any miles claimed that were driven in an EV)	43.4 miles per employee	Less than 250 miles per employee	This measures the miles driven by staff in undertaking their work on behalf of the Company – for examples journeys to meetings with customers and staff. This measure can be reduced by encouraging the use of public transportation for business meetings.
4. Number of fully electric vehicles drive by employees	Nil	More than 5% of staff	The Company plans to implement a green company car scheme in the UK where staff will be encouraged to lease fully electric cars as part of a salary sacrifice scheme. By helping to increase the number of electric vehicles used by our staff, the Company can reduce its carbon footprint in this area.
5. Business air journey miles paid for directly or claimed through expenses in the year	42,809	Less than 250,000 miles per annum	Certain employees are required to travel long distances. This travel is often required to allow monitoring of Company performance and risks and so cannot be avoided but can be minimized with good planning of journeys

Datapoint	Actual	Target	Reason/Comment
6. Percentage of AWS platform data centre energy sourced from green initiatives	65%	100% by 2025	AWS has pledged to be source all its energy requirements from fully renewable sources by 2025.
7. Percentage of First-generation platform date centre energy sourced from green initiatives	100%	100%	Our chosen supplier was one of the first data centre operators in the UK to move to fully renewable energy sources
8. Average square foot of office space per employee	63.6 sq ft per employee	Less than 100 sq ft per employee	The Company does require certain staff to normally work from an office location, COVID restrictions notwithstanding. The company does therefore require office space and so wants to measure this footprint per employee to ensure excess space is held to a reasonable minimum level
9. Value of capital expenditure on new computer hardware in year per employee	£588 per employee	Less than £750 per employee	Electrical waste has a high environmental impact both in manufacturing, operation, and disposal. The Group wishes to minimize the level of expenditure it spends on hardware per employee or in its IT infrastructures

The average number of employees used in the calculations for FY21 is 68 (per note 9)

Social

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

The Directors believe the following datapoints are a good way to start measuring its social performance. As this is the first year for this report, these datapoints will be reviewed for relevancy each year by the Board.

Datapoint	Actual	Target	Reason
1. Net new hires in period	13	Positive	Employment underpins all economies and so positive employment is seen as a core target
2. Percentage of employees at start of year still employed at end	86%	More than 90%	High staff retention is a sign of a happy company.
3. Percentage of female staff employed	27%	No target set	The Directors wish to encourage an increased cultural and gender balanced workplace. While the Company is already a committed equal opportunities employer it recognises the importance of increasing the representation of women in all levels and roles in the organisation. No mix targets have been set at this time as management continue to assess additional steps that can be taken to encourage progression and new opportunities in the future.
4. Percentage of female staff in senior management team	28%	No target set	
5. Percentage of females in advisory committee	67%	No target set	
6. Percentage of females on the Board	Nil%	No target set	

Governance

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

Datapoint	Actual	Target	Reason
1. Does the company comply with a recognized corporate governance code	Yes	Yes	The Board follows the QCA guidelines on corporate governance and reports accordingly as required by the listing rules
2. Chairman and CEO roles split	Yes	Yes	The clear segregation of responsibilities provides a check-balance to stop one director dominating procedures at meetings
3. Percentage of independent non-executive directors on Board	50%	50%+	Having a majority proportion of independent non-executive directors not only brings different views to the Board but allows the non-executive directors to challenge the executive team according and has the power to act accordingly. The Chairman is an independent non-executive with a casting vote if needed
4. Longest serving non-executive director	6 years	Less than 9 years	It is important to rotate new non-executive directors onto the Board to maintain fresh focus on the running of the business and to facilitate the introduction of increased levels of diverse viewpoints.
5. Number of advisory committee members	1	3 or more	Advisory committee members provide independent expertise and knowledge on areas that can help the Board make better decisions on the running of the Group.
6. Presentations made to shareholders	35	More than 20	It is important to have an open correspondence with not only the largest shareholders in the business but also allowing the smaller shareholders of the Group to listen and hear the executive directors present, and to also allow a forum for questions to be asked.
7. Presentations made to all shareholders/ and potential shareholders through a recognized online portal	4	3 or more	The Company uses the Investor Meet Company portal to invite shareholders to listen to key presentations such as the interim and year end results. These presentations are recorded and are available to download giving smaller shareholders the opportunity to hear what is being presented to the larger institutions
8. Analysts following and writing on the company and providing detailed commentary on expectations	7	2 or more	Analyst set expectations of performance for the Group which allow shareholders to judge whether the company is performing as expected.

