ANNUAL REPORT & ACCOUNTS

for the year ended 30 June 2023

PCI-Pal PLC Annual Report & Accounts 2023

STRONG GROWTH WITH RECORD NEW BUSINESS

PCI-PAL PLC (AIM: PCIP), the global provider of secure payment solutions for business communications, is pleased to announce full year results for the year ended 30 June 2023 (the "period").

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

HIGHLIGHTS

FOR THE YEAR ENDED 30 JUNE 2023

Financial Highlights:

Revenue	+25%
2023	£14.95m
2022	£11.94m

Gross Margin %	+4ppt
2023	88%
2022	84%

% of revenues from recurring contracts	-3ppt
2023	86%
2022	89%

Adjusted EBITDA[1] loss	+41%
2023	(£1.11m)
2022	(£1.88m)

Adjusted PBT[2] loss	+20%
2023	(£2.31m)
2022	(£2.90m)

Loss before Tax	-57%
2023	(£4.89m)
2022	(£3.11m)

New ACV[3] contract sales in period	+20%
2023	£4.16m
2022	£3.46m

TACV[4]	+23%
2023	£16.43m
2022	£13.36m

ARR[5]	+14%
2023	£12.58m
2022	£11.05m

NRR[6]	-14.7ppt
2023	103.0%
2022	117.7%

Customer retention[7]	-1.5ppt
2023	95.4%
2022	96.9%

Cash and available resources (incl maximum debt headroom)[8]	-£0.72m
2023	£4.17m
2022	£4.89m

1 Adjusted EBITDA is the loss on Operating Activities before depreciation and amortisation, exchange movements charged to the profit and loss, exceptional items and expenses relating to share option charges.
2 Adjusted PBT is the Loss before Tax before exchange movements charged to the profit and loss, exceptional items and expenses relating to share option charges.
3 ACV is the annual recurring revenue generated from a contract.
4 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.
5 ARR is Annual Recurring Revenue of all the deployed contracts at the period end expressed in GBP.
6 NRR is the net retention rate of the contracts that are live on the AWS platform rate and is calculated using the opening total value of deployed contracts 12 months ago less the ACV of lost deployed contracts in the last 12 months plus the ACV of upsold contracts signed in the last 12 months all divided by the opening total value of deployed contracts at the start of the 12 month period.
7 Customer retention is calculated using the formula: 100% minus (the ACV of lost deployed contracts on the AWS platform in the last 12 months divided by the opening total value of deployed contracts 12 months ago expressed as a percentage).
8 Cash balance plus maximum debt facilities available (subject to covenant tests being met).

HIGHLIGHTS CONTINUED

Operating and Other Highlights:

- Continued strong momentum in key US market, with £2.5m new business ACV won in the year representing 61% of new business for the Group.
- New business momentum emphasised by 48% year on year increase in net new logo sales.
- Strength of partner eco-system illustrated by further increase in contract value signed through resellers, now making up 77% of ACV signed (2022: 62%).
- 241 new sales contracts signed in the period (2022: 217), average ARR value increased 14% to £17,000. (2022: £15,000) reflecting PCI Pal's increasing strength in the mid-market and enterprise space.
- High partner and customer satisfaction rates with 95% Gross Revenue Retention ("GRR") across the year.

Current Trading:

- PCI Pal is well-positioned to deliver the key financial milestones expected this year whilst driving continued growth momentum and new product development.
- As announced on 25 September 2023, in the UK the Company comprehensively defeated the unfounded patent infringement law suit brought by one of its competitors, with the judge ruling resoundingly in PCI Pal's favour on all counts. PCI Pal now seeking maximum cost recovery.
- Sales highlights since year end:
  - A number of new enterprise customers signed in key US market, including a Fortune 50 home goods retailer; and a FTSE100 electrical goods company signed via their US subsidiary.
  - An exciting new partnership with a major telco in New Zealand which has immediately produced the relationship's first customer, a central government agency in the region.
  - New business ACV to date is 11% ahead of the same period in prior year with strong near term sales pipeline which includes a number of major new customer and partnership opportunities.

COMMENTING, JAMES BARHAM, CHIEF EXECUTIVE OFFICER, SAID:

"We've delivered another strong year. Revenues have grown strongly, we have accelerated new business sales, particularly in our key US region, and overall losses matched expectations. During the year we have proven that our global, cloud based SaaS platform appeals to the entire breadth of our addressable market, from the very smallest companies, to large enterprise, and this capability has been a key component to our growth trajectory. To have achieved this while challenged by a number of headwinds is thanks to our people and the team we have built.

Since we set out on this current phase of our plans, FY24 has always been slated as the first year of full Group profitability. No doubt the headwinds have made this a more challenging ambition, and with anticipated revenue growth rates of 28-30% in the coming year, we believe the business is well positioned to achieve our profitability milestone. We will continue to build on the foundations we have established in the last five years to take this business to the next level.

It's an exciting time at PCI Pal. With a strong near-term sales pipeline, regular planned new product releases on the horizon, and supported by the strongest partner eco-system in our market, we can look forward to driving further growth in FY24."

OVERVIEW OF PCI-PAL PLC

Our mission

is to safeguard reputation and trust by providing organisations globally with secure cloud payment and data protection solutions for any business communications environment including voice, chat, social, email, and contact centre.

Our Vision

is to be the preferred solution provider that organisations turn to globally for facilitating payments and security across customer engagement environments.

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

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

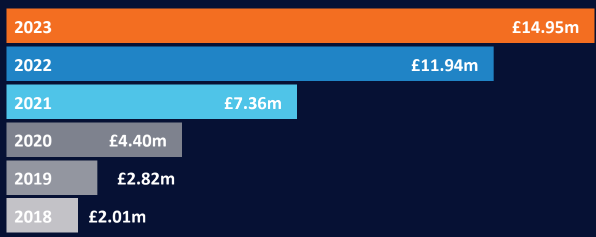
- Contact centre solutions by contact centre people
- Globally accessible cloud
- Regionalise data in locations globally through a single service
- Integrated with all payment providers and is carrier, phone and CRM system agnostic
- Integrates with all payment providers
- Agile delivery by contact centre specialists

"At PCI Pal, we've built our business on making data security for payments simple. Today we are building from that base, driving new payment technology into the business communications space. It's a hugely exciting time for this business given the platform from which to build on."

James Barham | CEO

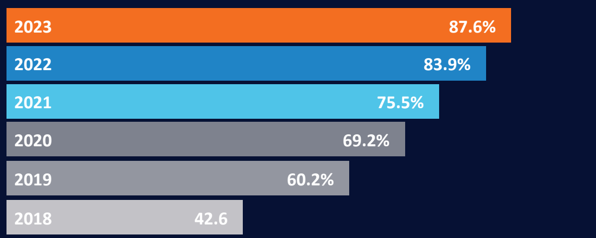
Delivering Growth

Revenue £m



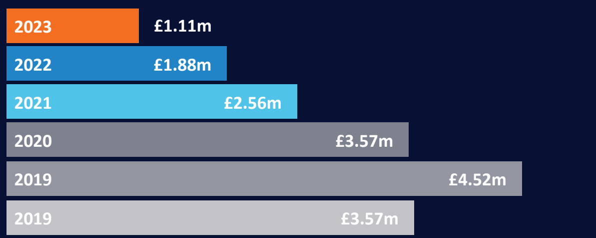
Compound annual growth of 49% since 2018

Gross Margin %



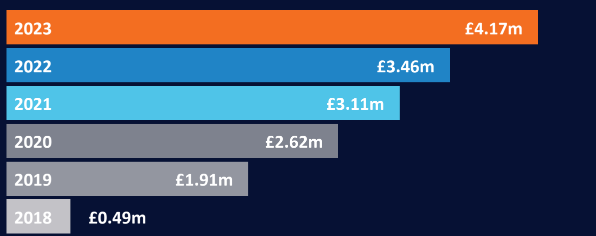
Strategy to deliver efficiently over the Cloud

Adjusted ABITDA Loss £m



Growth balanced with focus on profitability

New ACV Sales £m



Partner led sales focus delivering growing annual licence sales

OVERVIEW OF PCI-PAL PLC CONTINUED

PCI Pal Partner Eco-system

PCI Pal operates a partner-first sales model which means the majority of our customers use our services through resellers. With typically over 80% of new business generated from our partner eco-system, channel business is a key strategic focus for the business. We have built up an enviable partner eco-system. Today we have over 50 partners actively contributing to our sales pipelines. PCI Pal partners are typically those in the business communications space (CCaaS – Contact Centre as a Service or UCaaS – Unified Communications as a Service), payment providers, and Business Process Outsourcers ("BPOs"). The majority of our leading partners are large global organisations, with many of them headquartered in the US with teams based across the globe:

Our Core Products Today

CHAIR'S STATEMENT

FOR THE YEAR ENDED 30 JUNE 2023

"I am exceedingly proud of the Company's achievements this year.

SIMON WILSON
NON-EXECUTIVE CHAIR

Notable areas of positive progress among many to choose from include: the continued strong revenue growth; the reduction in underlying losses as we push towards delivering our first profits and sustainable cash generation; and strong retention and meaningful upsell of new product features and licences to our customer base. We continue to make great progress with our partners, welcoming new global names to our well established eco-system and in turn these partners continue to deliver significant new logo sales opportunities for us. Given the multi-faceted challenging backdrop of the unfounded patent infringement case, rapidly rising interest rates and general business softness in the face of economic uncertainty, these achievements are particularly impressive.

For many of our people this is the first time that they have faced these types of challenges. Our management team and employees around the world have nonetheless responded robustly and intelligently to these wide-ranging events. For them to not only have appropriately dealt with these challenges, but also achieved great results despite them, is wonderful to see.

The PCI Pal team continues to grow and today we have representation in the UK, the United States, Canada and Australia. Our staff turnover remains low, and our culture even stronger. I would personally like to thank each and every one of them for their contributions towards meeting the Group's mission.

Strategic Direction

The Board is extremely pleased with how our strategic direction is developing. With the recent focus on new products, our addressable market is growing. Equally, with our investments into customer and partner success, and new geographies, we are seeing our sales pipeline increase, especially in the United States. These continued positive outcomes from our annual rolling strategic planning are collectively increasing our confidence for FY24 and beyond.

Corporate Governance

I am mindful of the fact that as part of a fast-growing international organisation I have to ensure that our organisational structure and corporate processes remain robust so we can continue to deliver for all stakeholders, while not diminishing our entrepreneurial culture. The Group is supported by an experienced Board of Directors, who in turn are supported by an organisation that has proven it can deliver. We take outside professional and business advice where needed. Our strategic aims are clear, our employee culture excellent, and our commitment to our partners and customers is unshakeable. I believe we have a balanced business that can continue to grow within acceptable levels of risk tolerance.

Patent Infringement Claim

As announced by the Company on 25 September 2023, in the UK the Company was successful in the High Court of England and Wales ("High Court") in both defeating the claims of patent infringement made by our competitor, Sycurio, but further was successful in its own counterclaims to invalidate the patent as well. This is a comprehensive win for PCI Pal and substantiates the position of the Board since the day this unfounded action was launched. No matter what happens next, I believe this judgement significantly reduces the downside risk for investors, and validates the Board's position that it has taken for the last two years.

Management have been extremely thorough in their handling of this situation, and I believe combined with this victory in the UK, that the business has mitigated risks from any outstanding activity. It continues to be the Company's belief that this action was brought by a competitor who is trying to disrupt PCI Pal's momentum and to make commercial gain.

Stakeholder Communications

As a board, we remain focused on clear and regular communications to all investors, both retail and institutional, and expanding disclosures in line with the growth in complexity of the business. We continue to utilise phone and video briefings as well as utilising the Investor Meet Company portal, to reach shareholders of all types. The CEO and CFO offer regular in-person meetings. As Chair, I am available as a direct line of communication to all shareholders in case other questions arise that need to be answered independently, as well as offering meetings with institutional shareholders around the time of the AGM.

Looking Forward

I continue to be both excited and encouraged by the progress that has been made by the Group in FY23, and the Board is confident in the outlook and prospects in FY24 and beyond. Given the momentum in the business I look forward to sharing further progress reports and news during the coming year, as we continue our strategic growth journey towards profitability and further scale.

Simon Wilson | Non-Executive Chair
8 November 2023

CHIEF EXECUTIVE'S STATEMENT

FOR THE YEAR ENDED 30 JUNE 2023

"We have delivered another strong year of growth at PCI Pal.

JAMES BARHAM
CHIEF EXECUTIVE OFFICER

Overview

We have delivered another strong year of growth at PCI Pal which has included our strongest ever performance for new business sales, as well as significant progress against our long-term product development goals as we continue to broaden our product set.

Our execution against our stated objective to be the leader in cloud solutions in our market continues to deliver strong results. Year on year revenue increased organically by 25% to £14.9 million (2022: £11.9 million), with gross margins increasing further to 88% (2022: 87%) reflecting the high margin nature of our mature public cloud platform from which all our products are served.

New business sales

I am particularly pleased with PCI Pal's strong sales performance, with £4.2 million new business ACV signed in the year, a 20% increase year on year. It is encouraging to see the significant increase in new logo contracts signed in the period which increased 48% year on year to £3.5 million ACV value.

PCI Pal has always set out the objective to develop products and services that can service the breadth of the contact centre market globally. Through our partnerships with many of the world's leading CCaaS ("Contact Centre as a Service") vendors, we have built up strong run-rate order levels for small to mid-market customer deals, and this is highlighted by the 241 contracts won in the year (2022: 217). With more than 90% of the contact centre market in the US alone being SMBs (contact centres with less than 250 agent seats), this is an important aspect of our sales execution allowing us to access the entirety of our addressable market. Further, PCI Pal's enterprise-level sales and marketing capabilities have matured significantly in the last five years, and we are now consistently adding enterprise customers to our SMB business.

PCI Pal's enterprise customers make up a broad spectrum of well-known brands across many verticals including retail, insurance, healthcare, and government. In the year we were very successful in adding further enterprise customers, many with a global footprint. Highlights included:

- A major contract with a Fortune 50 healthcare provider in the US where our solutions are being deployed across a contact centre estate that exceeds 10,000 agent seats. This contract was won through a partner, following a successful POC with the customer.
- A large contract with one of the largest clothing retail brands in the world, a Fortune 500 company. This opportunity was sourced through our eco-system, but was eventually fulfilled directly by us to suit the customer's own requirements. The customer is now live in the US across more than 2,500 seats.
- Our largest contract to date in Australia, with one of the largest insurers in the world who has significant operations across ANZ, APAC, and Europe. This customer is currently going through deployment in Australia and again was secured through our partner eco-system.
- A sizeable contract with a FTSE 100 listed retail and financial services business in the UK where our solutions are being deployed into the customer's financial services business.

Operations:

The PCI Pal platform is entirely cloud-based and has been scaled globally to support our fast-growing customer-base. The platform regularly achieves 99.999% uptime or better, with Q4 at 100% uptime across all aspects of the platform and connectivity. These high levels of performance are the direct result of our early investment in cloud capabilities, a mature cloud environment, and tight knit integrations to the majority of our partners.

We have now introduced CSAT (Customer Satisfaction) scores to our performance metrics and I am pleased to report that they are ahead of industry benchmarks at 85%. Our NPS (Net Promoter Score) for our service delivery continues to increase and now stands at 75% (2022: 65%), which is in the "excellent" category for industry benchmarks. These metrics are critical to underpinning our strong retention with GRR at 95% for the year. NRR was 103%, an expected decrease from the prior year (2022: 118%) which included a number of one-off large expansionary upsells to existing customers that we didn't expect to repeat in FY23.

Adding to our strong operational foundations, we have built up significant product development momentum across the year and we anticipate launching several new products and features throughout FY24. This is the direct result of the product investment we began making following our fundraise at the end of FY21 and it is driving increased levels of engagement with our partners, and in the longer term will further enhance the Group's addressable market opportunity.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

Partner Eco-system:
Having defined a goal to build a partner-first sales model, we're proud of the strength of our partner eco-system. Today we have over 50 partners actively contributing to our sales pipelines. Many of these partners are major global organisations with whom we have now built strong, long-standing relationships.

With 85% of new contracts in FY23 won through resellers; which made up 77% (2022: 62%) of ACV value won by the Group in the period, our continued commitment to our partners is showing real value. We work closely with our partners to ensure our products meet the needs of their customers. This was evidenced by an increase of more than 100% in new business ACV generated from our top five partners when compared to the prior year.

Furthermore, we continue to grow our partner eco-system. We specifically target partners that match our target markets and, in the year, new partner highlights included two major systems integrators who resell a number of the CCaaS platforms we integrate to. The first is one of the largest Value Added Resellers ("VAR") in the United States through whom we have signed our first joint customer who is going through deployment using an integration to the Cisco Webex CCaaS solution; the second is an APAC headquartered IT services business, with extensive global operations and an international enterprise customer base.

Market and Product Strategy

Market:
Contact centre markets in the UK and US represent between 2-3% of the working populations of those countries. This trend is similar across ANZ and Europe as well. PCI Pal's ability to serve contact centres of any size is essential when considering the make-up of this large employment pool across our market. In the US alone 94% of all contact centres (37,000 contact centres) have between 10 and 250 agent seats, employing 2.04 million agents which makes up more than 55% of the entire employed agent population in the country.

Whilst contact centres of greater than 250 seats are less numerous, they do make up a sizeable portion of the addressable market. Therefore, PCI Pal has positioned itself to capitalise on this element of the market as well, and has built up a strong track record of successfully selling into these larger organisations. In terms of scale, it's common that PCI Pal solutions are used by contact centres whose agent count exceeds 1,000, and indeed, we have a growing number of customers with more than 5,000 agent seats across both the UK and US.

Product Strategy
In 2016 when we started on this journey, we defined a five-year strategy to be the market leading cloud provider of secure payments for the business communications space. We laid out three key strategic pillars to this objective:

1. To develop and maintain the class-leading global public cloud platform that provides easy-to-integrate cloud-to-cloud capabilities;
2. To use our technology to empower access to the breadth of the contact centre market globally; from the very smallest contract centres, who make up the majority of the market; to the very largest, global enterprises; and
3. To build and maintain the most extensive and effective partner eco-system to allow us to achieve the two goals above in a cost effective and customer-oriented way.

I believe we have been highly successful in achieving these goals and that success has now set us up for the next phase of our ambitions. In 2021, we informed investors that we would be growing our addressable market through, initially, further geographic expansion pushing into Australia, Canada, and mainland Europe. This plan is well underway, with Australia and Canada now completing their first full years since launch. We have a growing customer base in mainland Europe which we serve today using multi-lingual resources based in the UK, leveraging our extensive partner eco-system in the territory. We expect to build on our European customer-base with a presence in mainland Europe in FY25.

Furthermore, in FY22 we began to increase investment into our product and engineering capabilities to both strengthen our current core product suites; and to additionally evolve the product-set with enhancements and new features that would allow PCI Pal to better capitalise on its market position, expanding customer-base, and integrated partner eco-system. In particular, we are adding more payment products and capabilities to our product set in recognition of the digital transformation occurring in the contact centre market today.

In September 2022, the launch of our Open Banking capability, through our partnership with TrueLayer, was the first evidence of the output of those increased product development efforts. We have now reached a point where across FY24 we expect to be releasing several other new products and enhancements that will be adding a variety of digital payment capabilities to our offerings, which include:

- A new user experience for all agent, consumers, and bot-led interactions
- An enhanced multi-service digital wallet offering (including ApplePay and GooglePay)
- Embedded integrations to the leading Buy Now Pay Later (BNPL) vendors available globally, including Klarna, Affirm, and Afterpay.
- A fast start payment processing option for SMB customers

Furthermore, we have been investing in our data backbone to empower new features and intelligence in our core products, as well as developing our own AI (artificial intelligence) aimed at driving more continuous improvements to agent and customer experience (CX). These include:

- Improved data analytics related to customer interactions and payments;
- Improved insights to empower customers to grow revenue and reduce costs; and
- Customer journey tracking to automate improvements to both agent and customer experience (CX) during payment interactions.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

These new developments will also incorporate an enhanced go-to-market model that differentiates between customer type and size, empowering operational efficiencies at PCI Pal which long term will reduce our Time To Value (historically reported as TTGL or Time-to-go-live). This advancement will open the door for partners and customers to self-provision our services, which equally will provide more value to them.

