ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2020

PCI-PAL PLC (AIM: PCIP), the global provider of secure payment solutions, is pleased to announce full year results for the year ended 30 June 2020 (the "Period").

COMMENTING ON RESULTS AND PROSPECTS, JAMES BARHAM, CHIEF EXECUTIVE SAID:

"I am very pleased with the significant progress that we have made this year, particularly considering the entirety of our final quarter was during the heights of the initial impacts of COVID-19. Despite this we have been able to continue our momentum, evidenced by the signing of 37 new customer logos in our Q4 alone.

We have taken another strong step forward in revenue growth year on year, which is a result of our continued success in growing our key sales metric of TACV. This is testament to our business model as we have successfully on-boarded new channel partners who are generating an increased pipeline of opportunities, as well as our efforts in adding further improvements to our ability to enable and onboard new customers.

Our early adoption of cloud technologies in our space, and our commitment to channel, is enabling us to service the entire contact centre market within our focus territories, and it is this differentiator that will see us continue our progress towards cash generation and profit breakeven under the current plan as we look forward to another year of substantial revenue growth."

www.pcipal.com

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

HIGHLIGHTS

FOR THE YEAR ENDED 30 JUNE 2020

Continuing Significant Sales Growth with Channel Partnerships Delivering

Financial Highlights

56% ↑

2020	£4.40m
2019	£2.82m

Revenue

85% ↑

2020	£4.53m
2019	£2.45m

Deferred income

69.2% ↑

2020	69.2%
2019	60.2%

Gross margin

reflecting the continuing transition of our service delivery mix to the higher margin Amazon Web Services ("AWS") platform

£4.35m

2020	£4.35m
2019	£4.50m

Loss before Tax

37% ↑

2020	£2.62m
2019	£1.91m

New sales bookings

leading to signed recurring Annual Contract Value ("ACV")

£4.30m

2020	£4.30m
2019	£1.49m

Cash balances

66% ↑

2020	£6.75m
2019	£4.06m

Total contracted recurring ACV ("TACV[1]")

£2.75m

New debt facility

entered into in October 2019 and equity share placing undertaken in March 2020 raising £5.00 million to provide additional working capital to support continued growth of the Group

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

HIGHLIGHTS CONTINUED

Financial Highlights

- Revenue increase of 56% to £4.40 million (2019: £2.82 million)
- Gross margin increased to 69.2% (2019: 60.2%) reflecting the continuing transition of our service delivery mix to the higher margin Amazon Web Services ("AWS") platform
- Significant increase in new sales bookings leading to signed recurring Annual Contract Value ("ACV") increasing by 37% to £2.62 million (2019: £1.91 million)
- Total contracted recurring ACV ("TACV[1]") increased 66% and now stands at £6.75 million (2019: £4.06 million)
- Deferred income increased 85% to £4.53 million (2019: £2.45 million)
- Loss before Tax in line with expectations at £4.35 million (2019: £4.50 million) following continued investment in our growth plans
- Cash balances at year end of £4.30 million (2019: £1.49 million) with a further £1.25 million of debt facility available to draw
- New £2.75 million debt facility entered into in October 2019 and £5.00 million equity placing undertaken in March 2020 to provide additional working capital to support continued growth of the Group and the path to breakeven

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

Operating Highlights

- Recurring revenue model proven with record full year on year revenue growth
- Signed 100 new sales contracts in the year
- 78% of new sales contracts for the Group generated from channel partners
- Continued to sign more enterprise customers, including signing the Group's second and third largest contracts in its history, with ACV of US$ 0.57 million signed in North America and £0.55 million ACV in the UK
- North American momentum continues to build, with year on year ACV sales increased 145%.
- TACV for North American region increased 181% year on year to £1.66 million (2019: £0.59 million)
- Customers live across all six global regions including EMEA, North America, and ANZ
- Deployed our services with more than 70 new customers
- Time to go live of new contracts from the date of signature to deployment ("TTGL") improved to a 5.5 month average across all sales channels
- Announced new technology partnerships with Avaya and Cisco; as well as competitor displacements at three EMEA-based resellers
- Achieved customer retention of 95% by value in the year
- Simon Wilson, US-based, Chairman appointed with significant public company and international software growth experience