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

Simon Wilson | Chairman
3 September 2021

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 30 JUNE 2021

Dear Shareholder,

On behalf of the Audit Committee, I am pleased to present our report for the year ended 30 June 2021.

Composition

The Audit Committee comprises Simon Wilson, Jason Starr and myself. As in prior years, I chaired the Committee. The Executive Directors and the Auditors may attend by invitation.

In the year being reported on, the Audit Committee convened on 5 occasions, with each meeting being attended by each member of the Committee.

Terms of Reference

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

Principal items of Business

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

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

Annual Report and Financial Statements

The Committee provided advice to the Board that the 2021 annual report and financial statements, taken as a whole, are fair, balanced and understandable, providing Shareholders with the necessary information to assess the Company's position, performance, business model and strategy.

The Committee reviewed and discussed reports provided by the external auditor on the annual results, which highlighted observations from the work they undertook. The key issues discussed with the external auditors related to:

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

Internal Audit

PCI-PAL does not currently have an internal audit function, which the Board considers appropriate for a Group of its size. The Committee will continue to monitor this situation and may add such a function in due course as the Group continues to grow.

Chris Fielding | Chairman of the Audit Committee
3 September 2021

REMUNERATION COMMITTEE REPORT

FOR THE YEAR ENDED 30 JUNE 2021

Dear Shareholder,

On behalf of the Remuneration Committee, it is my pleasure to report to you on remuneration matters considered by the Committee during what was an extraordinary year.

Composition

The Remuneration Committee consists of non-executive directors Jason Starr (Committee Chairman) and Chris Fielding. The committee will typically consider feedback from the main Board Chairman, Simon Wilson and the Chief Executive, James Barham. The CEO is not present for any discussions relating to his own remuneration.

Terms of Reference

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

Remuneration Policy

It is the aim of the Remuneration Committee to align executive remuneration with the interests of our Shareholders. We believe that this is best achieved by attracting, and retaining high quality senior leadership, and it is the responsibility of the committee to implement a remuneration policy that delivers upon this objective.

In my report to shareholders last year, I explained that the Remuneration Committee had undertaken a full review of executive directors' remuneration and that the impact of this review would be seen as from FY21.

Following the review, the Remuneration Committee concluded that executive remuneration at the Company prior to FY21 did not reflect either the ability or the performance of our leadership team and as a result, we took the decision to increase the compensation offered to our current CEO and CFO; this was achieved through a significant increase in base salaries combined with the potential to earn meaningful bonuses based upon challenging growth targets.

Impact of Covid-19 on Performance

At the time of our review of executive remuneration last year, Covid-19 was having a significant impact on global economies, but the scale of that impact was still to be seen.

The Committee believes that it would be inappropriate to pay components of bonuses based on any performance achieved purely because of extraneous factors relating to the pandemic.

However, in reviewing performance in FY21, the Remuneration Committee is pleased to note that the Company chose not to benefit from direct government support in any of the territories in which it operates, and nor did it make any redundancies. As a result, the Committee is confident that the excellent results reported for FY21 were delivered despite, and not because of, the pandemic and as such the committee did not consider it necessary to reduce payments earned under the FY21 bonus scheme.

Executive Directors' remuneration

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

Basic salary

As noted above, executive remuneration strategy was reviewed in FY20 and basic salaries were increased accordingly.

Executive salaries in FY21 were very broadly comparable to lower quartile averages in AIM listed businesses. As the business continues to progress, the remuneration committee will continue to review salaries at comparable businesses as it seeks to attract, retain and motivate leadership.

Annual Performance Bonus

For Board executives, a bonus may be paid dependant on the level of achievement against annual key performance indicators (KPIs) for both the Company and the individual executives. These KPIs are set annually by the Remuneration Committee, with performance against those targets assessed at both the half year and the end of the year.