We look forward to updating investors on these developments as FY24 progresses and products reach launch phase.

Update on the unfounded claims of patent infringement

In September 2021, the Group announced that Semafone Limited (now renamed Sycurio Limited), one of PCI Pal's direct competitors, had filed lawsuits in both the UK and the US relating to alleged patent infringement by PCI Pal concerning one aspect of its Agent Assist product.

As announced on 25 September 2023, PCI Pal was successful in comprehensively defeating the unfounded patent infringement suit being brought in the UK by Sycurio. The High Court judgement was resoundingly in PCI Pal's favour, with the judge ruling that Sycurio's patent was invalid due to obviousness from two sources of prior art. Furthermore, the judge decided that even if the patent had been valid, PCI Pal's Agent Assist solution did not infringe the patent and Sycurio also accepted that the variants submitted by PCI Pal, which were changes it could make to its solution, would also not have infringed. The ruling from Mrs Justice Bacon is available at https://caselaw.nationalarchives.gov.uk/ewhc/pat/2023/2361.

The Board believe that this outcome validates the position it has taken across the last two years since the unfounded litigation was launched. PCI Pal has always taken a thorough and prudent approach to its own product development processes, and from the very early years of the business took advice on core developments to ensure third party IP was not infringed, as well as making efforts to patent its own innovation. The Board believes this comprehensive ruling also evidences its strong belief that Sycurio brought these claims to disrupt PCI Pal's business and to gain commercially.

Breach of confidentiality by Sycurio Limited:
PCI Pal notes its announcement of 7 June 2023 disclosing that in April 2022, Sycurio breached the terms of confidentiality agreements that had been put in place between PCI Pal and Sycurio to protect information provided as part of the unfounded, ongoing patent litigation ("Confidentiality Agreements"). In its disclosure to PCI Pal, Sycurio confirmed that it had illegitimately shared confidential information with Sycurio personnel who were not covered by the Confidentiality Agreements. PCI Pal remains unsatisfied by the remedial measures that have been offered to date and continues to consider its options with regards to this unsavoury situation.

Looking ahead:
As noted in the announcement of 3 October 2023, the Company understands that following the victory in the UK case, a Form of Order hearing will be heard in December, where a number of administrative and outstanding matters will be resolved by the Judge. Given the extent of PCI Pal's victory, the Company will be seeking the maximum recovery of costs possible following its resounding win.

Appeals in patent cases are common, no matter the nature of the ruling, and therefore PCI Pal is fully prepared for an appeal should it be filed. Given how comprehensive the ruling in the UK was in PCI Pal's favour, the Company remains confident in the judge's judgment that Sycurio's patent is invalid due to prior art and that, even if the patent were valid, PCI Pal's solutions would not infringe.

US proceedings:
The UK ruling has been submitted to the US court. The patents in the US are substantially similar to the UK patent which preceded those in the US. Therefore, the defence arguments and counter claims from PCI Pal are substantially similar to those in the UK. In addition, the Company notes that there is additional prior art that can be used in the US case that could not be used in the UK case.

PCI Pal's confidence in its position in the US case has grown further following the comprehensive UK ruling. The Company expects to win on all counts, proving it does not infringe the US patents and that the US patents are invalid. As a risk mitigation measure, the Company has already taken prudent steps so that even in a worst-case scenario, which the Directors believe is highly unlikely, changes can be made to the specific aspect of PCI Pal's Agent Assist solution in order to continue business as usual if needed. Furthermore, PCI Pal's new features and products detailed since the last fundraise are firmly out of the scope of any of the patents involved, and therefore the Company believes that even an adverse outcome in the US would not be materially disruptive to PCI Pal's long term business momentum.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

PCI Pal Intellectual Property:
As the first mover in its market to a public cloud solution, the Company continues to protect its innovative ideas by securing patents for its technology. These patents include protection for its key deployment models of the Agent Assist solution and provide coverage across the key international regions the Group operates in today. PCI Pal's partners and customers benefit from these innovative methods, and as such the Company actively monitors its marketplace and will defend its IP fully if required.

Outlook

This is an exciting time for PCI Pal. Undoubtedly the patent case has been a distraction for management over the last two years, but with much of the deeper preparation work complete, and with such a strong outcome to the UK proceedings behind us, that distraction is now minimised with full focus continuing towards the Company's profitable growth ambitions in FY24.

We have always known that the business could generate strong operating profit growth as we scaled and FY24 is the first year we expect to see an adjusted pre-tax profit. The Board remain focussed on delivering its expected 28-30% revenue growth in FY24.

Meanwhile, and as a result of the additional investment made in engineering and product in FY23, we look ahead with confidence as we plan to bring a number of new products and enhancements to market throughout the new year. These new product initiatives will further complement the business we have built today, allowing us to increase the value we provide to our partners and customers; allow us to maintain high gross revenue retention rates; and increase up-sell and cross-sell opportunities whilst expanding our addressable market.

I look forward to updating investors on what we expected to be another strong year of progress at PCI Pal.

James Barham | Chief Executive Officer
8 November 2023

CHIEF FINANCIAL OFFICER'S REVIEW

FOR THE YEAR ENDED 30 JUNE 2023

Key financial performance indicators

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

The principal financial KPIs used by the Board to assess the Group's performance are as follows:

	2023	Change %	2022	Change %	2021
Revenue	£14.95m	+25%	£11.94m	+62%	£7.36m
Gross Margin	88%		84%		75%
Recurring Revenue[1]	£12.93m	+22%	£10.57m	+63%	£6.48m
Recurring Revenue as % of Revenue	86%		89%		88%
Revenue generated from Non-UK deployments	£5.23m	+40%	£3.74m	+82%	£2.06m
Percentage of Revenue from non-UK deployments	35%		31%		28%
Adjusted EBITDA[2]	(£1.11m)	+41%	(£1.88m)	+27%	(£2.56m)
Cash facilities available[3]	£4.17m		£4.89m		£7.52m
Deferred Income	£11.82m		£10.62m		£8.09m

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

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

3 Cash balance plus maximum debt facilities available (subject to covenant tests being met)

The principal operational KPIs used by the Board to assess the Group's performance are as follows:

	2023	Change %	2022	Change %	2021
Contracted TACV[1] deployed and live	£12.58m	+14%	£11.05m	+44%	£7.69m
Contracted TACV in deployment	£3.08m	+175%	£1.12m	0%	£1.12m
Contracted TACV – projects on hold	£0.77m	-35%	£1.19m	+70%	£0.70m
Total Contracted TACV	£16.43m	+23%	£13.36m	+40%	£9.51m
% of TACV derived from variable transactions deemed recurring	14%		22%		24%
ACV of contracts cancelled before deployment	£0.14m		£0.18m		£0.20m
Signed ACV in financial period	£4.16m	+20%	£3.46m	+11%	£3.11m
AWS Platform Churn[2]	4.6%		3.1%		6.7%
AWS Platform Net Retention Rate[3]	103%		117.7%		111.1%
Headcount at end of year (excluding non-executive directors)	114		103		71
Ratio Personnel cost to administrative expenses	78%		74%		71%

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

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

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

I am pleased to report that FY23 was another strong year for PCI Pal, allowing us to deliver on our growth plans which we laid out back in April 2021. We have managed this performance against the slowdown in the economic climate, aggressive inflation and the distraction of the unfounded patent infringement claims being made against us. This performance clearly demonstrates the financial robustness of our channel first business model backed up by our innovative, patented pure cloud solutions.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Revenue and gross margin

Overall Group revenue grew by 25% to £14.95 million (2022: £11.94 million) and gross margin improved to 88% (2022: 84%).

The majority of the revenues are generated from products hosted in our AWS global cloud platform. The first-generation privately hosted platform, which we have not proactively marketed since 2019, now accounts for only 6% of revenues (2022: 12%) having completed the migration of customers using this platform for payments to our AWS platform. This has allowed us to eliminate the need for our PCI DSS compliance certificate on the old platform and to close our London private data centre. The remaining customers on this platform only use the service for telephony services which is hosted by a third-party partner. Overall, in the year we have seen an approximate £0.5m drop in revenue from closing this platform for payments but have maintained the overall profit contribution from the new licences and cost savings.

The EMEA business, the most mature business and based in the UK, grew revenues to £9.96 million, an 18% increase on the prior year, while the international operations grew revenues 43% year on year to £4.98 million. Revenues from our non-UK customers now make up 37% (2022: 31%) of the overall Group revenues. We expect the revenues generated from our international operations to continue to grow strongly as we further strengthen our position in the United States and continue our expansion into the ANZ region and Canada.

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. 86% (2022: 89%) of revenues recognised in the period have come from annually recurring licences and transactions. Our strong recurring revenue gives the Group high future revenue visibility.

ACV growth

Annual Contract Value growth is a key leading growth indicator metric of the Group. Contracts signed in the financial year begin to be released on a monthly basis into recognised revenue after an average of 26 weeks (2022: 24 weeks) following contract signature. Following a strong H2, ACV increased year on year by 20% to £4.16 million (2022: £3.46 million) positively reflecting the further development of the Group and its strong partner eco-system, which made up 77% (2022: 62%) of the value sold in the year.

TACV

TACV is a key indicator of future recurring revenues as it shows the total value of all customers whether their services have reached revenue recognition or not. Therefore, TACV provides strong future revenue visibility which is an attractive aspect of the Group's business model. TACV at the end of the financial year increased 23% to £16.43 million (2022: £13.36 million). Of the TACV only 14% (2022:22%) is derived from transactional revenues which is deemed to be recurring in nature. The year on year change is a result of the majority of sales being recurring in nature, predominantly license sales, and also a drop in transactional based revenue from our Gen 1 platform which we have decommissioned, as discussed above.

This £16.43 million of TACV is analysed as follows:

2023	2022	
£12.58 million	£11.05 million	Live and delivering monthly revenue
£3.08 million	£1.12 million	Mid-deployment and therefore expected to deliver revenues within a few months
£0.77 million	£1.19 million	Projects classed as on hold

The value of annual recurring revenue from contracts that are live and deployed ("ARR") as at the end of the financial year was £12.58 million.

The jump in mid-deployment contracts to £3.08m reflects the strong new sales performance achieved in H2 of the financial year, and these contracts are now going through the deployment process, with revenue expected to be recognised in the current financial year.

We have seen a £0.42 million reduction in the amount of projects classed as being "on hold". This is testament to our continuous improvement around project delivery, our increasingly tight working relationships with our partners, and improvements to our product suite. Contracts typically go "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 on average to start delivering recurring recognised revenues.

As with any internationally expanding business, exchange rates will affect the reporting of Group numbers as assets and sales are translated into sterling for reporting purposes. During the financial year, and especially in H2, we saw the US dollar exchange rate increase from $1.20 to $1.26 which had the effect of decreasing the sterling value of the US denominated contracts for TACV purposes by approximately £0.3 million. The change also led to the exchange loss recorded in the Statement of Comprehensive Income.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Churn and Net Retention

We continue to achieve low levels of customer churn so our gross retention rate remains strong at 95.4% (2022: 96.9%). In addition, during the year we agreed to terminate £0.14 million (2022: £0.18 million) of contracts prior to them going live due to changes in circumstances from the original expectations.

In the year we achieved upsells to customers that represented 15% (£0.64 million) of the total ACV won. The majority of these upsells are expansionary upsells where the customer is adding additional licenses of their current solution, or adding an additional product to their service, such as PCI Pal Digital. Upsells are lower year on year, but are within management's expectations, as in FY22 we benefitted from a number of large expansionary upsells to several of our largest customers, that were not likely to be repeated in FY23. As a result the Group's net revenue retention rate ("NRR") was positive but lower at 103.0% (2022: 117.7%).

Internal adjusted operating loss[1] metric

The Board uses an internal metric for calculating the adjusted operating loss for the Group to get a better comparative measure of performance. The internal adjusted operating loss for the Group has changed as follows for the year:

	EMEA £000s	North America £000s	Australia £000s	Central £000s	Total £000s
2023					
Profit/(Loss) from Operating Activities before adjusting items	524	(2,510)	(304)	(2,562)	(4,852)
Unrealised foreign exchange gains/(losses) on intercompany trading balances	45	255	25	5	330
Exceptional items relating to patent case costs	–	696	–	1286	1,982
Expenses relating to Share Options	–	–	–	272	272
Internal adjusted operating profit/(loss)	569	(1,559)	(279)	(999)	(2,268)
2022					
Profit/(Loss) from Operating Activities before adjusting items	240	(1,337)	(188)	(1,779)	(3,064)
Unrealised foreign exchange gains/(losses) on intercompany trading balances	93	(932)	7	–	(832)
Exceptional items relating to patent case costs	37	182	–	578	797
Expenses relating to Share Options	–	–	–	246	246
Internal adjusted operating profit/(loss)	370	(2,087)	(181)	(955)	(2,853)
Change in year	199	527	(98)	(43)	585

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

Adjusted EBITDA

	EMEA £000s	North America £000s	Australia £000s	Central £000s	Total £000s
2023					
Internal adjusted operating profit/(loss) (from above)	569	(1,559)	(279)	(999)	(2,268)
Depreciation and amortisation	1,154	–	1	–	1,155
Adjusted EBITDA	1,723	(1,559)	(278)	(999)	(1,113)
2022					
Internal adjusted operating profit/(loss) (from above)	370	(2,087)	(181)	(955)	(2,853)
Depreciation and amortisation	897	76	–	–	973
Adjusted EBITDA	1,267	(2,011)	(181)	(955)	(1,880)
Change in year	456	451	(97)	(43)	767

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

EMEA

The EMEA region reported an Adjusted Operating Profit of £0.57 million (2022: £0.37 million). The region continued to deliver strong revenue growth of 18% growing to £9.96 million (2022: £8.46 million) resulting in an improvement of £1.50 million in Gross Profit at a margin of 82% (2022: 79%).

Administrative costs, before exchange movements and exceptional items, grew by £1.29 million to £7.61 million primarily reflecting a further investment in personnel as we continue to expand the business and invest in new products.

Depreciation and amortisation costs were £1.15 million (2022: £0.90 million) meaning that the EMEA operation recorded an adjusted EBITDA of £1.72 million (2022: profit of £1.27 million).

International

North America

The North America region's Adjusted Operating Loss (which includes the new Canadian operation) decreased by £0.53 million in the year to £1.56 million (2022: £2.09 million).

Revenue in the region increased by a pleasing 44% to £4.75 million resulting in an improvement of £1.52 million in Gross Profit at a margin of 99% (2022: 96%).

Administrative costs, before exchange movements and exceptional items, grew by £1.0 million to £6.25 million. The North American administrative costs primarily consist of salary costs for the sales, marketing and mostly customer facing employees. The operational activities for the North America business are provided by the EMEA business in return for an ongoing royalty payment which was £1.19 million (2022: £0.83 million) in the financial year.

Depreciation and amortisation costs were £nil million (2022: £0.08 million) meaning that the North American operation recorded an adjusted EBITDA loss of £1.56 million (2022: £2.01 million).

Australia

The Group continued to invest in its operations in Australia, having opened in the region in the previous financial year and hired its first employees.

Revenue for the region increased by 65% to £0.28 million (2022: £0.17million) reflecting increased business momentum of the region. However, as the result of the further investment the region the Adjusted Operating Loss increased to £0.28 million (2022: £0.18 million).

Central

Costs for the Central operation primarily relate to the PLC activities of being a listed company, including the majority of the employment costs of the Board. The PLC has also funded the costs of the patent case in the UK.

Further segmental information is shown in Note 10.

Administrative expenses

Total administrative expenses were £17.95 million (2022: £13.08 million), an increase of 37%.

The underlying administrative costs can be analysed as follows:

	2023 £000s	2022 £000s	% Change
Total administrative expenses	17,948	13,077	37%
Adjust for:			
Exceptional costs incurred in year relating to the patent case	(1,982)	(797)	
Unrealised foreign exchange gains/(losses) on intercompany trading balances	(330)	832	
Share Option Expense	(272)	(246)	
Underlying administrative expenses	15,364	12,866	19%

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

The underlying increase was therefore £2.50 million, of which £2.49 million was from the overall increase in personnel costs in the Group reflecting the full year costs of those hired in FY22 and the move from 103 employees to 114 employees at the end of the financial year.

The cost to run the AWS platform worldwide (including the development, testing and staging systems) in the year was £0.95 million (2022: £0.89 million). The cost of the platform represented only 6.4% (2022: 7.5%) of the revenue recognised in the year, highlighting the scalability of the AWS platform and the operational gearing it can deliver. Depreciation and amortisation increased by £0.18 million to £1.16 million.

Personnel costs charged to the Statement of Comprehensive Income (including commission, bonuses, recruitment and travel and subsistence expenses) were £12.04 million (2022: £9.55 million), and £1.55 million (2022: £1.05 million) of the personnel costs were capitalised as Development costs. These personnel costs make up 78% (2022: 74%) of the administrative costs of the business. Travel expenditure increased back to £0.54 million (2022: £0.34 million) reflecting the increasing scale and international growth of the business.

The Board has been cognisant of changes in the economic environment over the last 18 months. There has been noticeable inflationary pressure on our cost base, for example, on some underlying software products used as well as additional wage inflation pressure, over and above that originally expected. Insurance rates for our industry have increased significantly alone resulting in an additional £0.2m charges per annum. With its strong revenue growth, the business has been able to absorb many of these costs to date and still deliver on its expectations of profitability, but underlying inflationary cost pressures continue.

Patent case defence costs

On 25 September 2023 the Company announced that it had secured victory in the High Court against the unfounded patent infringement claims being made against it. This is an important step in the overall defence against the claims being made against the Company.

During the financial year the Group incurred legal and professional fees and other direct costs relating to the defence of the patent case totalling an additional £1.98 million, of which £1.28m was paid in the financial year.

The US case is continuing and is expected to be heard in the summer/autumn of 2024.

The patent costs per entity incurred to date and future estimated are as follows:

	Incurred in prior year £000s	Incurred in current year £000s	Total incurred to June 2023 £000s	To be incurred in future £000s	Estimated total cost of defence £000s
PCI-Pal PLC	578	1,286	1,864	150	2,014
PCI-Pal (U.K.) Ltd	37	–	37	–	37
PCI Pal (U.S.) Inc	182	696	878	968	1,846
	797	**1,982**	**2,779**	**1,118**	**3,897**
Amounts paid in period	**693**	**1,279**	**1,972**		

The direct costs relating to the claim incurred to date have been disclosed as an exceptional item in the Consolidated Statement of Comprehensive Income. The estimated £1.118 million of future patent case costs relate to the current estimate to bring the US claim to court and the finalisation of the UK ruling. The estimate does not include any costs to be incurred in defending any appeals nor does it assume that any damages or claimant legal costs will be paid as we believe the claims are unfounded.

In the UK the Company will be looking to recover the maximum possible amount of costs possible that we have incurred in defending the patent claims from the claimant, Sycurio Ltd. The quantum and timing of such a payment is currently unknown and so has neither been accrued into these accounts, nor estimated for disclosure.

Changes in accounting policies

There are no changes in our accounting policies for FY23.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Capital expenditure

As required by IAS 38, the Group capitalised a further £1.55 million (2022: £1.10 million) of internal development expenditure as we continue to invest in the AWS cloud platform and introduce new features and products.