"Working with PCI Pal, we are able to provide our customers with an extremely comprehensive payment solution – safe in the knowledge that they are adhering to the very latest PCI DSS compliance, with the backing of a knowledgeable, expert team"
Civica

Current Trading & COVID-19 Update

- Strong start to the new fiscal year with ACV in line with management expectations. Run rate revenue for the two months up to the end of August 2020 is up 41% compared to the same period last year.
- Revenue visibility currently at more than 80% for the year against current market forecasts.
- Sales highlights include:
  - A significant new customer contract to provide both our Agent Assist and Digital secure payment solutions to a well-known, North American headquartered, global retailer with more than 1,500 agents in their North America based contact centre.
  - An initial contract to provide our Agent Assist solution to one of the largest local councils in the UK, sold through our long standing partnership with Civica.
- Launched Speech Recognition feature set for our Agent Assist and IVR solutions
- Achieved record TTGL delivery of only 9 weeks for a contact centre of more than 500 seats, which went live in July, having been the largest deal signed in Q4 FY20.
- Announced the formation of the Company's Advisory Committee, adding additional breadth of market and product perspectives as the Company navigates its future and capitalises on the opportunities available to it.

COVID-19 Update:

PCI Pal's business model and technology have meant that we have so far not been materially impacted during the extremes of lockdown in both the UK and US and remain well positioned to minimise the potential negative impacts of the COVID-19 pandemic on the Group. Since the start of the new fiscal year we have continued our growth momentum, which we attribute to:

- our strong relationships with financially stable, large cloud-based reseller partners through whom we sell the majority of our contracts by both value and volume; and
- our cloud platform, including our ability to implement and deliver services to customer entirely remotely.

The on-set of the pandemic has served to accelerate the market-wide transition from on-premise communications technology to cloud-based services. We believe that this will benefit PCI Pal over the longer term as the leading cloud-only provider in the market. PCI Pal's services are critical for home-workers wishing to handle sensitive customer data, particularly credit or debit card data. As a result, we believe that demand for our services may increase with time, despite the short-term general business impact the pandemic has had in delaying certain buying decisions at prospective customers.

The following provides an update to the COVID-19 overview provided in our full year trading update in July 2020:

- Project delivery timescales continue to shorten with high demand for services as a result of the increased numbers of contact centre agents working from home. Our performance against our TTGL metric has been strong with 16 projects already delivered by the end of August 2020.
- New customer contracts sales timing remains less predictable than it was before the start of the pandemic. We had reported that we had seen delays in contract signing during our Q4 FY20, and whilst these delays are no longer evident in newly created sales opportunities, we would note that not all those specific deals delayed in Q4 FY20 have as yet re-commenced engagement. Demand through new pipeline generation is strong though, and in line with our expected requirements to deliver management's near-term sales forecasts.
- The Company has maintained market guidance given the above, and whilst we will monitor progress very carefully against market expectations, we believe we are well positioned to take another significant step forward this year in line with those expectations.

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

In my first year as Chairman and director of PCI Pal I am very pleased to report on a major year of progress for the business. This despite the, at times, daunting challenges and uncertainties caused by the COVID-19 pandemic and varying government responses around the world.

People

Without question, the pandemic has presented varying challenges on all businesses in every sector of the global economy, but at the personal and individual level the challenges have been unprecedented. Almost overnight our people not only had to cope with working from home, but also with a myriad of concerns, fears and challenges relating to family health and daily routines, caring for extended family members, and concerns for financial security. I am extremely proud to say that our teams in both the U.K. and U.S. responded gallantly, and in fact drew closer together as a result. Management supported this rapid transition to a 'new normal' by implementing flexible work schedules, being sensitive and sympathetic to individuals who perhaps had more challenging home environments than others and continuing to provide and enhance remote-based IT support for collaboration with team-mates, partners and customers.

During the prior year of FY19, James Barham as the new CEO, expanded and strengthened the management team across the functions of Sales, Technology and Security. During FY20, against the backdrop of the pandemic but in the face of top line sales growth, the team's expansion continued to underpin the management teams' strengths in specific operational areas such as professional services, partner support, and both pre and post-sales technical expertise. By select hiring in the U.S., the Group has also further strengthened its ability to serve an increasingly global profile of both partners and end customers, in particular those headquartered in North America, which remains the Group's key target growth market.