KPIs are selected based upon their anticipated positive influence on shareholder value. The mix and nature of KPIs that are attributed to individual executive directors reflect the degree to which the individual is able to influence their outcome. In FY21, KPIs focussed on a range of criteria including ACV growth, management of cash and LBT result.

I am pleased to report that KPI targets were fully met in FY21. The Committee has therefore recommended that the following cash bonuses be paid in the first quarter of FY22, relating to the FY21 performance.

James Barham	CEO	£107,500
William Good	CFO	£ 62,000
Geoff Forsyth	CISO	£ 22,500

Bonuses can be paid as cash, company shares or a combination of the two, to be decided annually by the Remuneration Committee. Under normal circumstances, a bonus will not be payable if targets are not met. Under exceptional circumstances, targets and plans may be reviewed and adjustments made during the year.

Additional benefits

The Executive Directors receive an annual car allowance, can elect to receive personal health insurance and a contribution to their pension scheme of 10% of their basic salary paid annually in advance. William Good has elected to receive his pension payment as salary.

Long Term Incentive Plan (LTIP)

In FY21 we, along with our legal advisers – Shepherd and Wedderburn- undertook a review of the share option scheme which underpins our LTIP and the resulting rules were adopted at the Company Annual General Meeting in November 2020.

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

- The Group reviews its medium and long-term strategy on an ongoing basis. In H1 of FY21, the Board held a formal offsite strategic review which led to an updated set of actions and strategic imperatives covering a five year forward period. These were subsequently reviewed again following the successful fundraising in H2.
- When appropriate, the Committee may grant share options to participants which will vest during/over a minimum three-year period, depending on whether the options have met any performance criteria set. The vesting period and performance criteria reflect the generally accepted employment practices for each region in which the participant is employed, which today is primarily the UK and the US.
- The performance criteria set will be specifically designed to align shareholder and executive's interests.

Shareholders have authorised the Board to issue share options under the Plan to a maximum of 15% of the Group's equity at the time of issue.

Note 19 of these accounts details the number of share options that have been issued by the Group.

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

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

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

Non-Executive Director	Date of appointment
C M Fielding	1 September 2014
J S Starr	1 January 2015
S B Wilson	1 November 2019

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

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

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

Jason S Starr | Chair, Remuneration Committee

3 September 2021

DIRECTORS AND ADVISORS

Company registration number:	03869545
Registered office:	7 Gamma Terrace Ransomes Europark Ipswich Suffolk IP3 9FF
Telephone:	+44 (0)330 131 0330
Directors:	Simon Baxter Wilson Christopher Michael Fielding Jason Stuart Starr James Christopher Barham Geoffrey Forsyth Thomas William Good
Secretary:	Thomas William Good BA (Hons) ACMA CGMA
Bankers:	National Westminster Bank PLC Silicon Valley Bank
Auditors:	BDO LLP
Nominated Adviser and Broker:	finnCap Limited
Registrars:	Link Asset Services
Telephone:	(UK): 0871 664 0300 (Overseas): +44 371 664 0300
Lawyers:	Shepherd and Wedderburn LLP Brownstein Hyatt Farber and Schreck
Financial statements are available at:	https://ir.pcipal.com/financials/annual-interim-reports

DIRECTORS' REPORT

The Directors present their report together with the financial statements for the year to 30 June 2021.

1. Principal activities

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

2. Results, dividends, future prospects

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

	2021 £000s	2020 £000s
Revenue	7,362	4,396
Loss before taxation	(4,191)	(4,350)

The Directors are not recommending a payment of a final dividend (2020: nil pence per share).

3. Directors

The membership of the Board is set out in the Directors and Advisers section.