The Group also capitalised £0.05 million (2022: £0.05 million) of external contractor work relating to the Group's internal systems.

Other capital expenditure was £0.05 million (2022: £0.13 million). Most of this expenditure related to new laptops for the new and existing employees. As a cloud driven organisation the Group has no need to invest in hardware for customer deployments.

Set-up and Professional Services Fees

During the financial year, the Group generated from new contracts £1.41 million (2022: £1.41 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 11% to £11.82 million (2022: £10.62 million), mostly reflecting the timing of growth in new business sales and the consequent increase in licence fees invoiced in advance, and to a lesser extent the continued build-up of unrecognised set up and professional services fees.

Trade receivables

Trade receivables grew to £3.51 million (2022: £2.96 million) as the business expanded its customer and 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 2023, £0.89 million (2022: £0.67 million) of the outstanding debtors related to newly signed contracts.

Our debtor collection rates remain within expected average ranges ending the year with 74% (2022: 78%) of debtors less than 60 days old. The Board does not believe that any of the debts over 60 days old will require to be written off.

Taxation

As at 30 June 2023 the UK entity had not yet received payment for its R & D tax credit claim for the financial years 2021 and 2022 (2022: £0.16 million for financial year 2020). The delay in settlement of the claims was due to an open enquiry by HMRC. In October 2023, we received notification from HMRC that they had approved our claim and we are expecting to receive £0.54 million in due course. The Group will not recognise the tax credit claim in its accounts until the claim has been received from HMRC. No claim has yet been made for the financial year ended 30 June 2023.

Cashflow and liquidity

Cash as at 30 June 2023 was £1.17 million (2022: £4.89 million). The Group therefore used £3.72 million (2022: used £2.63 million) of cash.

In the period cash payments of £1.28 million net of VAT (2021: £0.69 million) for the legal fees and other direct costs relating to the patent case were paid. The adjusted net cash spend in the core business is therefore £2.44 million.

I am pleased to report that in the second half of FY23 we reported positive cash generation of £0.22 million, once the £0.93 million spent on the patent case in the half is excluded.

Cash was boosted in the year by the agreement of one of our US customers to pay for three years of licence fees in advance.

Banking facility

During the year the Group arranged a £3m, multicurrency, revolving facility with Silicon Valley Bank ("SVB") secured by legal charges over the assets of the Group. The £3m facility availability to the Company can fluctuate on a month to month basis as it is subject to the level of assets and liabilities at the time of drawing. Following the insolvency of SVB the facility has now been transferred to HSBC. The facility was undrawn at the end of the financial year. Further details on the loan facility can be found in Note 21.

Going Concern considerations

The Board continues to monitor the Group's trading performance carefully against its original plans, global economic pressures, such as inflation, and other factors affecting our core markets and products. It also reviews the potential impact of a resurgence of the COVID-19 pandemic.

During the year the Group continued to win new contracts, recording new ACV sales of £4.16 million, as well as substantial growth in its transactional revenues. Customer retention remains high.

The group deployed new customer contracts with an annual recurring revenue value of £2.74 million. At the end of the financial year the group had £12.58 million of deployed, live contracts contributing to revenue recognition. It also has a further £3.08 million of contracts in current deployment with a majority that are expected to go live with the next few months which helps underpin our expectations for revenue growth in FY24. These recurring contracts provide annual recurring cashflow that underpins the future of the Group.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

With the Group year-end being 30 June, the Group prepared its next financial year budgets in the April to June 2023 period. The budget for FY24 was prepared, along with an extended forecast into FY25, following detailed face-to-face meetings with all managers with a focus on building on the existing strong performance and on the product plans and roadmap. The budget includes an assumption of a more modest rate of expansion of headcount as compared to FY23 and includes the launch of a number of new products.

The Group finished the year with a cash balance of £1.17 million and had an undrawn revolving credit facility of up to £3.0m available to assist cashflows as and when required.

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

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

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

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

Dividend

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

William Good | Chief Financial Officer
8 November 2023

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MANAGEMENT

The Directors confirm that they have carried out a detailed assessment of the principal risks facing the Group with the management of the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board regularly reviews the business risks identified and the Group's appetite for risk relative to its growth and expansion plans and discusses the management of these risks and the controls put in place.

The Board has identified a number of principal risks and has assessed them against: the impact they would have on the business; the likelihood the risk would occur; the vulnerability of the Group to the risk; and how fast the identified risk could occur. Risks that present a potential material impact are identified and governed in accordance with our risk management policies. From the assessment, the principal risks facing the Group and considered by the Board are:

Information security and cyber risk

Risk area and potential impact

Assessment – Risk unchanged

A security breach or the loss or failure of Group systems would impact both the Group's operations and those of its clients. This could cause harm to the business or its reputation resulting in financial loss, loss of customers or revenue.

Management of risks

The Group continually invests in information security under the leadership of the Group CISO.

The Group is compliant with the Payment Card Industry Data Security Standard ("PCI DSS") and is also ISO 27001: Information Security compliant. These certificates are two of the most thorough certification tests available and are independently assessed. The Group utilises the latest security products and is subject to frequent and rigorous third party penetration testing.

Infringement of IPR

Risk area and potential impact

Assessment – Risk decreasing

The infringement of a third parties intellectual property rights which is embedded in our core systems may be challenged resulting in potential damages, loss of customers or revenue.

Management of risks

The Group carefully designs its systems to not infringe third party owned software and intellectual property. Where necessary the Group will enter into licence agreements with the owners of IP to allow use within our systems, or defend itself against unjust claims.

The Group has its own patents protecting its novel cloud technology and will take all necessary steps to protect this valuable intellectual property.

Information security and cyber risk

Risk area and potential impact

Assessment – Risk unchanged

A security breach or the loss or failure of Group systems would impact both the Group's operations and those of its clients. This could cause harm to the business or its reputation resulting in financial loss, loss of customers or revenue.

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The Group has its own patents protecting its novel cloud technology and will take all necessary steps to protect this valuable intellectual property.

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MANAGEMENT CONTINUED

Business interruption

Risk area and potential impact

Assessment – Risk decreasing

The loss, failure or other lack of availability of the Group systems would potentially impact the availability of services to partners and customers as well as its ability to operate internally.

Management of risks

The Group is ISO 23001: Business Continuity compliant and as such is subject to annual third party rigorous assessment. Where possible core systems are hosted across multiple regions or locations. Robust management systems are in place to detect, minimise and restore systems in the event of an interruption.

Recruitment and retention

Risk area and potential impact

Assessment – Risk decreasing

The group's success is substantially dependant on recruiting and retaining our skilled key employees the loss of whom could hinder the Group's progress.

Management of risks

The employees of the Group are one of the key stakeholders of the business and, as such, the directors give serious consideration to their needs, development and wellbeing. We look to attract the best through providing core values and objectives, building strong and committed teams. Our People department ensures that we have the appropriate policies in place to support and help, and management at all levels are actively and consistently engaged with their teams' development.

Market and product development

Risk area and potential impact

Assessment – Risk increasing

Competitors may develop similar or more advanced solutions meaning the Group's technology may become obsolete or less relevant to our customers. In addition, the Group's future success depends upon its ability to develop new, and enhance existing, solutions on a timely and cost-effective basis that meet changing partner and customer requirements.

Management of risks

The Group has increased its investment in product and engineering, as well as strengthening its market awareness by expanding its advisory committee to the board, including a leading payments expert, to provide additional outside perspective on both market evolution and product development. The Group also monitors the marketplace for competitor development closely, as well as utilising its relationships with partners to ensure it stays in tune with customer needs.

Damage to reputation

Risk area and potential impact

Assessment – Risk unchanged

As the Group continues to expand globally, compliance with international and regional regulation is important. Failure to comply could result in loss of customers or fines or revenue. In addition, poor product perception due to poor reliability and service may damage our reputation leading to lower sales and potentially loss of customers.

Management of risks

The Group takes great care and invests in advisory services from experts to assist in ensuring all their regulatory responsibilities are fulfilled. The Group's systems and solutions have been carefully designed to maximise reliability and so minimise potential damage due to outages. The Directors have established detailed rules and processes to ensure the employees are treated fairly and can escalate issues accordingly.

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MANAGEMENT CONTINUED

Economic and financial risk

Risk area and potential impact

Assessment – Risk increasing

The Group's markets may suffer a slowdown due to economic recessionary and inflationary pressures. These weaker economic conditions may impact the ability of the Group's customers and partners to pay for our services and sign new contracts, which in turn may lead to reduced revenue and liquidity risk.

Management of risks

The Group has a diversified portfolio of customers and partners spread across three continents who have acquired our leading innovative solution that helps solve their business need. Demand has been very strong over the last few years. The Group maintains low customer churn rates giving good visibility of the future recurring revenues that underpin the business. The Group finished the year with a strong cash position and no debt which should provide sufficient resource to weather economic disruption.

Generation of new business sales

Risk area and potential impact

Assessment – Risk decreasing

The Group needs to continue to sign new customers and attract new partners for it to hit its growth targets. Failure to attract this new business, or a slowdown in the growth of sales for economic or reputational reasons may mean the Group miss their revenue targets which could result in lower cash generation with the potential for increased liquidity risk.

Management of risks

The Group has established a strong eco-system of partners. More than 80% of contracts signed come via our channel partners. The Group is therefore less reliant on signing new partners than in previous years as it drives to deliver more from existing relationships. We have hired additional and highly experienced people to help build our geographic expansion, strengthen our product focus, and develop our customer success teams. This investment is aimed at allowing us to build better relationships with our partners and customers and to maintain and evolve our product relevance.

Regulation and industry standards

Risk area and potential impact

Assessment – Risk increasing

Failure to maintain the Group's compliance with the PCI DSS accreditation would impact the ability of the Group to operate. Potential additional laws around data security, taxation, pricing, law enforcement might also mean it could be uneconomic to continue to trade in existing regions.

Management of risks

The Group has a dedicated Infosec team, headed by the Group CISO, who have extensive knowledge of the PCI DSS regulations and other standards. This team works closely with our third-party Quality Security Assessor (QSA) to review and maintain our PCI compliance. Where there are regional regulation requirements the Group has appointed professional service firms to assist us in maintaining compliance.

Pandemic risks

Risk area and potential impact

Assessment – Risk decreasing

The Group's operations may be restricted by further lockdowns, staff shortages, enforced remote working and general economic impacts caused by an aggressive mutation of COVID-19 or other pandemics, hindering new sales or revenues or cash generation.

Management of risks

The Group has well-established plans to deal with any future pandemic risks. 75% of our employees are contracted to work from home and previously we were able to easily adopt a 100% policy with little or no impact to the business. Our sales and deployments have been proven to be successfully made without the need to visit customer sites. The provision of the Group services has been designed from the start to be delivered remotely via the Cloud.

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.

Interaction with the Board

The Board receives updates from the Executive Management on various metrics as well as feedback and survey results in relation to employees and customers. The Board also periodically receives updates from other members of the management team 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.

Our stakeholders

As our organisation grows in size and scope across an expanding geography, the Board have recognised that it is important to have professional and clear communication channels in place with our key stakeholders.

Shareholders

How we engage	Outcome of engagement
Since the launch of PCI Pal in Sept 2016, the Group has seen increasing investor interest in our business and in turn these investors have supported the growth of the business. We have developed multiple communication channels with our investors through a variety of ways: • The Company hosts its Annual General Meeting in person, which is open to all current and potential investors • The CEO and CFO engage with investors either face-to-face or via virtual roadshow presentations at least twice a year • The CEO and CFO also record their virtual roadshow via the Investor Meet Company portal allowing all shareholders the opportunity to hear updates on the company • The Company has a dedicated investor website that gives access to all relevant company news and regulatory updates • The Board regularly receives updates on feedback from investors via the Executive Management and the Group's NOMAD	Investors continue to demonstrate support for the Board initiatives, activities and plans and we have received overwhelmingly positive feedback on the performance and trajectory of the business.

SECTION 172(1) STATEMENT – BOARD ENGAGEMENT WITH OUR STAKEHOLDERS CONTINUED

Employees

How we engage	Outcome of engagement
The Group's success is directly linked to the talent and skills of our employees. The CEO has the responsibility of ensuring we maintain a working environment that people want to join, and that we can therefore attract and retain the best employees. We are a small company but are growing fast in scale and geographic footprint. Maintaining excellent communication with our employees is therefore vital to our development. Some examples are: • Annual kick off events detailing the plans for the coming year and looking back at the previous 12 months • Quarterly all-hands updates • "Meet the CEO" sessions • "Ask me anything" sessions with the Senior Leadership Team • Regular department meetings and Quarterly Business Reviews • Plus internal blogging via our Employee Engagement Platform- The Hive The overall ambition is to create a collaborative and responsive organisation that allows our employees to feel engaged with the strategy of the Group and also allows them to progress their own development and career.	The Group continues to attract skilled and enthusiastic employees allowing us to continue to develop our plans and strategy without interruption. Our employee churn rate remains very low.

Partners & Customers

How we engage	Outcome of engagement
One of the three founding core pillars of PCI Pal is to be a partner-first organisation. Working with partners not only makes us better able to serve the broader technology needs of customers, but also better able to scale and grow our business profitably. We state we are "partner-first" but that does not mean we do not deal direct with organisations that want our class leading solution. Partners all have relationship managers on their account, they are supported by our customer success team and service desk. Direct customers benefit from the same level of care and support. We have developed detailed processes that take the partner and customer through the entire customer journey: from contracting through to deployment; support and management within our Customer Success function. Our Senior Leadership Team regularly meets with senior executives of our Partners to further build lasting relationships.	In FY23 83% of all contracts and 77% of all value were delivered via our Partner network. In the same period the Group signed 157 new logo contracts. Since July 2019 we have signed more than 570 new customers. Relationships with customers and partners are fostered through both survey feedback as well as regular direct relationship contact. Our net promoter scores (NPS) for FY23 for our deployment services now stands at 75% (2022: 65%). The Company CSAT score for our support operations in its first full year of use stands at 85%.

SECTION 172(1) STATEMENT – BOARD ENGAGEMENT WITH OUR STAKEHOLDERS CONTINUED

Community & Environment	
How we engage	**Outcome of engagement**
PCI Pal and our customers' employees are active members of their local communities, wherever they are based. We recognize that by delivering our solutions we serve our communities by providing valuable data security and reassurance to consumers, whilst also reducing fraud levels across payments. The efficient way we deliver our services over the Cloud reduces the environmental footprint. For the last three years we have been measuring and reporting on activities that affect our environment, via the Environmental, Social and Governance report. Our goal is to reduce our environmental footprint wherever practical. As an example, we have maintained the ability of our employees to primarily work from home as it lowers our commuter travel impact, whilst boosting the wellbeing of our employees.	Our focus on the appropriate work/life balance for our employees have allowed many to spend time supporting their communities. Some employees have, amongst other activities, arranged sporting activities while one has directed their own musical. In FY23 we introduced the "Evolve" day allowing employees paid time off to undertake specific activities to support their local communities. In the year our business has supported Mental Health and Menopause charities and this has included inviting the charities into the business to speak to our team on their areas of focus and expertise. Our environmental footprint remains small with travel and energy use per employee falling.

Reputation

It is the Group's policy to manage and operate worldwide business activities in conformity with applicable laws and regulations as well as with the highest ethical standards. Both the Group's Board of Directors and Executive Management are committed to full compliance with applicable law and regulations in all jurisdictions in which we operate, and to maintain the Company's reputation for integrity and fairness in business dealings with third parties. The Group is committed to maintain its PCI DSS Level 1 clearance and ISO27001 registration.

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.

Key Board matters discussed in financial year

In September 2021 a claim for breach of patent was made by one of our competitors, Semafone Limited (now renamed Sycurio Limited), in the US and UK courts. The Board strongly refute the accusations being made. The executive directors have been instructed to defend the claim and to provide regular verbal updates to the non-executive directors on the progress being made and the strength of the defence. In the year to 30th June 2023 our defence of the claims being made in the UK were finalised resulting in a UK Court hearing in June 2023. In Sept 2023 the Court issued its judgement and completely dismissed the claims being made against the Company. In the US the defence process is ongoing. The total costs of the defence has been estimated at up to a total of £3.7 million, assuming the case is heard in both the UK and US courts, of which £2.8 million has been received to date in legal advice. The claims made have not had a material effect on the running of the business to date.

The Strategic Report for the Group was reviewed and approved by the Board of Directors on 8 November 2023.

Signed by Order of the Board

James Barham | Chief Executive Officer
8 November 2023

GOVERNANCE

> In order to ensure the Board makes the right decisions for the Company and its stakeholders, it is essential that a good corporate governance structure is in place

IN THIS SECTION

BOARD OF DIRECTORS

SIMON WILSON
NON-EXECUTIVE CHAIR OF THE BOARD

Appointed to the Board
1 November 2019

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

JAMES BARHAM
CHIEF EXECUTIVE OFFICER

Appointed to the Board
30 September 2016

Working history
Prior to taking on the role of CEO at PCI Pal, James was instrumental in establishing and leading the business' sales, marketing, and operations functions. In 2018 he and his family relocated to the US temporarily to set up the company's North American operation. Later that year he became Group CEO. He leads the continued development of the Group following a career spent almost entirely in the technology space. James has a BSc (Honours) in Business Management & Communications.

WILLIAM GOOD
CHIEF FINANCIAL OFFICER

Appointed to the Board
1 April 2017

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

JASON STARR
INDEPENDENT NON-EXECUTIVE DIRECTOR

A R

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 Chair of the Remuneration Committee and a member of the Audit Committee

CAROLYN RAND
INDEPENDENT NON-EXECUTIVE DIRECTOR

A R

Appointed to the Board
24 March 2022

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

Carolyn is the Chair of the Audit Committee and a member of the Remuneration Committee

Committee membership key:
A Audit R Remuneration

CORPORATE GOVERNANCE

In order to ensure the Board makes the right decisions for the Company and its stakeholders, it is essential that a good corporate governance structure is in place.

Governance Framework

The Board keeps all aspects of corporate governance under review by following an established governance framework. This framework continues to be refined as the Group expands internationally and grows financially.

The Board has adopted the governance code for its framework as published by the Quoted Company Alliance (the "QCA Code"). We strive to follow its guidance and principles by embedding them into how we develop our strategy, run our business model, manage risk, run our Board and how we engage with our various stakeholders. The table below directs you to some of the relevant sections covered elsewhere in this annual report that directly apply to the 10 QCA code principles:

		Annual Report section
Principle 1	Establish a strategy and business model which promote long-term value for shareholders.	Overview of PCI Pal & CEO review
Principle 2	Seek to understand and meet shareholder needs and expectations.	s172 report
Principle 3	Take into account wider stakeholder and social responsibilities and their implications for long-term success.	s172 report and ESG report
Principle 4	Embed effective risk management, considering both opportunities and threats, throughout the organisation.	Principal Risks report
Principle 5	Maintain the Board as a well-functioning, balanced team led by the Chair.	This report
Principle 6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	This report
Principle 7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	This report
Principle 8	Promote a corporate culture that is based on ethical values and behaviours.	This report
Principle 9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	This report
Principle 10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	s172 report

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

1. The Group does not have a formal system of training for the Directors for their on-going roles, instead they are expected to keep up-to-date personally with matters relevant to their own positions through memberships of relevant professional societies, regular briefings and webinars from lawyers and accountants as well as other professional advisors and industry specialists.
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 size of the Group's business and its Board, separation of these two roles is not considered economically necessary at this time.

Overview of the Board

The Board of PCI PAL Plc is made up of an independent Non-Executive Chair, two independent Non-Executive Directors, plus the CEO and the CFO, who are employed on a full-time basis. Details of the Board's experience are shown on the Board of Directors pages, which describe 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 to provide robust challenges to the Executive Directors and to ensure that shareholders' interests are represented.