The PCI Pal team has grown from 50 to 58 employees over the course of the year and I would like to personally thank all of our employees for their excitement, dedication, flexibility and hard work in growing PCI Pal and in pursuing our *Mission: safeguarding the reputation and trust of our customers*. The Board remains as committed as ever to supporting our people in terms of professional development, flexible work environments and competitive compensation and benefit packages. I have no doubt that they will all continue to build on their successes during the last twelve months, both as individuals and as globally focused teams, as we move forward through and beyond these globally challenging times.

Strategic Direction

During the year, the Company has made demonstrable progress in executing its Vision of becoming "*the preferred solution provider that technology vendors globally turn to for achieving PCI compliance for payments by phone"* and pursuing a Cloud strategy. 78% of sales were made through channel partners. Our Cloud platform hosted on AWS has grown to cover 6 points of presence around the globe and our Cloud solutions are being adopted by small, medium and large enterprises alike. The attractiveness of PCI Pal's strategy to focus on channel partners is matched by the demand from end customers. During FY20 the Company added 100 new end customer logos and deployed 72 new customer implementations. Behind this strategy, our innovation has continued with the launch of *PCI Pal Digital*, an omni-channel offering as well as *Rapid Remote* to help those customers rushing to deploy work-from-home solutions in the face of COVID-19.

Fund raise

Adding to its £2.75 million debt facility secured in early FY20, the Company completed a £5.00 million equity fund raise in March 2020. Its success has been reflected in the Company's share price performance since the date of the announcement and is evidence of the strong support that the Company enjoys from its shareholders. In addition to creating a stronger balance sheet, increasing working capital and providing for flexibility in the face of uncertainties relating to the pandemic, the fund raise was also designed to fund expansion. As we look forward to FY21 we are planning for additional sales and marketing resources, support to North American based channel partner relationships; and to expanding product management functions targeting long term improvements in time to go live ("TTGL") for new customers. These additional funds will also allow the Company to consider potential new expansion opportunities in the future. Full disclosure of the terms of this equity fund raise have been made in the notes to these accounts and within the Chief Financial Officer's Review.

Shareholder Communications

As a board, continuous improvement in shareholder communications remains a key objective. Building upon the actions taken in FY19 which included more detailed investor presentations, expanded analysis of results and underlying KPIs, a more frequent cadence of communications and the judicious use of RNS-Reach, and participation in investor-focused events such as 'tech demo days' and investor group conferences, we have taken further steps in FY20. These include myself as Chairman, offering one-on-one shareholder meetings around the time of the AGM each year, expanded efforts by the executive team to meet with retail shareholder groups, use of new communications technology aimed at shareholder needs such as the Investor Meet Company platform and plans for enhanced web site disclosures. We look forward to continuing and reinforcing these programmes and events as each year progresses, and I welcome your feedback and suggestions for further improvement.

Corporate Governance

During FY20 I have focused the expanded resources of the Board in a number of key areas of corporate governance and initiatives to set the Board on a path of continuous improvement over time. These areas included the Board's first evaluation of the effectiveness of the Board, its committees, and its individual directors. Other areas of initiative were a fresh review of the Company's risk profile, and our appetite for risk and steps necessary to mitigate known and anticipated risks, an update to the Board committees' terms of reference, and embarking on a 5-year refresh of our forward strategic plan to take effect from FY21 onwards.

The nature and results of these early initiatives are summarized in more detail in the Corporate Governance Report.

Changes in Accounting Rules

The Company implemented IFRS 16: *Accounting for Leases* effective from 1 July 2019. The Group has chosen not to restate the previous years' financial statements following the adoption and there has been no overall effect on the loss before tax. Full disclosure of the changes has been made in the notes to these accounts.

Advisory Committee

Following the year end, in August 2020 we announced the formation of the PCI Pal Advisory Committee (the "PAC"). The formation of the PAC is consistent with both enhancing the Board's ability to manage its risk profile, as well as to provide expert advice into the formation of its future corporate strategy.