The beneficial and other interests of the Directors and their families in the shares of the Company at 30 June 2021 and 1 July 2020 were as follows:

	30 June 2021 Ordinary shares of 1p Each	1 July 2020 Ordinary shares of 1p Each
G Forsyth	1,343,371	1,343,371
J Barham	155,796	138,812
T W Good	205,000	205,000
C M Fielding (non-executive)	35,590	35,590
S B Wilson (non-executive)	100,000	100,000
J S Starr (non-executive)	–	–

The Directors' remuneration for the year was as follows:

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

FY21 has been prepared on an accruals basis

2019/20	Salary or Fees £	Bonus £	Benefits £	Total £	Pension £
J Barham	139,600	48,839	2,136	190,575	13,000
T W Good	152,600	30,886	–	183,486	–
G Forsyth	139,600	22,952	5,028	167,580	13,000
S B Wilson (non-executive Chairman) From 1 November 2019	30,707	–	10,974	41,681	–
C M Fielding (non-executive)	35,000	–	–	35,000	865
J S Starr (non-executive)	25,000	–	–	25,000	565
Total	522,507	102,677	18,138	643,322	27,430

FY20 has been prepared on a cash paid basis

For both FY20 and FY21 T W Good is entitled to a pension payment equivalent to 10% of his salary per annum. He has elected to have this amount paid as additional salary.

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

In the year to 30 June 2020, prior to joining the Board in November 2019, he received consulting remuneration of US $83,333 (£65,975) and benefits of US $6,860 (£5,431).

Directors' interests in Long Term Incentive plans

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

	Note	At 1 July 2020 (number)	Granted in year (number)	Lapsed in year (number)	Exercised in year (number)	At 30 June 2021 (number)	Exercise Price (pence)	Earliest exercise date	Last exercise date
James Barham	1	525,000	–	–	–	525,000	28.5	26th May 2020	24th May 2027
James Barham	5	–	250,000	–	–	250,000	40.0	8th July 2023	8th July 2030
Geoff Forsyth	2	325,000	–	–	–	325,000	33.0	26th May 2020	24th May 2027
Geoff Forsyth	5	–	20,000	–	–	20,000	40.0	8th July 2023	8th July 2030
William Good	2	300,000	–	–	–	300,000	33.0	26th May 2020	24th May 2027
William Good	3	100,000	–	(100,000)	–	–	26.5	13th Nov 2021	11th Nov 2028
William Good	5	–	200,000	–	–	200,000	40.0	8th July 2023	8th July 2030
Simon Wilson	4	150,000	–	–	–	150,000	28.5	12th July 2019	11th July 2028
Simon Wilson	3	100,000	–	–	–	100,000	26.5	12th Nov 2019	11th Nov 2028
Total		1,500,000	470,000	(100,000)	–	1,870,000			

Note 1: Option grant on the 13th June 2019

Note 2: Option grant on the 25th May 2017

Note 3: Option grant on the 12th November 2018

Note 4: Option grant on the 12th July 2018

Note 5: Option Grant on the 8th July 2020

4. Share price and substantial shareholdings

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

The beneficial and other interests of other substantial shareholders in the shares of the Company at 30 June 2021 and 1 July 2020 were as follows:

Ordinary Shares of 1 pence each	30 June 2021	1 July 2020
P Wildey	2,200,000	3,800,000
W A Catchpole	Less than 3%	1,933,697
Unicorn AIM VCT LLP	2,000,000	2,000,000
Octopus Investments Nominees	5,715,940	6,530,302
Gresham House Asset Management	7,151,515	7,151,515
S Perring	Less than 3%	1,891,076
Canaccord Genuity Group	11,466,027	8,884,725
Herald Investment Management	3,517,758	Less than 3%

As at the date of this report the holdings shown as at 30 June 2021 remain unchanged

5. Directors' responsibilities for the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company at the balance sheet date and of the profit and loss of the Group for the period ended. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM. In preparing these financial statements, the Directors are required to:

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

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

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

The Directors confirm that:

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

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

6. Qualifying third party indemnity provision

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

7. Research and development

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

8. Employee policy

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

9. Corporate governance

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

10. Financial Risk Management Objectives

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

11. Treasury shares

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

12. Going concern

As explained in more detail in the report of the Chief Financial Officer, the Directors have considered financial forecasts for the coming year through to the end of October 2022.

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

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

The Board also 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.

13. Auditors

During the financial year the Directors undertook a review of its Audit requirements and asked several leading audit firms to tender for the Groups audit work. As a result of this tender process the Directors have appointed BDO LLP as the Group auditors. BDO LLP has expressed willingness to continue in office. In accordance with S489 (4) of the Companies Act 2006, a resolution to reappoint BDO LLP as auditors will be proposed at the Annual General Meeting.