The Board is collectively responsible for the long-term success of the Group. The CEO is responsible for setting the strategic direction of the Group and these plans are periodically presented by the executives to the Board. The Non-Executives have suitable industry and public markets experience to provide input, guidance and advice to the Board as well as constructively challenge the Executives. The CFO, as the Company Secretary, provides guidance on the protocols, legal processes and matters reserved for the Board. The goal is 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. These matters are published on the Company website within the corporate governance section of the investor relation pages.

CORPORATE GOVERNANCE CONTINUED

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

Division of roles and responsibilities

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

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

Independent non-executive directors

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 during the period 2017 to 2019. As part of his compensation for those services, Mr Wilson was granted 250,000 options, the details of which are included in the Directors' Report.

The Non-Executive Directors are required to be available to attend Board meetings and to deal with both regular and ad-hoc matters and they are expected to commit sufficient time to fully discharge their responsibilities. All Non-Executive Directors have confirmed and demonstrated that they have adequate time available to meet the requirements of the role and that they have no conflicts.

Board meetings

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. This year more meetings were held to allow discussion on the Patent case and also relating to the insolvency of Silicon Valley Bank. The Board also authorises and holds sub-committee meetings for specific delegated matters. All such meetings and attendance thereof, as well as Audit and Remuneration Committee meetings, are separately identified below:

Directors' meeting attendance 2022/23

	Board Scheduled	Board Sub Committee	Audit Scheduled	Rem Com Scheduled
Executive directors				
James Barham	14/14	4/4**	1*	–
William Good	14/14	4/4**	3*	–
Non-executive directors				
Simon Wilson	14/14	–	2*	–
Jason Starr	14/14	–	3/3	1/1
Carolyn Rand	14/14	–	3/3	1/1

* = attended by invitation of the Chair of the Committee

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

Directors can formally attend meetings either: in person, or remotely by conference call or by video conferencing. Since the advent of the coronavirus pandemic, the majority of meetings have been held remotely by video conference. A hybrid approach to board meetings using a mix of face to face and/or video conference was adopted in the financial year and is expected to continue in this mixed format going forward. Wherever possible all Directors attend in the same manner, e.g. all in person or all by video to ensure optimal interaction and discussion.

CORPORATE GOVERNANCE CONTINUED

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. A detailed report of their work can be found in the relevant reviews below.

Articles of Association

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.

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.

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

Experience, Skills and Capabilities

The Directors have a broad range of experiences, as shown in the Board of Directors section, allowing the Board to assess and monitor a 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, remuneration 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 excellent 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.

Evaluation of Board Performance

Board members are appointed with full consideration of the knowledge and skills that they will contribute to the Board and are aligned to both the current and anticipated needs of the Company at that time. The Chair ensures that the development of the Board is addressed by reviewing the Board composition annually in consultation with the other Board members, as well as overseeing an evaluation of its performance annually. In FY23 this evaluation was undertaken by an external specialist organisation via an interactive online questionnaire and the feedback was delivered by the Chair followed by a full and open discussion within the Board members. No specific recommendations were made. The Board, through its Remuneration Committee, ensures that appropriate annual performance targets are set for Executive Board members.

The Chair routinely reviews the management and performance of the Board Committees and will address any performance concerns directly with the Chair of, and/or participants of, that Committee.

The Board is satisfied that it has an appropriate balance between independence and knowledge of the business to allow it to discharge its duties and responsibilities effectively but will continue to review the composition of the Board regularly.

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 other relevant professional roles, memberships of relevant professional societies, regular briefings and webinars from lawyers and accountants as well as other professional advisors and industry specialists. In addition, the Board receives regular presentations by senior management and/or outside advisors on operational and strategic matters with high relevance to the Company. The goal of these presentations and associated discussions is to enhance and build a deeper knowledge, and understanding of, the business in particular for the non-executive directors. The Advisory Committee provides a rich source of additional information and knowledge from which the Board intends to continue to build the Board’s knowledge of the Group’s business and its risks and opportunities into the future.

The Board recognise it is healthy for membership of the Board to be periodically refreshed and as such normally requires non-executive directors to retire after serving for a nine-year term.

CORPORATE GOVERNANCE CONTINUED

Promotion of Corporate Culture

The corporate culture is at the heart of the Group – Security is Job Zero but it is Team First.

We have an established corporate and social responsibility policy as detailed in the Corporate and Social Responsibilities report.

Every new member of staff takes part in an induction programme which includes a full briefing on the company, the company handbook and an overview of departments. There is also an opportunity to meet key personnel across the business and we take this opportunity to lay out the Company's requirements on the moral, ethical and behavioural standards expected by the Company and its employees. Every employee is given the opportunity to undertake further training at the Company's expense, so as to align individual development with the long-term growth and success of the business.

Performance of individuals and teams is monitored on a monthly basis, and we also provide annual Personal Development Reviews to best align employees and managers on performance, career goals and associated development requirements.

The Group has a "no fault" policy to errors thereby 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 designed to stop the error reoccurring.

The majority of new employee positions are also advertised to all employees within 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 FY23 we continued to evolve our departmental structure in the face of the continuing expansion of the Group. The CEO has established a senior leadership team to assist in the delivery of the future strategy of the Group.

Every quarter the CEO holds an "all hands" briefing where he will outline the performance of the Group and the successes and challenges it has faced. The Company invests in various software systems to support a remote-first working policy allowing all employees to have the simple ability to interact with colleagues or managers. Managers can use technology to performance monitor and engage with their people.

Maintain Governance Structures

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

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

Simon Wilson
Non Executive Chair
8 November 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG")

FOR THE YEAR ENDED 30 JUNE 2023

The Directors of the Company are 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 Group is still a relatively small technology business, and as such has a small ESG footprint and position. However, the Group is growing very quickly and has an international presence. The Directors therefore acknowledge that our ESG footprint might also change quickly, and that the Company should be planning accordingly.

Understanding any company's ESG position is a complex process that is undertaken over many years. The Directors undertook an exercise in FY21 to identify an initial set of measurable and meaningful datapoints, and to 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 are able to gauge its rate of progress.

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 public cloud data centres to provide its services to its customers. Accordingly, these areas need to be carefully monitored to ensure that its impact is at or brought down to an acceptable level whilst continuing to allow the business to grow and prosper.

The Group has primarily adopted a "remote-first" policy for its employees wherever they are located in the world. This has benefitted the environment by substantially reducing commuting travel and also has reduced the level of office space required to run the business. However, the directors acknowledge that it is important for employees to meet face to face so enabling the sharing of ideas and the building of strong working relationships and culture. As a result, regular meetings are held face-to-face with employees travelling to attend. Where possible we encourage the use of public transport but recognise that is impractical in certain of our regions. We have short-term contracted working arrangements with various shared office services around the world.

Our current sales growth trajectory will mean that we will have more customers and as a result an increased use of cloud data centres in the future. 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 environmentally ahead of other software companies that continue to offer such on-premise solutions.

The Directors believe that the following data points are a suitable way of measuring the Group's impact on the environment. Some targets have been refined to reflect the growing size of the business:

Datapoint	FY23	FY22	FY21	Target	Reason/Comment
1 Percentage of staff who regularly work from home in the year	100%	100%	100%	More than 75%	The higher the number of employees who work from home, the lower the environmental impact of commuter miles. It is noted that a number of employees choose to work some days in an office location and the rest from their home. The Group has a flexible approach to work locations. All staff continue to work primarily from home.
2 Average commuting miles (return journey) per annum made to place of work per employee (net of any miles driven in an EV)	811 miles per annum	818 miles per annum	Minimal miles per employee due to COVID	Less than 2,000 miles per annum (2022: 3,300 miles)	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)	418 miles per employee	484 miles per employee	43 miles per employee	Less than 500 miles per employee (2022: 250 miles)	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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG") CONTINUED

Datapoint	FY23	FY22	FY21	Target	Reason/Comment
4 Percentage of employees driving fully electric vehicles for business purposes	7%	9%	0%	More than 5% of staff	The Company has successfully implemented a green company car scheme in the UK where most staff are employed, encouraging staff to lease fully electric cars as part of a salary sacrifice scheme. By helping to increase the number of electric vehicles used by our staff, the Company can reduce its carbon footprint in this area. Unfortunately, these schemes are not available in our international regions. To date the scheme has saved an estimated 23.84 tonnes of CO2 or as much as 11,921 trees can absorb.
5 Business air journey miles used in the year expenses per employee	3,383 miles per employee	3,143 miles per employee	630 miles per employee	Less than 3,600 miles per employee	Certain employees are required to travel long distances. This travel is often required to allow monitoring of Company performance and risks and so cannot be avoided but can be minimised with good planning of journeys.
6 Percentage of AWS platform data centre energy sourced from green initiatives	90%	85%	65%	100% by 2025	AWS our cloud platform provider has pledged to source all its energy requirements from fully renewable sources by 2025.
7 Percentage of First-generation platform date centre energy sourced from green initiatives	Data centre closed	100%	100%	100%	In FY23 the data centre was closed eliminating the environmental footprint in its entirety.
8 Average square foot of office space per employee	39.4 sq ft per employee	47.0 sq ft per employee	63.6 sq ft per employee	Less than 100 sq ft per employee	With the confirmation of the "remote-first" policy the Group still only requires one permanent office location, which is in Ipswich, Suffolk, utilising shared office services elsewhere. The Group will continue to measure on its footprint per employee to ensure excess space is held to a minimum level.
9 Value of capital expenditure on new computer hardware in year per employee	£518 per employee	£1,249 per employee	£588 per employee	Less than £750 per employee	Electrical waste has a high environmental impact in manufacturing, operation, and disposal. The Group wishes to minimise the level of expenditure it spends on hardware per employee or in its IT infrastructures. During FY22 the Group, for security protection reasons, upgraded a significant number of its laptops resulting in the increase in value.

The average number of employees used in the calculations for 2023 is 113 (2022: 93) (per Note 9) except for datapoint 2 which used the average number of employees contracted to work from an office of 38 (2022: 33).

Social

PCI Pal is committed to running its 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG") CONTINUED

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

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 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 several wellbeing initiatives to support staff, 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. We have launched a "reward gateway" offering staff discounts and rewards, during the coming year.

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

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

Community Impact

PCI Pal recognises the importance of the communities within which we operate, aiming to positively contribute towards them by establishing growing and profitable companies that need to hire staff whilst being sensitive to their needs and promoting ethical and socially responsibility.

From an environmental perspective, we strive to minimise our impact on the natural environment, utilising practises to improve energy efficiency, reduce waste and conserve materials, including document storage systems in the Cloud and use of an e-sign tool.

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

The Directors believe the following datapoints are a good way to measure its social performance:

Datapoint	FY23	FY22	FY21	Target	Reason/Comment
1 Net new hires in period	11	32	13	Net positive annually	Employment and profitable companies underpin all economies and so employment is seen as one of the core targets
2 Percentage of employees at start of year still employed at end of the year	94%	94%	86%	More than 90%	High staff retention is a sign of an engaged and motivated team.

Datapoint	FY23	FY22	FY21	Target	Reason/Comment
3 Percentage of female staff employed at the end of the year	27%	27%	27%	No target set	The Directors wish to encourage an increased cultural and gender balanced workplace. While the Company has always been a committed equal opportunities employer it recognises the importance of increasing the representation of women in all levels and roles in the organisation. No targets have been set at this time as management continue to assess the time needed to see the impact of steps taken. Our progression is also dependent upon the candidate pool in each region where the Company operates. The Directors are pleased with the progress made to date.
4 Percentage of female staff in senior management team at the end of the year	44%	38%	28%	No target set	
5 Percentage of females in advisory committee at the end of the year	67%	67%	67%	No target set	
6 Percentage of females on the Board at the end of the year	20%	20%	Nil%	No target set	

Governance

Sound corporate governance is a requirement for well run businesses and is reported on separately by the Chair of the Board above. 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	FY23	FY22	FY21	Target	Reason/Comment
1 Does the company follow a recognized corporate governance code	Yes	Yes	Yes	Yes	The Board follows the QCA guidelines on corporate governance and reports accordingly as required by the listing rules.
2 Chair of the Board and CEO roles split	Yes	Yes	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 at the end of the year	60%	60%	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 Chair is an independent non-executive with a casting vote if needed.
4 Longest serving non-executive director	8 years	7 years	6 years	Not more than 9 years	It is important to rotate new non-executive directors onto the Board to maintain fresh focus on the running of the business and to facilitate the introduction of increased levels of diverse viewpoints.
5 Number of advisory committee members	3	3	1	3 or more	Advisory committee members provide independent expertise and knowledge on areas that can help the CEO and Board make better decisions on the running of the Group.
6 Presentations made to shareholders and potential shareholders	33	32	35	More than 20	It is important to have an open correspondence with not only the largest shareholders and potential 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (“ESG”) CONTINUED

Datapoint	FY23	FY22	FY21	Target	Reason/Comment
7 Presentations made to all shareholders/ and potential shareholders through a recognized online portal	2	3	4	2 or more (2022: 3 or more)	The Company uses the Investor Meet Company portal to invite shareholders to listen to key presentations such as the interim and year end results. These presentations are recorded and are available to download giving smaller shareholders the opportunity to hear what is being presented to the larger institutions
8 Analysts/journalists following and writing on the company and providing detailed commentary on expectations	13	16	7	2 or more	Analyst and journalists set expectations of performance for the Group which allow shareholders to judge whether the company is performing as expected.

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

Simon Wilson | Non-Executive Chair
8 November 2023

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 30 JUNE 2023

Dear Shareholder,

On behalf of the Audit Committee, I am pleased to present our report for the year ended 30 June 2023. This report describes the composition of the Audit Committee (the 'Committee') along with the work undertaken and the significant issues it considered in 2023.

Composition

The Audit Committee consists of the Chair and an independent Non-Executive Director. The Committee is expected to meet formally three times a year, and has done so during the period under review.

At the start of the year Simon Wilson, the non-executive chair stood down as a formal member of the committee as a demonstrable step of furthering his independence as Chair of the Board. Simon continues to provide input on financial and audit matters upon invitation. I wish to thank him for his service to the committee.

The key focus of the committee is the integrity of the financial statements including the annual report and half year's results. The timings of the committee's meetings allow it to consider the external auditors planned approach to the annual audit, and discuss audit findings and financial statements ahead of the statements being approved for release. When appropriate, non-Committee members are invited to attend, including the Chief Financial Officer and members of the finance team.

A summary of Committee composition and formal attendance is as follows: Carolyn Rand (Chair) 3/3 (2022: 1/1); Simon Wilson 0 (2022: 2/2); Jason Starr 3/3 (2022: 2/2)

Terms of Reference

The formal Terms of Reference for the Audit Committee were updated in FY20, and the Committee considers them to still be appropriate. The main duties of the Committee are set out in its terms of reference, which can be found at https://ir.pcipal.com/docs/librariesprovider64/archives/governance/audit-committee-terms-of-reference.pdf

Principal items of Business

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

- Reviewing and refining, in conjunction with the Executive Directors, the Company's accounting policies;
- Reviewing and approving the selection and project implementation of a new Finance system;
- Approving the remuneration and terms of engagement of the auditors, BDO;
- Reviewing and approving the audit plan for the year including the introduction of ISA 315;
- Reviewing the documentation, updated by the Executive Directors in light of the Group's growth and expansion, of the Group's internal control systems;
- Reviewing and challenging, in conjunction with the Executive Directors, the process of identifying risks, and the risk mitigation structures and processes, across the business, as documented in the section entitled "Principal Risk, Uncertainties and Risk Mitigation"; and,
- Reviewing various financial matters, including the annual and half year results, and accompanying financial statements.

Activities of the committee during the year

The Committee has met with both the auditor and internal management during the year. They reviewed and discussed reports provided by the external auditor on the audit of the annual results for FY23, 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, including those of the transactional minutes generated by the Group;
- The calculation and identification of the development capitalisation intangible asset and the estimated amortisation rates;
- The going concern assumptions and calculations;
- The treatment of share options and the estimates used in calculating the option charges; and
- The implications, potential future costs and the disclosure requirements of the Sycurio legal dispute.

AUDIT COMMITTEE REPORT CONTINUED

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

The audit committee was satisfied that safeguards were adequately observed to ensure the auditor's independence.

The committee has satisfied itself that key areas discussed have been addressed appropriately within the Annual Report. The Committee therefore provided advice to the Board that the 2023 annual report and financial statements, taken as a whole, are fair, balanced and understandable, providing Shareholders with the necessary information to assess the Company's position, performance, business model and strategy.

Internal Audit

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

Carolyn Rand | Chair, Audit Committee
8 November 2023

REMUNERATION COMMITTEE REPORT

FOR THE YEAR ENDED 30 JUNE 2023

Dear Shareholder,

It is once again my pleasure to report to you on matters considered by the Remuneration Committee during another year of progress for the business.

Terms of Reference

The Remuneration Committee oversees the design, implementation, and monitoring of our remuneration policies. The committee's primary objective is to attract, motivate, and retain top talent while ensuring that remuneration packages are structured appropriately and support the company's overall performance and strategic objectives.

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

Composition

The Remuneration Committee consists of myself as Chair, and an independent non-executive director, Carolyn Rand. When appropriate, non-committee members are invited to provide input to the Committee and in the year the main Board Chair, Simon Wilson and the Chief Executive, James Barham have either attended or provided feedback. The committee has also engaged the services of a remuneration advisory firm, FIT Remuneration Consultants LLP, to undertake a review for the committee. This review includes an analysis of salary and performance bonus provision at comparable organisations, and provided input into a review of current and future long term incentive plans.

Remuneration Policy

Our remuneration policy is designed to strike a balance between fixed and variable components, aligning executive interests with the company's performance and long-term shareholder value.

Executive Directors' remuneration

The remuneration package of the Executive Directors typically includes a basic salary, a cash based annual performance-related bonus, option awards under the Long-Term Incentive Plan (LTIP), and other benefits such as health and pension contributions.
As noted in my last report, the Group has historically provided with a car allowance. This was withdrawn on 1st July 2022 in line with the stated goal of the Group to encourage and facilitate more sustainable operations.

Basic salary

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

In preparing the remuneration packages for FY2023, the Committee undertook such a review, and this led to increases in basic pay. In preparing packages for FY2024, our advisors FIT Remuneration Consultants LLP undertook a more extensive review to assist the Committee in its work.

Annual Performance Bonus

The evaluation of directors' performance revolves around a dual approach, incorporating both financial performance metrics and operational objectives. This combination ensures that performance remains aligned with the interests of shareholders and enhances shareholder value. The Board regularly assesses how executives measure up against these targets throughout the year.

The set targets for each executive director are tailored to their sphere of influence, acknowledging the varying degrees of impact they can exert on the outcomes.

Across the Group, in what has been another strong year, the vast majority of our targets were met and, in some cases, significantly surpassed. Executive bonuses are broken into multiple elements, and payment is only made when all criteria associated with an individual element is met.

The Committee has therefore recommended that the following cash bonuses be paid in the first half of FY24, relating to FY23 performance.

		FY23 Bonus	FY22 Bonus
James Barham	CEO	£88,365	£94,000
William Good	CFO	£71,482	£63,088

REMUNERATION COMMITTEE REPORT CONTINUED

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

During the year under review, the executive team were forced to divert significant time to deal with the unfounded patent case brought by a direct competitor. At the outset of the year, it was agreed with management that, in the event of an unsuccessful outcome to the UK case, payment of bonuses would potentially be impacted. We were delighted, therefore, to see that, since the year end, PCI PAL was entirely successful in its UK defence and as a result, agreed that it would be appropriate to make an additional bonus payment to both the CEO and the CFO in FY24 reflecting this outcome. These payments will be made in FY24 and, accordingly, will be reported in the FY24 results.

Additional benefits

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

Long Term Incentive Plan (LTIP)

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

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

- The Group reviews its medium and long-term strategy on an ongoing basis.
- 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.