Looking Forward

FY20 has been a year of both significant achievement as well as significant expansion of the risks and opportunities facing the Company and the markets in which it operates. The Board is cautiously optimistic about managing through the COVID-19 pandemic but remains vigilant of the potential for as yet unknown additional economic and business impacts. Nonetheless, we are a growth company operating in growth markets, and so are confident in our business model. I look forward to sharing further progress reports and news during the coming financial year, as we continue our journey to achieve profitability and positive operating cash flow.

Simon Wilson | Non-Executive Chairman
11 September 2020

CHIEF EXECUTIVE'S STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

"Reporting on my first full financial year in the role of Group CEO, I am pleased to report that we have made significant progress against our key growth metrics"

Introduction

Reporting on my first full financial year in the role of Group CEO, I am pleased to report that we have made significant progress against our key growth metrics. Revenues grew 56% year on year to £4.40 million (2019: £2.82 million). This year on year increase further illustrates the benefits of our SaaS-based revenue model as revenue is recognised from TACV, our key sales metric which has continued to grow in the year by 66% to £6.75 million (2019: £4.06 million). The start of the current financial year has started well, and we have strong revenue visibility which for the coming year is currently at over 80% of the market's revenue expectations for the year.

I am equally pleased to report that we have made extensive progress towards the Company's Vision: to be *the preferred solution provider that technology vendors globally turn to for achieving PCI compliance for payments by phone*. Having led the way in utilising cloud technology in our market, and launching our true-cloud environment back in October 2017, we now have the most advanced and mature cloud offering in our market with customers live on all 6 regional instances of the platform within AWS across EMEA, North America, and ANZ regions. It is this technology focus that has enabled us to execute against our Vision. Many of our technology partners are cloud-native themselves and are a natural fit for PCI Pal helping them to provide secure payment solutions to their customers around the world. I am pleased to confirm that we ended the year with all our major Contact Centre as a Service ("CCaaS") and Unified Communications as a Service ("UCaaS") partners live and on-boarded across all regions of our platform.

It is these enabled partnerships that are critical to our continued growth and long-term profitable scale. As of the end of the year, we are now resold by over 40% of North American and Western European Gartner Magic Quadrant CCaaS providers. These same partners are a key reason why we achieved the milestone of signing more than 100 new customers in the year (2019: 77) with 78% of these customers generated through channel partners. I am extremely encouraged by the accelerated number of new customers signed as the year progressed, reflected by the 37 new customers signed in Q4 alone. This is a 76% increase compared to the customers signed in Q1 in spite of the COVID-19 outbreak and illustrates the effectiveness of our channel model in producing higher quantities of pipeline opportunities. We are optimistic that opportunities will continue to increase as we on-board more partners, and as our partner relationships mature over time following full engagement with our partner programme and channel sales functions.

In the year, the Group signed new contracts across all regions with a recurring Annual Contract Value ("ACV") of £2.62 million (2019: £1.91 million). I was particularly pleased that despite the pandemic, we signed £0.80 million ACV in our Q4, so whilst we were impacted by delays in our sales cycles as a result of the onset of COVID-19, which ultimately reduced our final ACV number for the year, we were nonetheless able to continue our momentum.

This sales traction is bolstered by further progress in our ability to implement new customers, and our key project delivery metric of TTGL is now at an average of 5.5 months overall across all customers (which remains within the 4-7 months previously stated). We have made extensive improvements since we introduced the TTGL metric in January 2019, and customers signed more recently are being implemented much faster. For instance, contracts signed in FY20 have an average TTGL across all deployments of just 4.4 months. Additionally, this improvement is a natural positive result of having more integrated partners now fully on-boarded, live, and delivering new contract sales. Their repeatable technology stack integrations result in shorter implementations, and reduced project effort levels for us, and their end customers.

We have also achieved a number of large scale customer implementations during the year. In H1 we announced our largest contract to date in the US (and the Company's second largest contract in its history), won through both a competitive tender process, and also a competitive Proof of Concept ("POC"). Our Professional Services team went head-to-head with one of our major competitors for this POC. We achieved highly positive reviews from the customer and ultimately won the new contract. Following a successful, collaborative implementation the customer is live on our platforms, following a deployment achieved within six months.