7 Gamma Terrace
Ransomes Europark
Ipswich, Suffolk
IP3 9FF

BY ORDER OF THE BOARD

T W Good | Company Secretary
3 September 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PCI-PAL PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of PCI-Pal Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard in the United Kingdom and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We consider going concern to be a key audit matter as a result of the historical and current year losses within the Group and the significance of this area and its impact on our audit approach.

The Group accounting policy for going concern can be found in note 4 (c) of the financial statements. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We assessed management's ability to forecast and challenged their key assumptions. This included comparing previous budgets to actual results and comparing forecasted costs and revenues to historic performance and growth rates for reasonableness.
- We reviewed reverse stress tests on forecasts prepared by management to assess the ability for the Group to continue to trade should there be unforeseen significant performance issues in the next 12 months
- We checked the mathematical accuracy of the forecasts.
- We tested a sample of revenue contracts included within the forecast back to contract to check the amounts included were accurately included.
- We assessed the completeness and accuracy of disclosures relating to going concern and the impact of Covid-19.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview

Coverage	*100% of Group profit before tax* *100% of Group revenue* *100% of Group total assets*
Key audit matters	Revenue recognition Intangible assets Going concern
Materiality	*Group financial statements as a whole* £128,000 based on 1.75% of *revenue.*

An overview of the scope of our audit

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

The Group has two trading entities, PCI-Pal (U.K.) Limited and PCI-Pal (US) Inc. Both trading entities were considered significant due to their contribution to Group revenues and assets, therefore both were subject to full scope audits. These were audited by the Group engagement team. As a consequence of the audit scope determined, we achieved coverage of 100% of revenue, 100% of profit before tax and 100% of net assets.

Key audit matters

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

In addition to the matter described in the conclusions related to going concern, we have determined the matters below to be the key audit matters to be communicated in our report.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition The Group's revenue recognition policy can be found in note 4(d) to the financial statements and segmental revenue disclosure is included within note 9.	We consider the key risk of material misstatement to arise from the allocation of revenue over the life of a contract and compliance with IFRS15. Further, given where the Group is in its lifecycle, with significant levels of growth, revenue is a significant KPI for shareholder decision making; which increases the risk that the revenue may be overstated. Given the above, we have deemed revenue recognition to be a key audit matter	**Our work included:** We assessed whether the Group's revenue recognition policy is compliant with IFRS 15 'Revenue from Contracts with Customers' by reviewing the revenue recognition policy for each stream and determining whether this was compliant with the standard. We performed testing over all material revenue streams, including: • Agreeing a sample of sales transactions, confirming accuracy of the timing and amount of revenue recognised and deferred by agreeing samples through to contract terms. • Agreeing a sample of revenue items posted either side of year end to contracts to check that revenue has been recognised in the appropriate period. • Testing a sample of remaining revenue transactions and agreeing back to third party support. **Key observations:** Based on the procedures performed we consider that revenue has been recognised appropriately

Key audit matter		How the scope of our audit addressed the key audit matter
Intangible assets – capitalised development costs The Group's accounting policy can be found in note 4(f) to the financial statements and related disclosures are in note 12.	The Group has significant amounts of capitalised development costs, as the Group has continued to heavily invest in the development of the AWS Platform. There is a risk over whether costs have been correctly capitalised in accordance with accounting standards and there is a degree of Management judgement involved in determining the appropriate point at which costs can be determined as development costs as opposed to research costs. Further to this, there is a risk that the internally generated intangibles useful economic life is inappropriate. We considered this to be a key audit matter due to the volume of expenditure and judgement involved as noted above.	**Our work included:** • We assessed management's policy on capitalising intangible assets against the criteria set out in the accounting standards. • We assessed management's judgement in relation to the useful economic life of the capitalised development costs by challenging assumptions used, which included comparing to the useful life used for similar platforms by competitors in the industry and reviewing for any impairment indicators. • We tested a sample of additions to supporting documentation to agree the existence and accuracy of the amounts capitalised in the year and assessed whether these met the criteria of a capitalised development cost under IAS 38. • We checked the mathematical accuracy of the amounts charged for amortisation by performing a recalculation based on the useful economic life of capitalised development costs. **Key observations:** We found management's judgements and estimates used in the capitalisation of development costs to be appropriate and in line with the requirements of accounting standards.