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

As noted above, the Group retained a third party to review our LTIP and Options schemes and feedback is currently under review.

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

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

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

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

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

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

Jason S Starr
Chair, Remuneration Committee
8 November 2023

DIRECTORS AND ADVISORS

Company registration number:	03869545
Registered office:	7 Gamma Terrace Ransomes Europark Ipswich Suffolk IP3 9FF
Telephone:	+44 (0)330 131 0330
Directors:	Simon Wilson – Chair of the Board (non-executive) James Barham – CEO Thomas William Good – CFO Jason Starr (non-executive) Carolyn Rand (non-executive)
Secretary:	Thomas William Good BA (Hons) ACMA CGMA
Bankers:	HSBC Bank Silicon Valley Bank a division of First Citizens Bank National Westminster Bank
Auditors:	BDO LLP
Nominated Advisor and Broker:	Cavendish Capital Markets Limited
Registrars:	Link Asset Services
Telephone:	(UK): 0871 664 0300 (Overseas): +44 371 664 0300
Lawyers:	Shepherd and Wedderburn LLP Womble Bond Dickinson
Financial statements are available at:	https://ir.pcipal.com/financials/annual-interim-reports

DIRECTORS' REPORT

The Directors present their report together with the financial statements for the year to 30 June 2023.

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:

	2023 £000s	2022 £000s
Revenue	14,945	11,937
Loss before taxation	(4,891)	(3,107)

The Directors are not recommending a payment of a final dividend (2022: nil pence per share).

3. Directors

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

The beneficial and other interests of the Directors and their families in the shares of the Company at 30 June 2023 and 1 July 2022 were as follows:

	30 June 2023 Ordinary shares of 1p each	1 July 2022 Ordinary shares of 1p each
J Barham	199,481	189,481
T W Good	401,052	401,052
S B Wilson (non-executive Chair)	160,000	125,000
J S Starr (non-executive)	–	–
C Rand (non-executive)	–	–

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

2022/23	Salary or Fees £	Bonus £	Benefits £	Total £	Pension £
J Barham	246,116	88,365	1,037	335,518	24,000
T W Good	192,500	71,482	–	263,982	–
S B Wilson (non-executive Chair)	64,699	–	22,184	86,883	–
J S Starr (non-executive)	43,500	–	–	43,500	1,038
C Rand (non-executive)	43,500	–	–	43,500	1,038
Total	590,315	159,847	23,221	773,383	26,076

2021/22	Salary or Fees £	Bonus £	Benefits £	Total £	Pension £
J Barham	210,716	94,000	931	305,647	20,835
T W Good	183,400	63,088	–	246,488	–
G Forsyth (resigned 10/11/2021)	48,367	–	1,789	50,156	4,432
S B Wilson (non-executive Chair)	55,922	–	19,140	75,062	–
J S Starr (non-executive)	38,000	–	–	38,000	888
C M Fielding (non-executive) (resigned 30/06/2022)	38,000	–	–	38,000	888
C Rand (non-executive) (appointed 24/03/2022)	14,077	–	–	14,077	305
Total	588,482	157,088	21,860	767,430	27,348

For both FY22 and FY23 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

DIRECTORS' REPORT CONTINUED

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

Directors' Interests in Long Term Incentive Plans

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

	Date of Grant	At 1 July 2022 (number)	Granted in year (number)	Forfeit in year (number)	Exercised in year (number)	At 30 June 2023 (number)	Exercise Price (pence)	Earliest exercise date	Last exercise date
James Barham	13th June 2019	525,000	–	–	–	525,000	28.5	26th May 2020	24th May 2027
James Barham	8th July 2020	250,000	–	–	–	250,000	40.0	8th July 2023	8th July 2030
James Barham	2nd March 2022	200,000	–	–	–	200,000	57.5	2nd March 2025	2nd March 2032
William Good	25th May 2017	300,000	–	–	–	300,000	33.0	26th May 2020	24th May 2027
William Good	8th July 2020	200,000	–	–	–	200,000	40.0	8th July 2023	8th July 2030
William Good	2nd March 2022	150,000	–	–	–	150,000	57.5	2nd March 2025	2nd March 2032
Simon Wilson	12th July 2018	150,000	–	–	–	150,000	28.5	12th July 2019	11th July 2028
Simon Wilson	12th Nov 2018	100,000	–	–	–	100,000	26.5	12th Nov 2019	11th Nov 2028
Total		1,875,000	–	–	–	1,875,000			

Share Price and Substantial Shareholdings

During the year, the share price fluctuated between 46.0 pence and 62.5 pence and closed at 53.5 pence on 30 June 2023.

The beneficial and other interests of other substantial shareholders in the shares of the Company at 30 June 2023 and 1 July 2022 were as follows:

Ordinary Shares of 1 pence each	30 June 2023	1 July 2022
Canaccord Genuity Group	10,833,271	10,833,271
Gresham House Asset Management	7,151,515	7,151,515
Octopus Investments Nominees	5,074,905	5,074,905
Herald Investment Management	3,517,758	3,517,758
P Wildey	2,650,000	2,650,000
Unicorn AIM VCT LLP	2,000,000	2,000,000
Spreadex	1,999,537	–

As at the date of this report the beneficial and other interests of other substantial shareholders in the shares of the Company holdings shown above are now as follows:

Ordinary Shares of 1 pence each	8th November 2023
Canaccord Genuity Group	10,471,515
Gresham House Asset Management	7,151,515
Octopus Investments Nominees	5,074,905
Herald Investment Management	3,517,758
P Wildey	2,650,000
W Catchpole	2,203,159
Unicorn AIM VCT LLP	2,000,000
Spreadex	1,999,537

4. 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 prepared the Group and Company Financial Statements in accordance with UK-adopted international accounting standards (UK-IFRS).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company at the balance sheet date and of the profit and loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM. In preparing these financial statements, the Directors are required to:

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

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

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

The Directors confirm that:

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

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

5. Qualifying third party indemnity provision

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

6. Research and development

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

7. 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.

DIRECTORS' REPORT CONTINUED

8. Corporate governance

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

9. 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.

10. Treasury shares

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

11. Economic impact of war in Ukraine and trade with Russia

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

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 December 2024 and beyond and have agreed that the financial statements should be 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 and a revolving credit facility with a maximum borrowing of £3 million. Cash balances for the Group were £1.17 million at 30 June 2023, leaving it with £4.17 million of available cash finance. The Group has net current liabilities but £11.8 million relate to deferred income that has been paid by customers in advance and these sums are not ordinarily recoverable by the customers.

The Board continues to monitor the Group's trading performance carefully against its original plans, global economic pressures, such as inflation, and other factors affecting our core markets and products. It also reviews the potential impact of global events, such as the war in Ukraine. In all circumstances the Board are satisfied mitigations can be taken to react to likely adverse trends and circumstances to ensure the continues trading of the Group.

During the year the Group continued to win new contracts, recording new ACV sales of £4.16 million, as well as substantial growth in its transactional revenues. Customer retention remains high.

The group deployed new customer contracts with an annual recurring revenue value of £2.74 million. At the end of the financial year the group had £12.58 million of deployed, live contracts contributing to revenue recognition. It also has a further £3.08 million of contracts in current deployment with a majority that are expected to go live with the next few months which helps underpin our expectations for revenue growth in FY24. These recurring contracts provide annual recurring cashflow that underpins the future of the Group.

An operating budget and cashflow was prepared, along with an extended forecast to December 24, following detailed face-to-face meetings with all managers with a focus on building on the existing strong performance and on the product plans and roadmap. The budget includes an assumption of a more modest expansion of headcount as compared to FY23 and the launch of some new products.

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

The Board considered the likely timing and impact of the legal fees relating to the patent claim being made against it on the cash flow of the Group to the end of December 2024. The sensitivity scenarios around the budget models indicate that the Group would continue to have sufficient resources to meet its expansion plans in FY24 whilst at the same time meeting the cost requirements of defending the patent case.

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

DIRECTORS' REPORT CONTINUED

The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future (and in any event for at least 12 months from the date of approval of these financial statements). For these reasons, the Directors continue to adopt the going concern basis in preparing the accounts, and so, the financial statements do not include the adjustments that would be required if the Group and Company were unable to continue operate as a going concern.

13. 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.

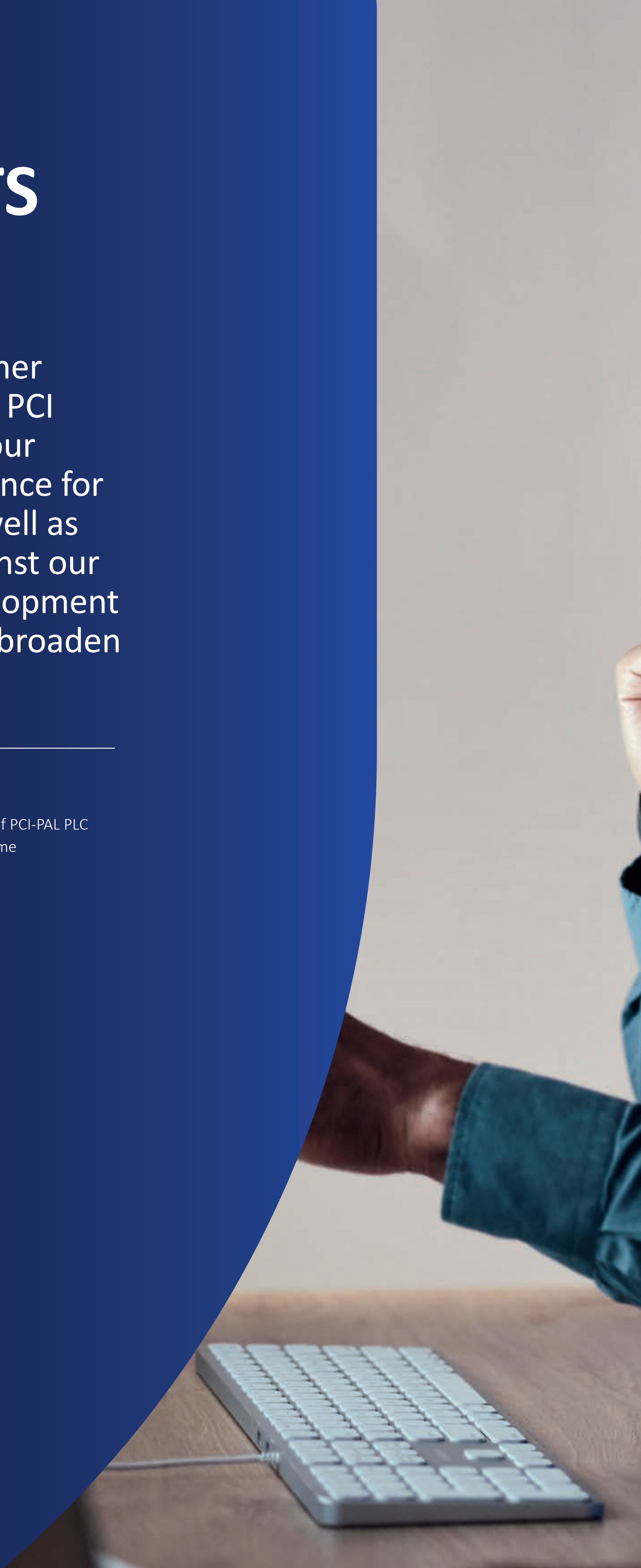
7 Gamma Terrace
Ransomes Europark
Ipswich, Suffolk
IP3 9FF

BY ORDER OF THE BOARD
T W Good
Company Secretary
8 November 2023

FINANCIAL STATEMENTS

"We have delivered another strong year of growth at PCI Pal which has included our strongest ever performance for new business sales, as well as significant progress against our long-term product development goals as we continue to broaden our product set.

IN THIS SECTION



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 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards (UK-IFRS');
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; 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 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-IFRS and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting is set out in the Key audit matters section of our report.

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

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

Overview

Coverage	*86% (2022: 93%) of Group loss before tax* *99.7% (2022: 100%) of Group revenue* *98.9% (2022: 100%) of Group total assets*	
Key audit matters	2023	2022
	Revenue recognition	Revenue recognition
	Intangible assets	Intangible assets
	Going concern	Going concern
Materiality	*Group financial statements as a whole* £260,000 (2022: £238,000) based on 1.75% (2022: 2%) of revenue	

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

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 comprises two UK incorporated companies (including PCI-Pal OC), one US trading component, one Australian trading company and one Canadian trading company.

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

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition The Group's revenue recognition policy can be found in note 4(d) to the consolidated financial statements and segmental revenue disclosure is included within note 10.	We consider the key risks of material misstatement in relation to revenue to be allocation of revenue over the life of a contract, including the appropriateness of the assessed average contract length. In addition, given the complexity and variety of billing arrangements in place with different customers, that revenue has been recorded accurately and in compliance with International Financial Reporting Standard 15 revenue from contracts with customers ("IFRS 15"). 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: **Revenue recognition of one-off set up fees and deferred revenue** For revenue recognised over-time we performed the following procedures: • Agreed a sample of sales to underlying contract terms to check the accuracy of the timing and amount of revenue recognised and deferred. • Agreed a sample of revenue items posted either side of year end to contracts to check that revenue has been recognised in the appropriate period. • Critically challenged management's assumptions used in their assessment of average contract length, including obtaining managements sensitivity analysis on the contact length. We also reviewed the revenue recognition policy against the requirements of IFRS15. **Revenue for monthly usage fees** • For 79% of point in time revenue, we recalculated revenue on a proof in total basis. All data used in the calculation was verified to supporting documentation. • For the residual balance of point in time revenue, for a sample of items we recalculated revenue tracing transactions back to supporting documentation and multiplying by the rates as per the underlying contract. • For completeness purposes, a sample of transactions was selected from the third party supplier reports and traced back to the system to check these had been billed at the appropriate rates from the underlying contract. **Key observations:** Based on the procedures performed we consider that revenue has been recognised appropriately.

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

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 consolidated financial statements and related disclosures are in note 13.	The Group has significant amounts of capitalised development costs, as the Group has continued to heavily invest in the development of the AWS Platform. There is a risk over whether costs have been correctly capitalised in accordance with accounting standards and there is a degree of management judgement involved in determining the 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 useful economic life of internally generated intangibles 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:** • Discussions were held with the Group's technology team to understand the Group's processes, procedures and projects in relation to development costs; • We assessed management's policy on capitalising intangible assets against the criteria set out in the accounting standards. • We checked the accuracy of the contractor and payroll data, on a sample basis, included in the calculations for capitalised costs to supporting documentation including employment contracts and agreements with contractors • 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 International Accounting Standard 38 intangible assets. • We checked the mathematical accuracy of the amounts charged for amortisation by performing a recalculation based on the useful economic life of capitalised development costs. **Key observations:** We found management's judgements and estimates used in the capitalisation of development costs and amortisation policies to be appropriate and in line with the requirements of accounting standards.
Going concern The Group's accounting policy for going concern can be found in note 4 (c) of the financial statements.	Going concern was considered a key audit matter due to the historical and current year losses, as well as the significant on-going costs in relation to the patent case which has a significant impact on the audit approach.	**Our work 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 of the Group to continue to trade should there be unforeseen significant performance issues in the next 12 months. • We assessed management's reliance on borrowing facilities based on their cash flow forecasts, their ability to comply with covenant requirements going forwards and whether the facility in place is sufficient to support the Group for the foreseeable future. • 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 were accurately included. • We considered the impact of the on-going patent case in the US and the costs incurred for the UK patent case to check that these were appropriately included in the forecasts, to reflect the subsequent impact on future trading performance and available cash.

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

Key audit matter	How the scope of our audit addressed the key audit matter
	• We assessed the completeness and accuracy of disclosures relating to going concern compared to our understanding of the business and the forecasted position prepared by management. • Making inquiries of Directors as to their knowledge of events or conditions beyond the period of their assessment that impact the Group and Parent Company's ability to continue as a going concern; • Reviewing post-balance sheet results, specifically the cash flow position against that budgeted; and • Considering the adequacy of the disclosures in the financial statements against our knowledge of the Group, the Directors' going concern assessment and the requirements of the accounting standards. **Key observations:** These are set out in the conclusions related to going concern section of our audit report.

Our application of materiality

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

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

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

	Group financial statements		Parent company financial statements	
	2023 £	2022 £	2023 £	2022 £
Materiality	260,000	238,000	182,000	204,000
Basis for determining materiality	1.75% of Revenue	2% of Revenue	1.25% of total assets	1.25% of total assets
Rationale for the benchmark applied	Revenue is the Group's main KPI, and therefore we considered this financial measure to be the most relevant to the users of the financial statements in assessing the performance of the Group.	Revenue is the Group's main KPI, and therefore we considered this financial measure to be the most relevant to the users of the financial statements in assessing the performance of the Group.	The parent company is a non-trading holding company and the most significant balance in its financial statements is total assets.	The parent company is a non-trading holding company and the most significant balance in its financial statements is total assets.
Performance materiality	169,000	154,000	118,000	132,000
Basis for determining performance materiality	We consider 65% of materiality to be appropriate in order to reflect that there are a number of balances subject to estimation or judgement which are not able to be determined with precision.	We consider 65% of materiality to be appropriate in order to reflect that there are a number of balances subject to estimation or judgement which are not able to be determined with precision.	We consider 65% of materiality to be appropriate in order to reflect that there are a number of balances subject to estimation or judgement which are not able to be determined with precision.	We consider 65% of materiality to be appropriate 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 £98,000 to £225,000 (2022: £69,000 to £204,000). In the audit of each component, we further applied performance materiality levels of 65% (2022: 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 £13,000 (2022: £8,300). 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.

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

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

Non-compliance with laws and regulation

- We gained an understanding of the legal and regulatory framework applicable to the Group and the components within the group and the industry in which they operate, through discussion with management and the Audit Committee and our knowledge of the industry;

  The audit team received training prior to performing the audit procedures required to provide assurance over compliance with relevant laws and regulations
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations.

  We considered the significant laws and regulations to be UK adopted International accounting standards, Companies Act 2006, UK and US Patent Law, AIM Listing rules and local tax and employment legislation for significant components.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Enquired as to whether there was any correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Reperformed tax calculations in respect of corporation tax, employment tax and sales tax in each significant jurisdiction;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; and
- Review of correspondence and material in respect to the patent case, including challenging management and the Directors in their assessment of the case and their respective financial statement disclosures in respect of this. In addition, we corroborated this assessment to legal confirmations from the solicitors in both UK and US.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management, those charged with governance and the Audit Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Assessing the susceptibility of the Group's financial statements to material misstatement as an engagement team, including how fraud might occur throughout the group including the parent company and components, by considering industry, legal and external factors relevant to the Group;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these;

Based on our risk assessment, we considered the areas most susceptible to fraud in relation to the group to be judgements included within the useful life of the internally generated intangible assets, the revenue recognition period, management override and revenue recognition around the year end.