The implementation skills of our Professional Services team across EMEA and North America are having a directly positive impact on our Net Promoter Score ("NPS"), the internationally recognised measure of customer satisfaction. I am proud to report that our NPS has increased to 87 against the NPS global benchmark of 43, which puts us comfortably in the top 25th percentile of companies worldwide and 102% above the global benchmark. As a result, our ability to reference customers and produce case studies and testimonials has significantly increased putting us in an improved position of strength when competing for business of any size. This is strong evidence of the effectiveness of the operational improvements we have made since January 2019, which has been one of our top Company-wide key initiatives.

Market Drivers & Market Positioning

PCI Pal's addressable market consists of any organisation taking payments by phone or within contact centre environments anywhere in the world, and in particular within our core focus geographic markets of the UK and North America. PCI Pal gains access to these markets by leveraging a partner-first go-to-market sales model, which involves working primarily through resellers who themselves are involved in providing services for customer interactions for the sorts of organisations we are targeting. Today these partners include CCaaS, UCaaS, Carrier (Telco), Value-Added Resellers ("VARs") of the major telephony platforms, Payment Service Providers, and consultancies. When we sell directly to the end customer, this is typically for strategically important or large enterprise size accounts who have a preference to deal directly with their technology suppliers.

A key differentiator for us is our ability to serve any size organisation across our addressable market. Our customers range from small contact centres up to the very largest with more than 5,000 agent seats. We can serve these customers from anywhere in the world through our best-in-class truly-virtualised cloud platform, hosted within AWS. PCI Pal was the first in this market to launch a true cloud environment and maintains the most advanced and mature platform globally.

Contact centre markets in both the UK and US represent between 3-4% of the working populations of those countries, so in contact centres alone there is a sizeable market opportunity to address. Our ability to serve any size of contact centre is essential when considering the make-up of this mass-employment pool across both countries. In the US alone, 93% of contact centres (37,000) have less than 250 agent seats and employ 2.0 million agents making up more than 55% of the entire employed agent-base across the country. As such, our ability to serve contact centres of any size is critical to maximising our market opportunity.

The market is underpinned and strengthen by two major global industry dynamics occurring today; the increase in regulation and governance surrounding data security worldwide; and secondly, the transition in the communications market of services served from on-premise equipment to services delivered from the cloud.

In recent years we have seen regulation and governance of data security increase both through well-publicised standards such as the General Data Protection Regulations ("GDPR") in the EU, as well as state level statutes in the US such as the California Consumer Privacy Act. These are in addition to standards such as the Payment Card Industry Data Security Standard (PCI DSS) which specifically govern the activities of companies handling personal data, specifically credit and debit card data. Regulatory and governance standards combine as one of the primary reasons for the change in organisational mindset towards the risks posed by cyber-crime today. This change in mindset is creating a significant shift towards more responsible and thorough data security protocols across all industry sectors. Specifically, from a payment security perspective, PCI Pal makes the job of complying with these standards, and securing data much easier for these companies who otherwise would be faced with significant challenges, and therefore costs, to achieve compliant and secure operations. Additionally, PCI Pal secures the most sensitive of personal data, with payment data being the most easily monetised by cyber criminals should it fall into their hands.

With the cloud communications market expected to grow considerably, the high growth UCaaS and CCaaS sectors are evidence of the shift in technology adoption occurring across the communications industry today. Organisations are moving from traditional on-premise telephony to cloud-based communications through the likes of Vonage, 8x8, and RingCentral. This shift has been further accelerated by the on-set of the COVID-19 pandemic where the benefits of cloud-based services have been emphasised. These benefits include flexible homeworking capabilities; robust disaster recovery and responsive business continuity capabilities; as well as the availability of scalable cost models. Given our technical approach and channel business model, we are well positioned to capitalise on this market trend as we work with our partners to increase our access to this expanding market opportunity.