Our application of materiality

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

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

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

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

Component materiality

Component materiality ranged from £21,000 to £74,000. Our audit work at each component has been executed at levels of materiality applicable to each individual entity based on its size and risk as approved by the Group audit team and in each case, lower than that applied to the Group. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

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

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

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

The extent to which our procedures are capable of detecting irregularities in the parent and component entities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (international accounting standards in conformity with the requirements of the Companies Act 2006), employment regulations and relevant tax regulations;
- We understood how the Group is complying with those legal and regulatory frameworks by making enquiries to management, those responsible for legal and compliance procedures and through reviewing board minutes and discussion with management and the Audit Committee;
- We assessed the susceptibility of the Group's financial statements to material misstatement as an engagement team, including how fraud might occur by meeting with management to understand where it is considered there was a susceptibility of fraud
- Our audit planning identified fraud risks in relation to management override and inappropriate or incorrect revenue recognition. We obtained an understanding of the processes and controls that the group has established to address risks identified;
- With regard to the fraud risk in management override, our procedures included targeted journal transactions testing, with a focus on large or unusual transactions based on our knowledge of the business. We also performed an assessment on the appropriateness of key judgement areas and estimations which are subject to management's own judgement and estimation, and could be subject to potential bias.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

3 September 2021

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 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
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 accompanying accounting policies and notes form an integral part of these financial statements.

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

J Barham **Director**

T W Good **Director**

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

The Group's consolidated financial statements (the "financial statements") of PCI-PAL PLC (the "Company") and its subsidiaries (together the "Group") for the year ended 30 June 2021 were authorised for issue by the Board of Directors on 3 September 2021 and the Chief Executive, James Barham, and the Chief Financial Officer, William Good, signed the balance sheet.