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

Our procedures in respect of the above included:

- With regard to the fraud risk in management override in controls, our procedures included a review of recurring bank transactions to determine if these indicated fraud, review of payroll data to identify any possible duplicate employees or inappropriate payments to employees who have joined or left the business, and targeting journal transactions with specific criteria, with a focus on large or unusual transactions based on our knowledge of the business and agreeing these to supporting documentation;
- With regard to fraud in revenue recognition, (see KAM on Revenue recognition above) we agreed a sample of contracts that overlapped the year end to supporting documentation to ensure amounts were recorded in the correct period and a sample of point in time transactions either side of the year end to supporting documentation to confirm appropriate recognition of the corresponding revenue;
- Assessing significant estimates made by management for bias, including the revenue recognition period (see KAM on Revenue recognition above), the useful life of internally generated intangible assets (see KAM on Intangible assets above) and forecasts used in going concern assessments (see KAM on Going concern above). Please refer to the relevant key audit matters sections of our audit report for more detail.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

Use of our report

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

Tracey Keeble (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Ipswich, UK
8 November 2023

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 2023

	Note	2023 £000s	2022 £000s
Revenue		14,945	11,937
Cost of sales		(1,849)	(1,924)
Gross profit		13,096	10,013
Administrative expenses		(17,948)	(13,077)
Loss from operating activities		(4,852)	(3,064)
Adjusted Operating Loss		(2,598)	(2,021)
Expenses relating to share options		(272)	(246)
Exceptional items	6	(1,982)	(797)
Loss from operating activities		(4,852)	(3,064)
Finance income	7	3	1
Finance expenditure	8	(42)	(44)
Loss before taxation	5	(4,891)	(3,107)
Taxation	12	(1)	164
Loss for the year		(4,892)	(2,943)
Other comprehensive expense: Items that will be reclassified subsequently to profit or loss			
Foreign exchange translation differences			
Total other comprehensive (expense) / income		326	(1,086)
Total comprehensive loss attributable to equity holders for the period		326	(1,086)
		(4,566)	(4,029)
Basic and diluted loss per share	11	(7.47)p	(4.50)p

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

REGISTERED NUMBER: 03869545

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	2023 £000s	2022 £000s
ASSETS			
Non-current assets			
Plant and equipment	14	185	238
Intangible assets	13	3,216	2,661
Trade and other receivables	15	1,567	964
Deferred taxation	18	–	–
Non-current assets		4,968	3,863
Current assets			
Trade and other receivables	15	5,376	4,203
Cash and cash equivalents		1,169	4,888
Current assets		6,545	9,091
Total assets		11,513	12,954
LIABILITIES			
Current liabilities			
Trade and other payables	16	(11,822)	(11,372)
Current liabilities		(11,822)	(11,372)
Non-current liabilities			
Other payables	17	(3,800)	(1,397)
Non-current liabilities		(3,800)	(1,397)
Total liabilities		(15,622)	(12,769)
Net (liabilities) / assets		(4,109)	185
EQUITY			
Share capital	20	656	656
Share premium		14,281	14,281
Other reserves		922	650
Currency reserves		(294)	(620)
Profit and loss account		(19,674)	(14,782)
Total (deficit) / equity		(4,109)	185

The Board of Directors approved and authorised the issue of the financial statements on 8 November 2023.

J Barham
Director

T W Good
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Share capital £000s	Share premium £000s	Other reserves £000s	Profit and loss account £000s	Currency Reserves £000s	Total Equity/ (deficit) £000s
Balance as at 1 July 2021	655	14,243	404	(11,839)	466	3,929
Share option charge	–	–	246	–	–	246
New shares issued net of costs	1	38	–	–	–	39
Transactions with owners	1	38	246	–	–	285
Foreign exchange translation differences	–	–	–	–	(1,086)	(1,086)
Loss for the year	–	–	–	(2,943)	–	(2,943)
Total comprehensive loss	–	–	–	(2,943)	(1,086)	(4,029)
Balance at 30 June 2022	656	14,281	650	(14,782)	(620)	185
Share option charge	–	–	272	–	–	272
New shares issued net of costs	–	–	–	–	–	–
Transactions with owners	–	–	272	–	–	272
Foreign exchange translation differences	–	–	–	–	326	326
Loss for the year	–	–	–	(4,892)	–	(4,892)
Total comprehensive loss	–	–	–	(4,892)	326	(4,566)
Balance at 30 June 2023	656	14,281	922	(19,674)	(294)	(4,109)

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 2023

	2023 £000s	2022 £000s
Cash flows from operating activities		
Loss after taxation	(4,892)	(2,943)
Adjustments for:		
Depreciation of equipment and fixtures	110	85
Amortisation of intangible assets	1,046	888
Loss on disposal of equipment and fixtures	–	3
Interest income	(3)	(1)
Interest expense	5	11
Exchange differences	326	(1,124)
Income taxes	1	(164)
Share based payments	272	246
Increase in trade and other receivables	(1,776)	(1,438)
Increase in trade and other payables	2,895	2,918
Cash used in operating activities	(2,016)	(1,519)
Income taxes received	(1)	164
Interest paid	(5)	(11)
Net cash used in operating activities	(2,022)	(1,366)
Cash flows from investing activities		
Purchase of equipment and fixtures	(57)	(124)
Purchase of intangible assets	–	(48)
Development expenditure capitalised	(1,601)	(1,098)
Interest received	3	1
Net cash used in investing activities	(1,655)	(1,269)
Cash flows from financing activities	(1,269)	(960)
Issue of shares	–	39
Drawdown on loan facility	–	–
Repayment of loan facility	–	–
Principal element of lease payments	(42)	(34)
Net cash (used in)/generated from financing activities	(42)	5
Net decrease in cash	(3,719)	(2,630)
Cash and cash equivalents at beginning of year	4,888	7,518
Net decrease in cash	(3,719)	(2,630)
Cash and cash equivalents at end of year	1,169	4,888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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 2023 were authorised for issue by the Board of Directors on 8 November 2023 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 parent 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 a number of other amendments and clarifications to IFRS effective in future years, which are not expected to significantly impact the Group's consolidated results or financial position.

4. PRINCIPAL ACCOUNTING POLICIES

a) Basis of preparation

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

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

b) Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings (see Note 19) drawn up to 30 June 2023. A subsidiary is a company controlled directly by the Group and all of the subsidiaries are 100% owned by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

c) Going concern

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

The Group meets its day-to-day working capital requirements through its cash balances and trading receipts and a revolving credit facility with a maximum borrowing of £3 million. Cash balances for the Group were £1.17 million at 30 June 2023, leaving it with £4.17 million of available cash finance. The Group has net current liabilities but £11.8 million relate to deferred income that has been paid by customers in advance and these sums are not ordinarily recoverable by the customers.

The Board continues to monitor the Group's trading performance carefully against its original plans, global economic pressures, such as inflation, and other factors affecting our core markets and products. It also reviews the potential impact of global events, such as the war in Ukraine. In all circumstances the Board are satisfied mitigations can be taken to react to likely adverse trends and circumstances to ensure the continues trading of the Group.

During the year the Group continued to win new contracts, recording new ACV sales of £4.16 million, as well as substantial growth in its transactional revenues. Customer retention remains high.

The group deployed new customer contracts with an annual recurring revenue value of £2.74 million. At the end of the financial year the group had £12.58 million of deployed, live contracts contributing to revenue recognition. It also has a further £3.08 million of contracts in current deployment with a majority that are expected to go live with the next few months which helps underpin our expectations for revenue growth in FY24. These recurring contracts provide annual recurring cashflow that underpins the future of the Group.

An operating budget and cashflow was prepared, along with an extended forecast to December 24, following detailed face-to-face meetings with all managers with a focus on building on the existing strong performance and on the product plans and roadmap. The budget includes an assumption of a more modest expansion of headcount as compared to FY23 and the launch of some new products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

The Board considered the likely timing and impact of the legal fees relating to the patent claim being made against it on the cash flow of the Group to the end of December 2024. The sensitivity scenarios around the budget models indicate that the Group would continue to have sufficient resources to meet its expansion plans in FY24 whilst at the same time meeting the cost requirements of defending the patent case.

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

The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future (and in any event for at least 12 months from the date of approval of these financial statements). For these reasons, the Directors continue to adopt the going concern basis in preparing the accounts, and so, the financial statements do not include the adjustments that would be required if the Group and Company were unable to continue operate as a going concern.

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. These one-off services 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 earlier of the point the contract goes live or when the customer takes over the solution for user acceptance testing, at which point the delivery of the contract is substantially complete.

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

Revenue for the one-off set up, professional services and installation fees is deferred and will be recognised evenly over the estimated term of the contract, having accounted for the auto-renewal of our contracts. The estimated term of a contract is deemed to be 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 determined 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 which is supported by historical evidence of renewal rates and periods.

There are two exceptions to the four year life estimation:

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

e) Deferred Costs

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.

- 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 – 33%

Costs relating to any remediation and testing thereof are expensed.

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%

g) Land, building, plant and equipment

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

Disposal of assets

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

Depreciation

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

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

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

h) Leases

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

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

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

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

Payments associated with short-term leases under 12 months and leases of low value assets (less than £5,000) are recognised on a straight-line basis as an expense in the consolidated income statement.

On 28 May 2020, the IASB issued final amendments to IFRS 16 related to Covid-19 rent concessions for lessees. The amendments modify the requirements of IFRS 16 to permit lessees to not apply modification accounting to certain leases where the contractual terms have been affected due to Covid-19 (e.g. rent holidays or other rent concessions). The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. The Group did not adopt this standard as no such concessions were applicable.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

At the date of each statement of financial position, the parent company revises its estimate of the number of equity instruments that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment is made to equity over the remaining vesting period. The fair value of the awards and ultimate expense are not adjusted on a change in market vesting conditions during the vesting period.

The value of share-based payment is taken directly to reserves and the charge for the period is recorded in the income statement. The company's scheme, which awards shares in the parent entity, includes recipients who are employees in all subsidiaries. In the consolidated financial statements, the transaction is treated as an equity-settled share-based payment, as the PCI-PAL has received services in consideration for equity instruments. An expense is recognised in the Group income statement for the fair value of share-based payment over the vesting year, with a credit recognised in equity.

In the parent company's and subsidiaries' financial statements, the awards, in proportion to the recipients who are employees in said subsidiary, are treated as an equity-settled share-based payment, as the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the award is recognised over the vesting year, with a credit recognised in equity on the subsidiary's accounts. This credit is treated as a capital contribution. In the parent company's financial statements, there is no share-based payment charge where the recipients are employed by a subsidiary, with the parent company recognising an increase in the investment in its subsidiaries reflecting a capital contribution from the parent company.

k) Taxation

Current tax is the tax payable based on the loss for the year, accounted for at the rates substantively enacted at 30 June 2023.

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

Deferred tax liabilities are provided in full, accounted for at the rates substantively enacted at 30 June 2023, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the year end.

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

Companies within the Group may be entitled to claim special tax allowances in relation to qualifying research and development expenditure (e.g. R & D tax credits). The Group accounts for such allowances as tax credits which means they are recognised when it is probable that the benefit will flow to the Group and that the benefit can be reliably measured. R&D tax credits reduce current tax expense and, to the extent the amounts are due in respect of them and not settled by the balance sheet date, reduce current tax payable.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 option scheme
- "Profit and loss account" represent retained cumulative profits or losses generated by the Group
- "Currency reserves" represents exchange differences arising from the translation of assets and liabilities of foreign operations

p) Contribution to defined contribution pension schemes

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

q) Foreign currencies

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

r) Exceptional items

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

s) Significant estimates

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

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

Amortisation of capitalised development expenditure

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

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

- Alternative accounting estimates that could have been applied – not capitalising internally generated development costs.
- Effect of that alternative accounting estimate – reduction of £3,072,000 of assets' carrying value.

Contract revenue and direct costs

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

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

- for contracts with defined termination dates, revenue will be recognised over the period to the termination date
- for rolling contracts with automatic renewal clauses, revenue will be recognised over 4 years, representing the Directors' current best estimate of a minimum contract term.
- The Board has estimated that the four-year period is appropriate as a typical contract normally has a minimum term of between 12 months and 36 months, but due to the automatic renewal clause it is estimated to have a 48-month life as these contracts will normally roll for a certain period.
- If the minimum term of the contract is greater than four years, the minimum term period will be used as the estimated length of the contract.

Commission costs directly linked to individual contracts will be assessed and will also be deferred over 48 months.

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

Deferred tax

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

- Alternative accounting estimate that could have been applied – recognition of the asset
- Effect of that alternative accounting estimate – creation of a deferred tax asset of £5,677,000 and corresponding change in the tax charge reported.

Leases & adoption of IFRS 16

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

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

Share based payments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

t) Significant judgements

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

Capitalised development expenditure

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

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

Contract revenue and direct costs

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

Valuation of separately identifiable intangible assets

Intangible assets are separately identified where they are capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged. Each separately identified intangible asset is amortised over a defined period. The Directors use certain judgements and assumptions to ascertain the appropriate value of the intangible asset and the period of amortisation to be used for the asset.

Patent case

The Directors have reviewed the potential requirement for a provision in relation to the ongoing patent case in accordance with IAS 37. Following the High Court judgement of 25 September 2023 and from the advice given by the Group's legal advisors in both the UK and the US, the directors have used their judgement and consider that it is only possible, but not probable, that an obligation will arise from this claim. For this reason, no provision has been made in the financial statements for either the potential damages being sought by Sycurio Limited, or the incremental future legal costs expected to be incurred in defending the case. For further details, see Note 24.

5. LOSS BEFORE TAXATION

The loss on ordinary activities is stated after:

	2023 £000s	2022 £000s
Disclosure of the audit and non-audit fees		
Fees payable to the Group's auditors for: The audit of Company's accounts	55	37
The audit of the Company's subsidiaries pursuant to legislation	57	42
There were no fees payable to the Group's auditors for other services in either the current or prior year.		
Depreciation and amortisation – charged in administrative expenses		
Right of use assets, equipment and fixtures	110	85
Intangible assets	85	85
Capitalised development	961	803
	1,156	973
Loss on disposal of equipment and fixtures	–	3
Rents payable on flexible office space	116	53
Share based payments charge	272	246
Foreign exchange loss/(gain) in period	330	(832)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. EXCEPTIONAL ITEMS

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

	2023 £000s	2022 £000s
Direct costs in respect of patent case	1,982	797
	1,982	797

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

For further details, see Note 24.

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

7. FINANCE INCOME

	2023 £000s	2022 £000s
Bank interest receivable	3	1
	3	1

8. FINANCE EXPENDITURE

	2023 £000s	2022 £000s
Interest on bank borrowings	5	11
Other bank charges	37	33
	42	44

9. DIRECTORS AND EMPLOYEES

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

	2023 £000s	2022 £000s
Wages and salaries	10,034	7,910
Social security costs	965	799
Other pension costs	176	136
	11,175	8,845

Included in the above figures is £992,000 (2022: £850,000) of sales commissions earned in the year, recognised as an asset under IFRS 15 and deferred and released over the estimated life of the related contract. Similarly, the release of sales commissions under IFRS 15 of £698,000 (2022: £452,000) has been excluded from the above disclosure.

Average number of employees during the year:

	2023 Heads	2022 Heads
Sales and marketing	33	27
Engineering and professional services	62	52
Administration and management	18	14
	113	93

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Remuneration in respect of directors was as follows:

	2023 £000s	2022 £000s
Emoluments	613	610
Bonus	160	159
Pension contributions to money purchase pension schemes	26	27
Employer's national insurance and US federal taxes	102	100
	901	896

During the year, 3 (2022: 5) 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:

	2023 £000s	2022 £000s
Emoluments	247	212
Bonus	88	94
Pension contributions to money purchase pension schemes	24	21
	359	327

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

10. SEGMENTAL INFORMATION

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

2023	PCI Pal EMEA £000s	PCI Pal North America £000s	PCI Pal ANZ £000s	Central £000s	Total £000s
Revenue	9,964	4,752	229	–	14,945
Cost of sales	(1,782)	(65)	(2)	–	(1,849)
Gross profit	8,182	4,687	227	–	13,096
	82%	99%	99%		88%
Administration expenses	(8,846)	(5,313)	(531)	(1,276)	(15,966)
Inter-company royalty	1,188	(1,188)	–	–	–
Exceptional items	–	(696)	–	(1,286)	(1,982)
Profit/(loss) from operating activities	524	(2,510)	(304)	(2,562)	(4,852)
Finance income	–	–	–	3	3
Finance costs	(32)	(9)	–	(1)	(42)
Profit/(loss) before tax	492	(2,519)	(304)	(2,560)	(4,891)
Segment assets	8,042	3,091	170	210	11,513
Segment liabilities	(7,763)	(6,644)	(297)	(918)	(15,622)
Other segment items:					
Capital Expenditure					
– Equipment, Fixtures & Licences	53	2	2	–	57
Capital Expenditure					
– Capitalised Development	1,601	–	–	–	1,601
Depreciation					
– Equipment, Fixtures & Licences	151	–	1	–	152
Depreciation	21				
– Capitalised Development	961	–	–	–	961

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2022	PCI Pal EMEA £000s	PCI Pal North America £000s	PCI Pal ANZ £000s	Central £000s	Total £000s
Revenue	8,457	3,309	171	–	11,937
Cost of sales	(1,779)	(144)	(1)	–	(1,924)
Gross profit	6,678	3,165	170	–	10,013
	79%	96%	99%		84%
Administration expenses	(7,235)	(3,486)	(358)	(1,201)	(12,280)
Inter-company royalty	834	(834)	–	–	–
Exceptional items	(37)	(182)	–	(578)	(797)
Profit/(loss) from operating activities	240	(1,337)	(188)	(1,779)	(3,064)
Finance income	–	–	–	1	1
Finance costs	(36)	(8)	–	–	(44)
Profit/(loss) before tax	204	(1,345)	(188)	(1,778)	(3,107)
Segment assets	7,420	2,808	151	2,575	12,954
Segment liabilities	(7,269)	(4,990)	(172)	(338)	(12,769)
Other segment items:					
Capital Expenditure					
– Equipment, Fixtures & Licences	170	–	2	–	172
Capital Expenditure					
– Capitalised Development	1,014	84	–	–	1,098
Depreciation					
– Equipment, Fixtures & Licences	135	–	–	–	135
Depreciation	21				
– Capitalised Development	727	76	–	–	803

Revenue can be split by location of customers as follows:

Customer location	2023 £000s	2022 £000s
United Kingdom	9,487	8,202
United States of America	4,304	2,872
Canada	394	418
Rest of Europe	496	250
Asia Pacific	264	195
Total	14,945	11,937

100% (2022: 98%) of all non-current assets are located in the United Kingdom and the largest customer accounted for 16% (2022: 16%) of the revenue of the Group.

11. LOSS PER SHARE

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

	12 months ended 30 June 2023	12 months ended 30 June 2022
Loss after taxation added to reserves	(£4,892,000)	(£2,943,000)
Basic weighted average number of ordinary shares in issue during the period	65,452,589	65,369,256
Diluted weighted average number of ordinary shares in issue during the period	73,794,673	72,247,589
Basic and diluted loss per share	(7.47)p	(4.50)p

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. TAXATION

	2023 £000s	2022 £000s
Analysis of charge in the year		
Current tax:		
In respect of the year:		
Corporation tax based on the results for the year	–	–
Adjustment in respect for prior periods (R & D Tax credit received)	–	165
Foreign corporate taxes paid	(1)	(1)
Total current tax (charge)/credit	(1)	164
Deferred tax:		
Origination and reversal of timing differences	–	–
Total deferred tax charged	–	–
Tax on profit on ordinary activities (charged)/credited	(1)	164

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year was higher than the standard rate of corporation tax in the UK of 25% (2022: 19%)

	2023 £000s	2022 £000s
Loss on ordinary activities before tax	(4,891)	(3,107)
Tax on loss on ordinary activities at standard UK rate of taxation	(1,223)	(590)
Effects of:	–	–
Overseas tax rates	28	(110)
Expenses not deductible for tax purposes	78	61
Adjustments in respect of prior periods		
R & D tax credit received	–	165
Fixed asset differences	(4)	(11)
Other permanent differences	(1)	(10)
Minimum US state taxes paid in year	(1)	(1)
Origination and reversal of timing differences on unrecognised deferred tax losses	1,150	550
Effect of change in tax rate	(28)	110
Total tax credited for the year	(1)	164

The Group has unrecognised tax losses carried forward of £23.1 million (2022: £20.6 million).

Approximately 6% of the operating losses related to the Group's US subsidiary will expire in 2038 if no profits are generated to offset the loss carry forwards. The remaining losses in the US can be held indefinitely but can only offset up to 80% of the taxable profits in any given year.