PCI Pal Cloud

Having launched our cloud environment almost three years ago in October 2017 and having defined a key strategic objective to be the leader in cloud-based secure payments services in our market globally, we have gathered significant technical momentum. Our platform continues to evolve and is already the most mature in the market by some margin, with our competitors' primary offerings remaining hardware or privately-hosted technologies. This momentum is underscored by the cloud-to-cloud partnerships that we have built in the last 24 months with the likes of Vonage, 8x8, Genesys, and Talkdesk, as well as our ability to engage with, sell to, and deliver enterprise size deployment projects with some of the largest contact centres in the UK and the US.

We utilise AWS for the virtualised hosting of our cloud platform, a hosting provider that we selected on the basis that they were, and still are, the market leader both in terms of capacity and geographic coverage. Our true-cloud approach allows us to deliver services across the globe whilst maintaining data sovereignty and regional handling of payment traffic by leveraging the data regions we have created within the AWS global hosting environment. This is both of appeal to smaller local customers who need their data to be handled within the territory in which they trade; but equally to larger multi-national organisations whose businesses may be geographically dispersed with complex data governance requirements. Our customers can therefore use a single PCI Pal service, but choose to handle their customers' data locally wherever that customer is utilising the service.

Additionally, our technology strategy and focus on cloud has been purposefully made complementary to our partner-first go to market sales model. AWS is the most commonly adopted hosting environment used by our cloud-served partners, creating natural integration and interoperability benefits for us when on-boarding those partners.

PCI Pal's cloud platform has always used cloud native technologies, and today our platform continues to evolve, using more advanced ways of operating such as serverless technologies and micro-services. This approach is enabling us to be nimbler within our development cycles, more robust in our release processes, and allowing faster development cycles for new products and features. It has been our first-mover advantage and early commitment to cloud that is ensuring we lead the way in this technological approach to our market.

Product Update

In the year we launched two new products; our PCI Pal Digital offering for omnichannel payments across channels such as WebChat, Social media, SMS, and email; and Rapid Remote our rapid deployment service, which was developed in response to the increased demand for ultra-high pace deployments in the face of the on-set of COVID-19 and increased security requirements for agents working from home.

Since its launch in February, we have both sold and delivered our first PCI Pal Digital customers, and we have continued to build momentum with this product with further sales since the year end. Additionally, we have signed a number of Rapid Remote generated opportunities, several of whom have moved to full deployment models. One of these being the largest customer that we signed in Q4 FY20, which went live with the full deployment in just 9 weeks.

In line with our plans following the fundraise in March 2020, we intend to increase our investment in product management as we look to evolve our product roadmap and capitalise on our existing channel partnerships, as well as putting a more strategic and targeted focus into winning more enterprise-size customers. We have announced in this report the launch of our Speech Recognition feature-set for both our Agent Assist (live agent payments) and IVR (fully automated payments). The speech recognition feature will combine with our existing capabilities to empower our customers to accept secure payments through either keypad entry (DTMF) or spoken voice. Both with the same secure outcome, compliance upsides, and cost savings.

North America

We are pleased with our progress in North America. In what is only our second full financial year in the territory, we have significantly increased our sales bookings with new contract recurring ACV increased 125% year on year to £1.08 million (2019: £0.48 million). As we have stated previously, we have concentrated our efforts in establishing full enablement of the North American partners with whom we began working in the prior year, and I am very pleased to confirm that we have on-boarded all major partners announced to date. It is these partners who will enable us to further grow our pipelines, and therefore sales bookings, in what is the most significant geographic territory opportunity for the business.