2. NATURE OF OPERATIONS AND GENERAL INFORMATION

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

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

3. STATEMENT OF COMPLIANCE WITH IFRS

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

Standards and interpretations in issue but not yet effective
At the date of authorisation of these financial statements, there are several new 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 R & D tax credit received	154	221
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	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	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	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	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	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	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	
Expected Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Volatility	20.00%	20.00%	20.00%	20.00%	69.00%	69.00%	69.00%	69.00%	69.00%	45.89%	45.60%	45.88%	45.88%	45.88%	45.88%	45.88%	45.99%	
Risk Free Rate	0.57%	1.00%	0.87%	0.62%	0.59%	0.59%	0.59%	0.59%	0.59%	-0.04%	0.04%	-0.03%	0.37%	0.37%	0.37%	0.37%	0.35%	
No Steps used in calculation	10	10	10	10	10	10	10	10	10	225	225	250	250	250	250	250	250	
No of simulations used in calculation	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	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	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	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	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	3065000	225000	145000	525000	215000	115000	20000	105000	300000	815000	140000	65000	315000	25000	220000	30000	25000	6,350,000
# option shares forfeited	1080000	225000	25000	0	25000	0	0	0	300000	0	0	0	0	0	0	0	0	1,655,000
# option shares exercised	235000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	235,000
# option shares outstanding as at 30 June 2021	1750000	0	120000	525000	190000	115000	20000	105000	0	815000	140000	65000	315000	25000	220000	30000	25000	4,460,000
# option shares exercisable as at 30 June 2021	1750000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,750,000
Charge for year	£35,801	-£4,658	£2,592	£14,982	-£282	£711	£55	£1,628	-£12,211	£24,932	£2,791	£1,358	£10,537	£836	£4,040	£551	£5	£83,668
Total cumulative charge as at 30 June 2021	£235,623	£0	£7,321	£30,787	£11,614	£5,995	£895	£5,570	£0	£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	08-Jul-20	23-Apr-19	01-Dec-20	28-Jan-21	23-Mar-21	Total
Exercise Price	41.5 pence	44.5 pence	28.5 pence	28.5 pence	26.5 pence	26.0 pence	18.4 pence	23.0 pence	40.0 pence	44.0 pence	44.0 pence	60.0 pence	108.5 pence	
Price at date of grant	41.5 pence	44.5 pence	28.5 pence	28.5 pence	26.5 pence	26.0 pence	18.4 pence	23.0 pence	40.0 pence	44.0 pence	44.0 pence	60.0 pence	108.5 pence	
Estimated time to Maturity	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	4 years	4 years	4 years	4 years	4 years	
Expected Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Risk Free Rate	0.57%	0.57%	1.00%	1.00%	1.03%	1.03%	0.89%	0.96%	-0.04%	0.82%	0.04%	-0.03%	0.37%	
Volatility	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	59.00%	34.00%	64.00%	54.00%	52.00%	
Fair value of Option	7.8 pence	8.4 pence	5.6 pence	5.6 pence	5.0 pence	5.2 pence	3.6 pence	4.5 pence	17.8 pence	1.3 pence	21.0 pence	24.6 pence	43.6 pence	
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	3.02 years	1.81 years	3.42 years	3.58 years	3.72 years	
# option shares issued at grant	150,000	150,000	415,000	641,667	150,000	60,000	15,000	100,000	80,000	200,000	85,000	55,000	35,000	2,136,667
# option shares forfeited	0	22,500	25,000	550,000	0	0	0	0	20000	0	0	0	0	617,500
# option shares exercised	0	67,500	0	0	0	0	0	0	0	0	0	0	0	67,500
# option shares outstanding at 30 June 2021	150,000	60,000	390,000	91,667	150,000	60,000	15,000	100,000	60,000	200,000	85,000	55,000	35,000	1,451,667
# option shares exercisable as at 30 June 2021	150,000	56,100	289,575	91,667	99,000	39,600	9,300	58,500	–	109,500	–	–	–	903,242
Total charge for year	£4,705	£3,485	£7,663	£1,032	£2,462	£1,027	£107	£1,437	£2,617	£1,404	£2,599	£1,430	£1,045	£31,013
Total cumulative charge as at 30 June 2021	£11,756	£10,386	£16,350	£3,074	£4,894	£2,042	£268	£2,655	£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		2020	
	Weighted Average exercise Price £	Number of Options	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 x B)- C

and where:

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

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

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

An Exit Fee Event is where there is:

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

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

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

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

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

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

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.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	2021 £000s	2020 £000s
ASSETS			
Fixed assets			
Investments in Subsidiaries	5	–	–
		–	–
Current assets			
Debtors and other receivables	6	13,443	13,895
Cash at bank and in hand		4,295	877
		17,738	14,772
Creditors: amounts falling due within one year	7	(276)	(670)
Net current assets		17,462	14,102
Total assets less current liabilities		17,462	14,102
Creditors: amounts falling due after more than one year	8	–	(728)
Net assets		17,462	13,374
Capital and reserves			
Called up share capital	9	655	594
Share premium account		14,243	9,018
Other reserves		404	289
Profit and loss account		2,160	3,473
Shareholders' Funds		17,462	13,374

The loss for the Company for the year was £1,313,000 (2020: £914,500)

The financial statements were approved by the Directors and were authorised for issue on 3 September 2021

J Barham **Director**

T W Good **Director**

COMPANY 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	Total equity £000s
Balance at 1 July 2019	427	4,618	181	4,387	9,613
Equity issued in period	167	4,400	–	–	4,567
Share Option charge	–	–	108	–	108
Transactions with owners	167	4,400	108	–	4,675
Loss for the year	–	–	–	(914)	(914)
Total comprehensive loss	–	–	–	(914)	(914)
Balance at 30 June 2020	594	9,018	289	3,473	13,374
Equity issued in period	61	5,225	–	–	5,286
Share Option charge	–	–	115	–	115
Transactions with owners	655	5,225	115	–	5,401
Loss for the year	–	–	–	(1,313)	(1,313)
Total comprehensive loss	–	–	–	(1,313)	(1,313)
Balance at 30 June 2020	655	14,243	404	2,160	17,462