The R&D tax credit received in 2022 is in respect to the trading in 2020. No credit has been recognised in relation to financial years 2021 or 2022 which have now been agreed by HMRC in the new financial year.

13. INTANGIBLE ASSETS

2023	SIP, RTP and SBC licences £000s	Capitalised Development £000s	Total £000s
Cost:			
At 1 July 2022	427	4,564	4,991
Additions	–	1,601	1,601
Foreign exchange movement	–	–	–
At 30 June 2023	427	6,165	6,592
Amortisation (included within administrative expenses):			
At 1 July 2022	198	2,132	2,330
Charge for the year	85	961	1,046
Foreign exchange movement	–	–	–
At 30 June 2023	283	3,093	3,376
Net book amount at 30 June 2023	144	3,072	3,216

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

14. PLANT AND EQUIPMENT

2023	Right of use Asset £000s	Fixtures and Fittings £000s	Computer Equipment £000s	Total £000s
Cost:				
At 1 July 2022	128	34	195	357
Additions	–	–	57	57
Disposals	–	(7)	(12)	(19)
At 30 June 2023	128	27	240	395
Depreciation (included within administrative expenses):				
At 1 July 2022	21	23	75	119
Charge for the year	43	2	65	110
Disposals	–	(7)	(12)	(19)
At 30 June 2023	64	18	128	210
Net book amount at 30 June 2023	64	9	112	185

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15. TRADE AND OTHER RECEIVABLES

	2023 £000s	2022 £000s
Due within one year		
Trade receivables	3,508	2,962
Accrued income	149	45
Deferred costs	739	572
Other prepayments	974	613
Other debtors	6	11
Trade and other receivables due within one year	5,376	4,203

	2023 £000s	2022 £000s
Due after more than one year		
Deferred costs	1,464	964
Other prepayments	103	–
Trade and other receivables due after one year	1,567	964

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:

	2023 £000s	2022 £000s
Opening provision at 1 July	1	1
Credited to income	(1)	–
Closing provision at 30 June	–	1

There are no impaired trade receivables at the reporting dates. In addition, there are non-impaired trade receivables that are past due at the reporting date:

	2023 £000s	2022 £000s
0-1 month past due	279	242
1-2 months days past due	322	67
Over 2 months past due	332	165
	933	474

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. CURRENT LIABILITIES

	2023 £000s	2022 £000s
Trade payables	1,766	693
Social security and other taxes	350	519
Deferred Income	8,045	9,286
Right of use lease liability	44	42
Accruals	1,617	832
Total current liabilities due within one year	11,822	11,372

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

17. NON-CURRENT LIABILITIES

	2023 £000s	2022 £000s
Deferred Income	3,777	1,330
Right of use lease liability	23	67
Total non-current liabilities due after one year	3,800	1,397

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

18. DEFERRED TAXATION

	2023 £000s	2022 £000s
Balance at 30 June	–	–
Unprovided deferred tax assets		
Non-current assets	(370)	–
Other short term timing differences	506	–
Equity-settled share options	246	308
Trading losses	5,541	4,911
	5,923	5,219

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

UK	25.0%	(2022: 25.0%)
USA	24.0%	(2022: 23.0%)
Australia	25.0%	(2022: 25.0%)
Canada	26.5%	(2022: 26.5%)

The deferred tax asset is not recognised as there is insufficient evidence of future taxable profits against which the asset will be available for offset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. GROUP UNDERTAKINGS

At 30 June 2023, the Group included the following subsidiary undertakings, which are included in the consolidated accounts:

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

[1] Registered at 7 Gamma Terrace, Ransomes Europark, Ipswich, Suffolk IP3 9FF
[2] Registered at 2215B Renaissance Drive, Las Vegas, Nevada USA 89119
[3] Registered at 62 Burwood Road, Burwood, NSW 2134 Australia
[4] Registered at 199 Bay Street, Suite 4000, Toronto, Ontario, Canada M5L 1A9

20. SHARE CAPITAL

Group	2023 Number	2023 £000s	2022 Number	2022 £000s
Authorised:				
Ordinary shares of 1 pence each	100,000,000	1,000	100,000,000	1,000
Allotted called up and fully paid:				
Ordinary shares of 1 pence each	65,619,818	656	65,619,818	656

The Group owns 167,229 (2022: 167,229) shares and these are held as Treasury Shares.

During the year, the share price fluctuated between 46.0 pence and 62.5 pence and closed at 53.5 pence on 30 June 2023.

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% of 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 data of issue of the option, and are accounted using the graded vesting model

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

Date of Grant	Exercise Price	Price at date of grant	Estimated time to Maturity	Expected Dividend yield	Volatility	Risk Free Rate	No. of steps used in calculation	No. of simulations used in calculation	Fair value of Option	Weighted average life in years	# option shares issued at grant	# option shares forfeited	# option shares exercised	# option shares outstanding as at 30 June 2023	# option shares exercisable as at 30 June 2023	Charge for year	Total cumulative charge as at 30 June 2023
25-May-17	33.0 pence	33.0 pence	5 years	0.00%	20.00%	0.57%	10	100,000	14.11 pence	Fully vested	3,065,000	1,080,000	285,000	1,700,000	1,700,000	£0	£280,044
10-May-19	22.0 pence	22.0 pence	5 years	0.00%	20.00%	0.87%	10	100,000	14.23 pence	0.86 years	145,000	25,000	40,000	80,000	80,000	£2,278	£15,122
13-Jun-19	28.5 pence	28.5 pence	5 years	0.00%	20.00%	0.62%	10	100,000	14.30 pence	0.95 years	525,000	0	0	525,000	525,000	£15,023	£60,793
08-Jul-19	28.5 pence	28.5 pence	5 years	0.00%	69.00%	0.59%	10	100,000	15.42 pence	1.02 years	215,000	25,000	0	190,000	190,000	£5,847	£23,309
08-Jul-19	26.5 pence	26.5 pence	5 years	0.00%	69.00%	0.59%	10	100,000	13.15 pence	1.02 years	115,000	0	50,000	65,000	65,000	£1,706	£13,377
08-Jul-19	19.0 pence	19.0 pence	5 years	0.00%	69.00%	0.59%	10	100,000	11.29 pence	1.02 years	20,000	0	0	20,000	20,000	£451	£1,797
08-Jul-19	23.0 pence	23.0 pence	5 years	0.00%	69.00%	0.59%	10	100,000	13.38 pence	1.02 years	105,000	0	0	105,000	105,000	£2,804	£11,179
08-Jul-20	40.0 pence	40.0 pence	5 years	0.00%	45.89%	-0.04%	225	10,000	15.63 pence	2.02 years	815,000	0	0	815,000	0	£25,421	£75,845
01-Dec-20	44.0 pence	44.0 pence	5 years	0.00%	45.60%	0.04%	225	10,000	17.24 pence	2.42 years	140,000	0	0	140,000	0	£4,815	£12,435
28-Jan-21	60.0 pence	60.0 pence	5 years	0.00%	45.88%	-0.03%	250	10,000	24.91 pence	2.58 years	65,000	30,000	0	35,000	0	£1,032	£4,216
23-Mar-21	65.0 pence	108.5 pence	5 years	0.00%	45.88%	0.37%	250	10,000	61.63 pence	2.73 years	315,000	10,000	0	305,000	0	£37,512	£85,331
23-Mar-21	65.0 pence	108.5 pence	5 years	0.00%	45.88%	0.37%	250	10,000	61.63 pence	2.73 years	25,000	0	0	25,000	0	£3,075	£6,994
12-Apr-21	113.5 pence	113.5 pence	5 years	0.00%	45.88%	0.37%	250	10,000	42.40 pence	2.78 years	220,000	0	0	220,000	0	£18,615	£41,322
12-Apr-21	113.5 pence	113.5 pence	5 years	0.00%	45.88%	0.37%	250	10,000	42.40 pence	2.78 years	30,000	0	0	30,000	0	£2,538	£5,635
29-Jun-21	93.0 pence	93.0 pence	5 years	0.00%	45.99%	0.35%	250	10,000	37.06 pence	3.00 years	25,000	0	0	25,000	0	£1,849	£3,708
15-Nov-21	68.5 pence	68.5 pence	5 years	0.00%	42.98%	0.71%	250	10,000	25.82 pence	3.38 years	560,000	0	0	560,000	0	£28,938	£46,936
15-Nov-21	68.5 pence	68.5 pence	5 years	0.00%	42.98%	0.71%	250	10,000	25.82 pence	3.38 years	65,000	0	0	65,000	0	£3,359	£5,448
02-Mar-22	57.5 pence	57.5 pence	5 years	0.00%	44.89%	1.07%	250	10,000	23.50 pence	3.67 years	568,477	0	0	568,477	0	£26,736	£35,525
02-Mar-22	57.5 pence	57.5 pence	5 years	0.00%	44.89%	1.07%	250	10,000	23.50 pence	3.67 years	276,523	0	0	276,523	0	£13,005	£17,281
02-Mar-22	57.5 pence	57.5 pence	5 years	0.00%	44.89%	1.07%	250	10,000	23.50 pence	3.67 years	205,000	0	0	205,000	0	£9,641	£12,811
25-May-22	61.0 pence	61.0 pence	5 years	0.00%	43.23%	1.56%	250	10,000	24.37 pence	3.90 years	30,000	0	0	30,000	0	£1,463	£1,608
06-Oct-22	54.5 pence	54.5 pence	5 years	0.00%	49.24%	4.36%	250	10,000	24.95 pence	4.27 years	430,000	10,000	0	420,000	0	£15,338	£15,338
14-Dec-22	53.0 pence	53.0 pence	5 years	0.00%	23.45%	3.28%	250	10,000	14.68 pence	4.45 years	55,000	0	0	55,000	0	£876	£876
14-Dec-22	53.0 pence	53.0 pence	5 years	0.00%	23.45%	3.28%	250	10,000	14.68 pence	4.45 years	10,000	0	0	10,000	0	£159	£159
06-Feb-23	54.0 pence	54.0 pence	5 years	0.00%	29.55%	3.12%	250	10,000	18.03 pence	4.60 years	195,000	0	0	195,000	0	£2,777	£2,777
30-Jun-23	53.5 pence	53.5 pence	5 years	0.00%	38.50%	4.67%	250	10,000	22.56 pence	5.00 years	10,000	0	0	10,000	0	£0	£0
											8,230,000	1,180,000	375,000	6,675,000	2,685,000	£225,262	£779,866

The fair value of these options has been calculated on an issue by issue basis and £225,262 (2022: £211,747) has been charged to the statement of comprehensive income for this financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

Date of Grant	Exercise Price	Price at date of grant	Estimated time to Maturity	Expected Dividend yield	Risk Free Rate	Volatility	Fair value of Option	Weighted average life in years	# option shares issued at grant	# option shares forfeited	# option shares exercised	# option shares outstanding at 30 June 2023	# option shares exercisable as at 30 June 2023	Total charge for year	Total cumulative charge as at 30 June 2023
28-Jun-17	41.5 pence	41.5 pence	5 years	0.00%	0.57%	20.00%	7.8 pence	fully vested	150,000	0	0	150,000	150,000	£0	£11,756
04-Oct-17	44.5 pence	44.5 pence	5 years	0.00%	0.57%	20.00%	8.4 pence	fully vested	150,000	22,500	67,500	60,000	60,000	£0	£10,715
12-Jul-18	28.5 pence	28.5 pence	5 years	0.00%	1.00%	20.00%	5.6 pence	fully vested	415,000	25,000	0	390,000	390,000	£166	£22,006
12-Jul-18	28.5 pence	28.5 pence	5 years	0.00%	1.00%	20.00%	5.6 pence	0.03 years	641,667	550,000	0	91,667	91,667	£1,035	£5,141
12-Nov-18	26.5 pence	26.5 pence	5 years	0.00%	1.03%	20.00%	5.0 pence	fully vested	150,000	0	0	150,000	150,000	£682	£7,430
12-Nov-18	26.0 pence	26.0 pence	5 years	0.00%	1.03%	20.00%	5.2 pence	fully vested	60,000	0	0	60,000	60,000	£285	£3,100
07-Jan-19	18.4 pence	18.4 pence	5 years	0.00%	0.89%	20.00%	3.6 pence	fully vested	15,000	0	0	15,000	15,000	£70	£540
27-Feb-19	23.0 pence	23.0 pence	5 years	0.00%	0.96%	20.00%	4.5 pence	fully vested	100,000	0	0	100,000	100,000	£749	£4,536
08-Jul-20	40.0 pence	40.0 pence	4 years	0.00%	-0.04%	59.00%	17.8 pence	1.02 years	80,000	20,000	0	60,000	44,700	£2,661	£7,946
23-Apr-19	44.0 pence	44.0 pence	4 years	0.00%	0.82%	34.00%	1.3 pence	forfeited	200,000	200,000	0	0	0	-£2,043	£0
01-Dec-20	44.0 pence	44.0 pence	4 years	0.00%	0.04%	64.00%	21.0 pence	1.42 years	85,000	20,000	0	65,000	41,925	£3,412	£8,821
23-Mar-21	108.5 pence	108.5 pence	4 years	0.00%	0.37%	52.00%	43.6 pence	1.73 years	35,000	0	0	35,000	19,863	£3,803	£8,662
15-Nov-21	68.5 pence	68.5 pence	4 years	0.00%	0.71%	43.00%	23.4 pence	2.37 years	190,000	0	0	190,000	77,425	£11,142	£18,102
02-Mar-22	57.5 pence	57.5 pence	4 years	0.00%	1.07%	44.89%	20.7 pence	2.67 years	480,000	100,000	0	380,000	126,350	£17,988	£26,241
25-May-22	61.0 pence	61.0 pence	4 years	0.00%	1.56%	43.20%	21.7 pence	2.90 years	105,000	0	0	105,000	28,875	£5,696	£6,273
14-Dec-22	53.0 pence	53.0 pence	4 years	0.00%	3.28%	23.50%	12.8 pence	3.45 years	55,000	0	0	55,000	0	£963	£963
									2,911,667	937,500	67,500	1,906,667	1,355,805	£46,610	£142,231

The fair value of these options has been calculated on an issue by issue basis and £46,610 (2021: £35,104) has been charged to the statement of comprehensive income for this financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

	2023		2022	
	Weighted Average exercise Price £	Number of Options	Weighted Average exercise price £	Number of Options
Options outstanding at start of year	0.463	8,146,667	0.397	5,911,667
Options granted during the year	0.541	755,000	0.613	2,480,000
Options exercised during the year	–	–	0.275	(140,000)
Options forfeited during the year	0.490	(320,000)	0.574	(105,000)
Options outstanding at end of year	0.469	8,581,667	0.463	8,146,667
Options exercisable at the end of year		4,040,805		3,886,942

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Capital Management

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

At 30 June 2023, the Group had a closing cash balance of £1,169,000 (2021: £4,888,000) and borrowings of £nil (2022: £nil).

During the year, the Group entered into a multi-currency revolving loan facility, secured on the assets of the Group by fixed and floating debentures with appropriate cross guarantees, with HSBC Innovation Bank (formerly Silicon Valley Bank UK) with a maximum facility of £3 million. The available facility level is calculated on a monthly basis subject to the limits of the covenant tests detailed below. The principal terms are as follows:

- Term — 36 months
- Interest rates — GBP- 4% over the Bank of England base rate
  USD – 0.5% over The Wall Street Journal prime rate
  EUR – 5.75% over the European Central Bank's base rate

  All interest rates are subject to a minimum rate of 4.5% and are paid monthly
- Arrangement Fee — 1.5% of loan facility
- Non utilisation fee — 1.8% of unutilised amount paid quarterly
- Security — Fixed and Floating debenture over the assets of the Group.

Loan advances can be made at any time at the request of the Group and drawn down in minimum amounts of £250,000, $250,000 or €250,000. The facility will be used to support the working capital requirements of the Group as it continues to grow.

The HSBC facility is subject to three covenant tests, the summary of which are as follows:

1. AQR covenant
   The Adjusted Quick Ratio is the ratio of Quick Assets (Cash and Billed debtors) to Current Liabilities minus the aggregate of the current portion of Deferred Revenue plus all amounts outstanding under the Loan Documents must be greater than 1.40x, except for the period of Oct 23 to Feb 24 where it must be greater than 1.10x and the facility is limited to a maximum £1 million.

2. EBITDA covenant
   The 12 months trailing EBITDA of the Group, before exceptional items, shall be no worse than an end of quarter target that increases over time as the Group moves from losses to profit.

3. Advance rate multiplier
   The amounts advanced under the Loan Agreement shall be no more than A x (B – C), where: A = 3.5; B = 1; C = the Churn Rate, times by the Monthly Recurring Revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

Interest rate risk

The Group has arranged a bank loan with HSBC, as detailed above. As at 30 June 2023 the loan was undrawn. Interest is calculated at current rates between and 9.0% and 10.0%, depending on the currency drawn and is paid monthly. Given the rising interest rates over the last 12 months, there is an increased interest rate risk but the current cash flow forecast does not rely heavily on debt borrowing in the next financial year. For this reason, the Group does not consider the interest rate risk to be material and so has not entered into any hedging arrangements.

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.

Concentration of credit risk with respect to trade receivables are limited due to the wide nature of the Group's customer base: The largest customer accounted for 16% (2022: 16%) of revenues in the financial year, but this is expected 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 seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group's policy through the period has been to ensure continuity of funding by equity backed up by access to a maximum £3.0 million multi-currency revolving loan facility, as detailed above.

The table below summarises the maturity profile of the Group's financial liabilities at the year-end based on contractual undiscounted payments, specifically noting that the lease liability total is determined as the undiscounted lease payments including interest payable.

At 30 June 2023:

Group	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	> 5 years £000	Total £000
Trade and other payables	–	2,116	–	–	–	2,116
Lease liability	–	11	33	23	–	67
	–	2,127	33	23	–	2,183

At 30 June 2022:

Group	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	> 5 years £000	Total £000
Trade and other payables	–	1,212	–	–	–	1,212
Lease liability	–	11	31	67	–	109
	–	1,223	31	67	–	1,321

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Foreign currencies and foreign currency risk

During the year, the Group received revenue in GBP, USD, CAD, EURO and AUD, whilst the majority of its cost base is in GBP and USD. These currency receipts tend to be used first to cover costs in the same currency before conversion to other relevant currencies, and so currency risk impacting cash balances is deemed to be appropriately managed.

Intercompany loans from PCI-PAL PLC to fund the US operations is denominated in the US entity in USD and so is translated to GBP each period end, potentially resulting in significant debits or credits to the Company's profit and loss but with no cash or other impact on the Group as the loan is eliminated on consolidation. Management notes that such foreign exchange movements are non-cash items. No forward foreign exchange contracts were entered into during the period (2022: nil).

As at the 30 June 2023 the Group held the following foreign currency cash balances:

US Dollar	$438,359	Sterling equivalent: £347,160	(2022: £478,695)
Canadian Dollar	$84,738	Sterling equivalent: £50,608	(2022: £254,493)
Australian Dollar	$65,518	Sterling equivalent: £34,335	(2022: £20,065)
Euro	€28,696	Sterling equivalent: £24,755	(2022: £333,711)
Total		Sterling equivalent: £456,858	(2022: £1,086,964)

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, although management will keep the need for sensitivity analysis under regular review going forward.

22. CAPITAL COMMITMENTS

The Group has no capital commitments at 30 June 2023 or 30 June 2022.

23. CONTINGENT ASSETS

The Group has no contingent assets at 30 June 2023 or 30 June 2022.

24. CONTINGENT LIABILITIES

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

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

P = (A x B) – C

and where:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

An Exit Fee Event is where there is:

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

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

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

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

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

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

Patent case

In September 2021, the Group announced that Semafone Limited (now renamed Sycurio Limited), one of PCI Pal's direct competitors, had filed lawsuits in both the UK and the US relating to alleged patent infringement by PCI Pal concerning one aspect of its Agent Assist product.