145%

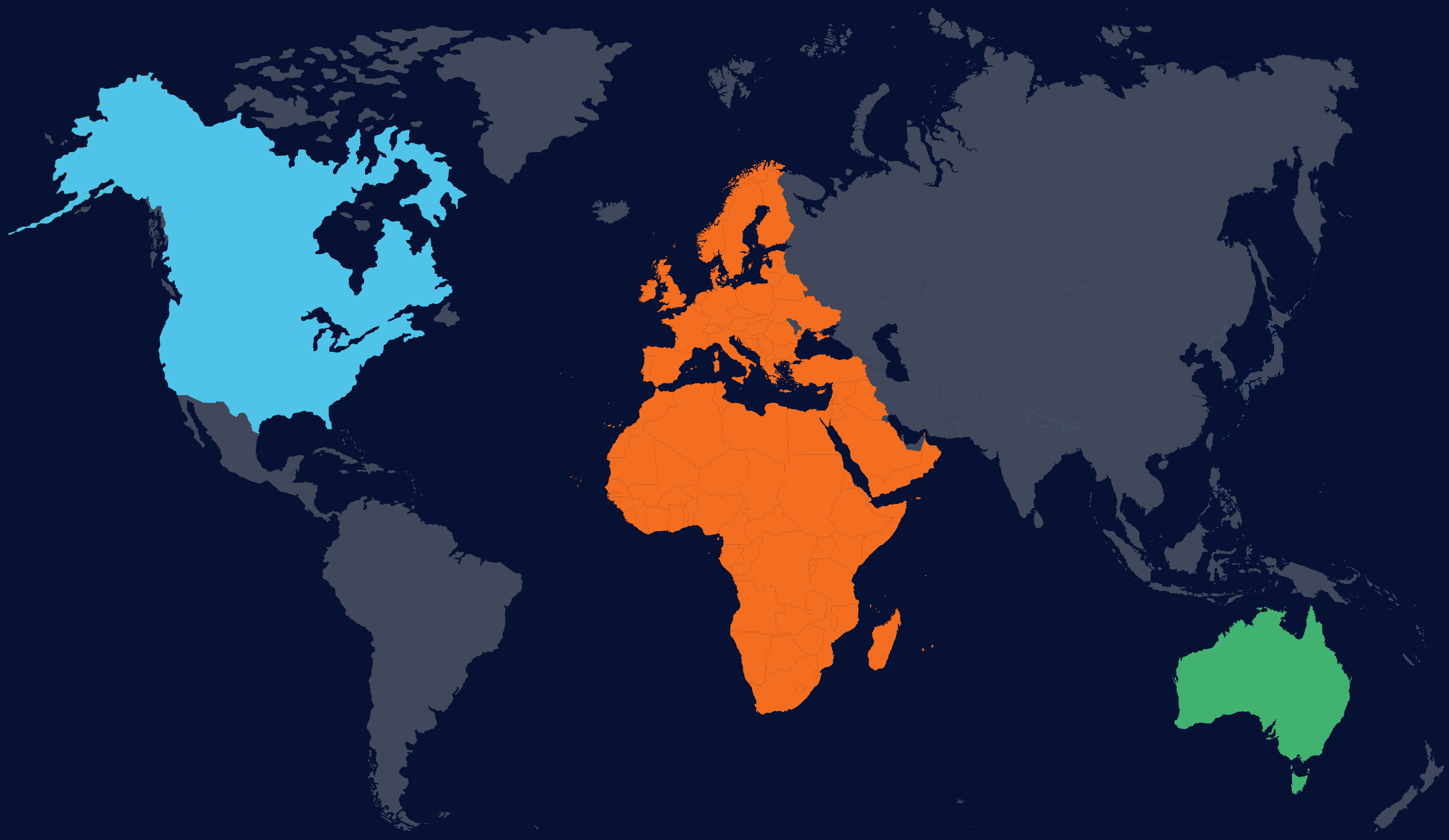
NORTH AMERICA

We are pleased with our progress in North America in what is only our second full financial year in the territory during which we have significantly increased our sales bookings with new contract recurring ACV increased 145% year on year to £1.08 million (2019: £0.44 million).

43%

EMEA

We took a major step forward in revenue for the year, 43% ahead of the prior year at £3.89 million (2019: £2.72 million). 84% of this revenue is recurring licences or transactions. This is a direct result of the growth in new sales bookings that we have seen in the last 24 months, which are now producing recognised revenue as the customers are implemented.



Contributing to the year-on-year growth in US sales bookings was the win of the Company's second largest contract to date, won through a competitive tender process. Announced in December 2019, the contract is for an initial term of three years with a recurring ACV of $566,000 (approximately £434,000). This customer is now live, and is further evidence of our capability to sell to, win, and deliver enterprise customers. Additionally, and as we have referenced previously, this contract was sold on a multi-year prepayment commercial model, and we can now confirm that following the year end, we have received payments for years two and three of their licenses (cash value $1.13 million). We invoiced the first year licence and set up fees on signature of the contract and this invoice was paid in H2.