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

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	2021 £000s	2020 £000s
Cash flows from operating activities		
Loss after taxation	(1,313)	(915)
Adjustments for:		
Depreciation	–	–
Interest income	–	(1)
Share based payments	115	108
Decrease/(increase) in debtors and other receivables	443	(5,310)
Increase/(decrease) in creditors and other payables	160	(7)
Cash used in continuing operations	(595)	(6,125)
Dividend paid	–	–
Net cash used in operating activities	(595)	(6,125)
Cash flows from investing activities		
Repayment of loan note receivable	–	–
Dividend received	–	–
Interest received	–	1
Net cash generated from investing activities	–	1
Cash flows from financing activities		
Issue of shares – net of cost of issue	5,608	5,000
Expenses from issue of shares	(322)	(432)
Drawdown on loan facility	1,250	1,500
Repayment of loan facility	(2,523)	(227)
Net cash generated from financing activities	4,013	5,841
Net increase/(decrease) in cash	3,418	(283)
Cash and cash equivalents at beginning of year	877	1,160
Net (decrease)/increase in cash	3,418	(283)
Cash and cash equivalents at end of year	4,295	877

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. ACCOUNTING POLICIES

Basis of preparation

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

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

Deferred taxation

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

Investments

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

Related Party Transactions

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

Financial assets and liabilities

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

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

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

Cash and cash equivalents

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

Intercompany balances

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

Equity

Equity comprises the following:

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

Equity-based and share-based payment transactions

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

Contribution to defined contribution pension schemes

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

Foreign currencies

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

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

2. LOSS FOR THE FINANCIAL YEAR

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own the statement of comprehensive income in these financial statements. The loss for the Company for the year was £1,312,000 (2020: £914,500).

3. PERSONNEL REMUNERATION

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

4. INTEREST INCOME

The Company received interest from bank deposits of £162 (2020: £1,000).

The Company does not charge interest on its intercompany balances.

5. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £000s	Total £000s
Cost at 1 July 2019	–	–
Disposals	–	–
Additions	–	–
Cost at 30 June 2020	–	–
Additions	–	–
Disposals	–	–
Cost at 30 June 2021	–	–

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

Name of company	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
PCI-PAL (U.K.) Limited[1]	England and Wales	Ordinary shares	100%	Payment Card Industry software services provider
PCI PAL (US) Inc[2]	United States	Ordinary shares	100%	Payment Card Industry software services provider
PCI-PAL (AUS) PTY Ltd[3]	Australia	Ordinary shares	100%	Dormant
IP3 Telecom Limited[1]	England and Wales	Ordinary shares	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

6. DEBTORS AND OTHER RECEIVABLES

	2021 £000s	2020 £000s
Amounts due within one year		
Amount owed by Group undertaking	13,381	13,660
VAT recoverable	22	31
Prepayments	40	204
	13,443	13,895

There are no amounts due after one year.

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

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £000s	2020 £000s
Trade creditors	32	45
Accruals	244	80
Trade and other payables	276	125
Bank Loan (See note 8)	–	545
Total current liabilities due within one year	276	670

8. NON-CURRENT LIABILITIES

	2021 £000s	2020 £000s
Bank loans	–	728
Total non-current liabilities due after one year	–	728

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

In June 2021 the Company repaid its outstanding bank facilities. There were no exit penalties to pay.

9. NON-CURRENT LIABILITIES

Company	2021 Number	2021 £000s	2020 Number	2020 £000s
Authorised:				
Ordinary shares of 1p each	100,000,000	1,000	100,000,000	1,000
Allotted called up and fully paid:				
Ordinary shares of 1p each	65,479,818	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 5,864,473 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. 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 (2016: 167,229) shares and these are held as Treasury Shares.

10. DIVIDENDS

The Directors have proposed no final dividend of in respect of the year ended 30 June 2021 (2020: nil pence per share).

11. FINANCIAL ASSETS AND LIABILITIES

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

Capital Management

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

At 30 June 2021, the Company had a closing cash balance of £4,295,000 (2020: £877,000).

Financial risk management and objectives

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

Credit risk

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

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

Liquidity risk

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

12. CONTINGENT LIABILITIES

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

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

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

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 Company has no other contingent liabilities.

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