As announced on 25 September 2023, PCI Pal was successful in comprehensively defeating the unfounded patent infringement suit being brought in the UK by Sycurio. The High Court judgement was resoundingly in PCI Pal's favour, with the judge ruling that Sycurio's patent was invalid due to obviousness from two sources of prior art. Furthermore, the judge decided that even if the patent had been valid, PCI Pal's Agent Assist solution did not infringe the patent and Sycurio also accepted that the variants submitted by PCI Pal, which were changes it could make to its solution, would also not have infringed.

Appeals in patent cases are common, no matter the nature of the ruling, and therefore PCI Pal is ready for an appeal should it be filed. Given how comprehensive the ruling was in PCI Pal's favour, the Company remains confident in the High Court Judge's judgment that Sycurio's patent is invalid due to prior art and that, even if the patent were valid, PCI Pal's solutions would not infringe.

Given the court outcome, and previous legal advisors' advice, the directors consider that it is very unlikely, but not impossible, that an obligation to Sycurio will arise from this claim. As the Directors do not believe that the Group has infringed the Sycurio patents they have concluded that there is no past obligating event in relation to the Claim, therefore no provision for anticipated future legal costs has been made in the financial statements.

The total value of the legal costs incurred to date and paid, together with an estimate of the contingent liability for future legal fees at the year-end is as follows:

	Incurred in prior year £000s	Incurred in current year £000s	Total incurred to June 2023 £000s	To be incurred in future £000s	Estimated total cost of defence £000s
PCI-Pal PLC	578	1,286	1,864	150	2,014
PCI-Pal (U.K.) Ltd	37	–	37	–	37
PCI Pal (U.S.) Inc	182	696	878	968	1,846
	797	1,982	2,779	1,118	3,897
Amounts paid in period	693	1,279	1,972		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. CHANGES IN ACCOUNTING POLICY

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

26. TRANSACTIONS WITH DIRECTORS

Apart from the directors' standard remuneration there were no other transactions with directors in the year to June 2023 or June 2022.

27. DIVIDENDS

The Directors are not proposing a dividend for the financial year (2022: nil pence per share).

28. SUBSEQUENT EVENTS

The Revolving Credit facility with HSBC has been drawn upon since the year end.

On 25 September 2023 it was announced that PCI Pal was successful in comprehensively defeating the unfounded patent infringement suit being brought in the UK by Sycurio. Further details can be found in Note 24.

On 10 October 2023 the Company issued 20,000 new shares in settlement of an exercise of share options.

29. ALTERNATIVE PERFORMANCE MEASURES

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

REGISTERED NUMBER: 03869545

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	2023 £000s	2022 £000s	1 July 2021 £000s
ASSETS				
Non-current assets				
Investments	5	748	522	318
Trade and other receivables	6	103	–	–
Non-current assets		851	522	318
Current assets				
Trade and other receivables	6	14,652	13,875	13,443
Cash and cash equivalents		10	2,477	4,295
Current assets		14,662	16,352	17,738
Total assets		15,513	16,874	18,056
LIABILITIES				
Current liabilities				
Trade and other payables	7	(1,084)	(383)	(276)
Current liabilities		(1,084)	(383)	(276)
Total liabilities		(1,084)	(383)	(276)
Net assets		14,429	16,491	17,780
EQUITY				
Capital and reserves				
Called up share capital	9	656	656	655
Share premium account		14,281	14,281	14,243
Other reserves		922	650	404
Profit and loss account		(1,430)	904	2,478
Shareholders' funds		14,429	16,491	17,780

The loss for the Company for the year was £2,334,000 (2022 as restated: £1,574,000).

The financial statements were approved by the Directors and were authorised for issue on 8 November 2023.

J Barham
Director

T W Good
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Share capital £000s	Share premium £000s	Other reserve £000s	Profit and loss account £000s	Total equity £000s
Balance at 30 June 2021	655	14,243	404	2,160	17,462
Prior period restatement (Note 12)	–	–	–	318	318
Balance at 1 July 2021	655	14,243	404	2,478	17,780
Share option charge	–	–	246	–	246
New shares issued net of costs	1	38	–	–	39
Transactions with owners	1	38	246	–	285
Prior period restatement (Note 12)	–	–	–	204	204
Loss for the year	–	–	–	(1,778)	(1,778)
Total comprehensive loss	–	–	–	(1,574)	(1,574)
Balance at 30 June 2022	656	14,281	650	904	16,491
Share option charge	–	–	272	–	272
New shares issued net of costs	–	–	–	–	–
Transactions with owners	–	–	272	–	272
Loss for the year	–	–	–	(2,334)	(2,334)
Total comprehensive loss	–	–	–	(2,334)	(2,334)
Balance at 30 June 2023	656	14,281	922	(1,430)	14,429

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 2023

	2023 £000s	2022 £000s
Cash flows from operating activities		
Loss after taxation	(2,334)	(1,574)
Adjustments for:		
Interest income	(3)	(1)
Share based payments	46	42
Decrease/(increase) in debtors and other receivables	(880)	(409)
Increase/(decrease) in creditors and other payables	701	84
Net cash used in operating activities	(2,470)	(1,858)
Cash flows from investing activities		
Interest received	3	1
Net cash generated from investing activities	3	1
Cash flows from financing activities		
Issue of shares – net of cost of issue	–	39
Drawdown on loan facility	–	–
Repayment of loan facility	–	–
Net cash generated from financing activities	–	39
Net increase/(decrease) in cash	(2,467)	(1,818)
Cash and cash equivalents at beginning of year	2,477	4,295
Net (decrease)/increase in cash	(2,467)	(1,818)
Cash and cash equivalents at end of year	10	2,477

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1. ACCOUNTING POLICIES

Basis of preparation

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

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

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

First-time adoption of IFRS

For all periods up to and including the year ended 30 June 2022, the Company prepared its financial statements in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

These financial statements for the year ended 30 June 2023 are the first the Company has prepared in accordance with IFRS. Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 30 June 2023, together with the comparative period data for the year ended 30 June 2022. The Company's opening statement of financial position was prepared as at 1 July 2021, being the Company's date of transition to IFRS.

There were no adjustments required upon transition to IFRS and as such a reconciliation of equity and total comprehensive income as at 1 July 2021 and 30 June 2022 is not necessary.

Statement of compliance with IFRS

The principal accounting policies adopted by the Company are set out below.

Standards and interpretations in issue but not yet effective
At the date of authorisation of these financial statements, there are a number of other amendments and clarifications to IFRS effective in future years, which are not expected to significantly impact the Group's consolidated results or financial position.

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 as disclosed in Note 6. 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.

Financial assets and liabilities

The Company 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 Company'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 Company's financial assets held at amortised cost arise principally through the provision of intercompany loans, but also incorporate other types of contractual monetary asset. As such they comprise amounts owed by group undertakings, other receivables and cash and cash equivalents. Financial assets do not comprise prepayments.

The Company's financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue. The Company's financial assets are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for 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 Company'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 Company 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, intercompany payables and accruals. All financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provision of the instrument. Financial liabilities do not comprise deferred income.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

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

Cash and cash equivalents

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

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 option 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.

At the date of each statement of financial position, the Company revises its estimate of the number of equity instruments that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment is made to equity over the remaining vesting period. The fair value of the awards and ultimate expense are not adjusted on a change in market vesting conditions during the vesting period.

The value of share-based payment is taken directly to reserves and the charge for the period is recorded in the income statement. The Company's scheme, which awards shares in the Company, includes recipients who are employees in all subsidiaries. In the consolidated financial statements, the transaction is treated as an equity-settled share-based payment, as the PCI-PAL has received services in consideration for equity instruments. An expense is recognised in the Group income statement for the fair value of share-based payment over the vesting year, with a credit recognised in equity.

In the Company's and subsidiaries' financial statements, the awards, in proportion to the recipients who are employees in said subsidiary, are treated as an equity-settled share-based payment, as the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the award is recognised over the vesting year, with a credit recognised in equity on the subsidiary's accounts. This credit is treated as a capital contribution. In the Company's financial statements, there is no share-based payment charge where the recipients are employed by a subsidiary, with the Company recognising an increase in the investment in its subsidiaries reflecting a capital contribution from the Company.

Contribution to defined contribution pension schemes

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

Foreign currencies

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

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

Significant Estimates

Impairment of receivables due from subsidiaries

The Company has intercompany receivables of £14.39 million (2022: £13.73 million). The management have reviewed these intercompany loans and have concluded that, given the strong growth and future prospects of the relevant subsidiaries, there is no impairment required.

- Alternative accounting estimate that could have been applied – impair the intercompany receivable
- Effect of that alternative accounting estimate – at Company level reduction of intercompany asset and corresponding charge to the Statement of comprehensive income.

Significant Judgements

Patent case

The Directors have reviewed the potential requirement for a provision in relation to the ongoing patent case in accordance with IAS 37. Following the High Court judgement of 25 September 2023 and from the advice given by the Company's legal advisors in the UK, the directors have used their judgement and consider that it is only possible, but not probable, that an obligation will arise from this claim. For this reason, no provision has been made in the financial statements for either the potential damages being sought by Sycurio Limited, or the incremental future legal costs expected to be incurred in defending the case. For further details, see Note 12.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

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 £2,560,000 (2022: £1,778,000).

3. PERSONNEL REMUNERATION

During the period the Company had two employees James Barham and William Good and also pays the service fees of 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 £2,675 (2022: £885).

The Company does not charge interest on its intercompany balances.

5. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £000s	Total £000s
Cost at 1 July 2021 – as previously stated	–	–
Prior period restatement	318	318
Cost at 1 July 2021 – as restated	318	318
Additions	204	204
Cost at 30 June 2022 – as restated	522	522
Additions	226	226
Cost at 30 June 2023	748	748

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

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

[1] Registered at 7 Gamma Terrace, Ransomes Europark, Ipswich, Suffolk IP3 9FF
[2] Registered at 2215B Renaissance Drive, Las Vegas, Nevada USA 89119
[3] Registered at 62 Burwood Road, Burwood, NSW 2134 Australia
[4] Registered at 199 Bay Street, Suite 4000, Toronto, Ontario, Canada M5L 1A9

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

6. TRADE AND OTHER RECEIVABLES

	2023 £000s	2022 £000s
Amounts due within one year		
Amounts owed by group undertakings	14,390	13,732
VAT recoverable	165	45
Prepayments	97	87
Other debtors	–	11
Trade and other receivables due within one year	14,652	13,875

	2023 £000s	2022 £000s
Amounts due after more than one year		
Prepayments	103	–
Trade and other receivables due in more than one year	103	–

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

While the company has received confirmation as to the recoverability of the balance, to the extent the counter parties are unable to do so, the company does not intend to recall the amounts due, within one year.

7. CURRENT LIABILITIES

	2023 £000s	As restated* 2022 £000s
Trade creditors	800	115
Accruals	284	268
Total current liabilities due within one year	1,084	383

In the prior year within the trade payables note there was a typographical error whereby the note did not a agree to the face of the financial statements. We have therefore restated the note above from £1.4 million to £0.38 million.

8. DEFERRED TAXATION

	2023 £000s	2022 £000s
Balance at 30 June	–	–
Unprovided deferred tax assets		
Equity-settled share options	78	64
Trading losses	1,956	1,384
	2,034	1,448

The unprovided deferred tax assets are calculated at an average rate of 25%

The deferred tax asset is not recognised as there is insufficient evidence of future taxable profits against which the asset will be available for offset.

9. SHARE CAPITAL

Company	2023 Number	2023 £000s	2022 Number	2022 £000s
Authorised:				
Ordinary shares of 1p each	100,000,000	1,000	100,000,000	1,000
Allotted called up and fully paid:	–	–	57	57
Ordinary shares of 1p each	65,619,818	656	65,619,818	656

The Group owns 167,229 (2022: 167,229) shares and these are held as Treasury Shares.

During the year, the share price fluctuated between 46.0 pence and 62.5 pence and closed at 53.5 pence on 30 June 2023.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

10. DIVIDENDS

The Directors have proposed no final dividend of in respect of the year ended 30 June 2023 (2022: 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 2023, the Company had a closing cash balance of £10,000 (2022: £2,477,000).

During the year, the Company, along with its subsidiaries, entered into a multi-currency revolving loan facility, secured on the assets of the Group by fixed and floating debentures with appropriate cross guarantees, with HSBC Innovation Bank (formerly Silicon Valley Bank UK) with a maximum facility of £3 million. The available facility level is calculated on a monthly basis subject to the limits of the covenant tests detailed below. The principal terms are as follows:

- Term 36 months
- Interest rates GBP- 4% over the Bank of England base rate
  USD – 0.5% over The Wall Street Journal prime rate
  EUR – 5.75% over the European Central Bank's base rate

  All interest rates are subject to a minimum rate of 4.5% and are paid monthly
- Arrangement Fee 1.5% of loan facility
- Non utilisation fee 1.8% of unutilised amount paid quarterly
- Security Fixed and Floating debenture over the assets of the Group.

Loan advances can be made at any time at the request of the Group and drawn down in minimum amounts of £250,000, $250,000 or €250,000. The facility will be used to support the working capital requirements of the Group as it continues to grow.

The HSBC facility is subject to three covenant tests on the consolidated Group, the summary of which are as follows:

1. AQR covenant
   The Adjusted Quick Ratio is the ratio of Quick Assets (Cash and Billed debtors) to Current Liabilities minus the aggregate of the current portion of Deferred Revenue plus all amounts outstanding under the Loan Documents must be greater than 1.40x, except for the period of Oct 23 to Feb 24 where it must be greater than 1.10x and the facility is limited to a maximum £1 million.

2. EBITDA covenant
   The 12 months trailing EBITDA of the Group, before exceptional items, shall be no worse than an end of quarter target that increases over time as the Group moves from losses to profit.

3. Advance rate multiplier
   The amounts advanced under the Loan Agreement shall be no more than A x (B – C), where: A = 3.5; B = 1; C = the Churn Rate, times by the Monthly Recurring Revenue.

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

Liquidity risk

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 Company's policy through the period has been to ensure continuity of funding by equity backed up by access to a maximum £3.0 million multi-currency revolving loan facility, as detailed above.

The table below summarises the maturity profile of the Company's financial liabilities at the year-end based on contractual undiscounted payments.

At 30 June 2023:

Group	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	> 5 years £000	Total £000
Trade and other payables	–	800	–	–	–	800
	–	800	–	–	–	800

At 30 June 2022:

Group	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	> 5 years £000	Total £000
Trade and other payables	–	115	–	–	–	115
	–	115	–	–	–	115

Foreign currencies and foreign currency risk

The Company does not hold foreign currency. Any amounts received by it from its subsidiaries are usually paid over in GBP. If funds are received in currency they are immediately converted to GBP at the prevailing bank currency conversion rate. Intercompany loans from PCI-PAL PLC to fund its subsidiaries are denominated in GBP, and so the Company does not face any foreign currency translation risk on these loans.

As a result no sensitivity analysis is required in respect of foreign currency risks, although management will keep the need for sensitivity analysis under regular review going forward.

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 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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

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

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

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

Patent case

In September 2021, the Group announced that Semafone Limited (now renamed Sycurio Limited), one of PCI Pal's direct competitors, had filed lawsuits in both the UK and the US relating to alleged patent infringement by PCI Pal concerning one aspect of its Agent Assist product.

As announced on 25 September 2023, PCI Pal was successful in comprehensively defeating the unfounded patent infringement suit being brought in the UK by Sycurio. The High Court judgement was resoundingly in PCI Pal's favour, with the judge ruling that Sycurio's patent was invalid due to obviousness from two sources of prior art. Furthermore, the judge decided that even if the patent had been valid, PCI Pal's Agent Assist solution did not infringe the patent and Sycurio also accepted that the variants submitted by PCI Pal, which were changes it could make to its solution, would also not have infringed.

Appeals in patent cases are common, no matter the nature of the ruling, and therefore PCI Pal is ready for an appeal should it be filed. Given how comprehensive the ruling was in PCI Pal's favour, the Company remains confident in the High Court Judge's judgment that Sycurio's patent is invalid due to prior art and that, even if the patent were valid, PCI Pal's solutions would not infringe.

Given the court outcome, and previous legal advisors' advice, the directors consider that it is very unlikely, but not impossible, that an obligation to Sycurio will arise from this claim. As the Directors do not believe that the Group has infringed the Sycurio patents they have concluded that there is no past obligating event in relation to the Claim, therefore no provision for anticipated future legal costs has been made in the financial statements.

The total value of the legal costs incurred to date and paid, together with an estimate of the contingent liability for future legal fees at the year-end is as follows:

	Incurred in prior year £000s	Incurred in current year £000s	Total incurred to June 2023 £000s	To be incurred in future £000s	Estimated total cost of defence £000
PCI-Pal PLC	578	1,286	1,864	150	2,014
Amounts paid in period	509	702	1,211	–	(1,849)

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

13. TRANSITION TO IFRS AND PRIOR PERIOD RESTATEMENT

As detailed in note 1, this is the first year the Company has prepared its accounts in accordance with IFRS. For periods up to an including the year ended 30 June 2022, the Company prepared its financial statements in accordance with local generally accepted accounting principles (FRS 102). Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 30 June 2023, together with comparative period data for the year ended 30 June 2022. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 July 2021, the company's date of transition to IFRS. There were no adjustments required upon transition to IFRS.

On review of the Company's treatment of share options it was identified that the costs relating to share options issued to employees had not been recognised within the relevant subsidiaries as required by FRS 102 (and IFRS 2) – share based payments. The nature of the error identified is that the share based payment expense of the employees of the subsidiary have been incorrectly included in the profit and loss of the parent. Hence relevant adjustments have been made to the Parent accounts to recognise such cost in investment in subsidiaries, as it has made a capital contribution to the subsidiaries with corresponding adjustments in equity.

The effect of the correction of the prior period error is the Statement of Financial Position as at 1 July 2021 and 30 June 2022, under FRS 102, as shown below. It was noted that there was no change in the Group position for this prior period error.

Reconciliation of equity as at 1 July 2021

	As originally stated £000s	Prior period restatement £000s	As restated £000s
ASSETS			
Non-current assets	379	3,415	3,794
Investments	–	318	318
Trade and other receivables	–	–	–
Non-current assets	–	318	318
Current assets			
Trade and other receivables	13,443	–	13,443
Cash and cash equivalents	4,295	–	4,295
Current assets	17,738	–	17,738
Total assets	17,738	318	18,056
LIABILITIES			
Current liabilities			
Trade and other payables	(276)	(276)	
Current liabilities	(276)	–	(276)
Total liabilities	(276)	–	(276)
Total equity	17,462	318	17,780

Reconciliation of equity as at 30 June 2022

	As originally stated £000s	Prior period restatement £000s	As restated £000s
ASSETS			
Non-current assets			
Investments	–	522	522
Trade and other receivables	–	–	–
Non-current assets	–	522	522
Current assets			
Trade and other receivables	13,875	–	13,875
Cash and cash equivalents	2,477	–	2,477
Current assets	16,352	–	16,352
Total assets	16,352	522	16,874
LIABILITIES			
Current liabilities			
Trade and other payables			
Current liabilities	(383)	–	(383)
Total liabilities	(383)	–	(383)
Total equity	15,969	522	16,491

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

14. SUBSEQUENT EVENTS

The Revolving Credit facility with HSBC has been drawn upon since the year end.

On 25 September 2023 it was announced that PCI Pal was successful in comprehensively defeating the unfounded patent infringement suit being brought in the UK by Sycurio. Further details can be found in Note 24 of the Group accounts.

On 10 October 2023 the Company issued 20,000 new shares in settlement of an exercise of share options.

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