Other sales highlights include a contract to provide both our Agent Assist solution to more than 700 agents at the US contact centre operations of a well-known, financial services business which has an extensive European footprint; and a contract won through a competitive tender process with a Fortune 100 US insurance company. This contract was for an initial phase of deployment, which is now live.

The TACV for the region at the end of the year was £1.66 million representing a 181% increase on the prior year (2019: £0.59 million). Revenues for the region represented 11% of Group revenues at £0.50 million (2019: 3% £0.10 million), reflecting the SaaS-based revenue model as the growth in new contract sales TACV begins to feed through into recognised revenue. We are continuing to see increases in key sales metrics that will cause the North American business to grow at faster rates than our more mature EMEA region, and eventually we expect the North American operation to surpass it.

From a new sales contracts perspective, and as noted in our Trading Update for FY20 in July, as a result of the COVID-19 pandemic, we did experience some delays in new business sales conversion for a number of more mature opportunities expected to close at the end of our Q3 or during Q4. For the North American operation, this had an impact on H2 new sales which otherwise would have produced a stronger full year outcome but for these delays. I am pleased to confirm that the decision-making delays we saw during the on-set of the pandemic have reduced. We have made a strong start to FY21, with newly created opportunities progressing with sales velocity closer to pre-COVID-19 anticipated levels.

With the majority of our global partners being headquartered in the US, the North American partner landscape is not only important for the region, but for the Group worldwide. Having fully on-boarded all key global partners in the region by the year end, I can report that those partners by majority contributed to the record 37 new customer contracts signed in Q4 across the Group. This includes our new global arrangement signed with 8x8, an extension to our previous UK-only contract, and Talkdesk, both of which were announced in H2 FY19. These partners add to our existing on-boarded global resellers headquartered in the region including Vonage, Worldpay B2B (previously named Paymetric), and Genesys.

In the year we added two key technical partnerships with two of the most prominent traditional telephony vendors in the world, both headquartered in the US; Avaya and Cisco. We have been selected by Avaya for membership as a Technology Partner to their DevConnect Program; and additionally, Cisco has selected us as a Preferred Solution Partner as well as granting us certification for compatibility with their various platforms. These technical partnerships are key in underlining our credibility within both organisations' reseller communities in the US and worldwide, as well as providing credibility for our own services' interoperability with their platforms for direct enterprise customers using their technology.

We continue to see lower levels of competition in North America compared to the UK, with a small number of US-based competitors. Whilst we were not the first UK company in our market to launch in the US by a number of years, we believe that in our short time in the region we are now beginning to establish our brand as the strongest and most recognised. This is being achieved by a two-pronged marketing strategy. First, the support of our partners through collaborative marketing efforts and leveraging their extensive market access capabilities. Second, continual stepped improvements in both our digital marketing capabilities and thought leadership activities driving relevant, interesting, and useful content into the market. In addition to growing our brand exposure to the enterprise end of the market, our focus on easy-to-use cloud technologies and partner-first approach means we have an early-stage foothold on the mass-market small to mid-size contact centre segment. Our brand momentum in the region is evidenced by our leading position as the brand receiving the highest Share of Voice ("SOV") in the market compared to our main competitors, with PCI Pal receiving a very significant 73% of media mentions in our market sector in the US across the full year.

We continue to run our business in the ANZ region out of the US due to the beneficial time zone overlap of our employees based on the US west coast. We are focused on supporting our partners who have businesses in ANZ, and as a result have grown our customer-base in the year. Reference customers in ANZ include Queensland State Government and News Corp Australia, and we have also extended our reach through the signing of a new reseller in the region who is the second largest Genesys VAR in Australia. This partner also has operations in the U.K. so as a by-product there is also early stage engagement in EMEA.

EMEA

The EMEA business, served from the UK, is the more mature of the two core regions and as a result has a more established base of customers that are live and producing recurring revenue from EMEA. We took a major step forward in revenue for the year, 43% ahead of the prior year at £3.89 million (2019: £2.72 million). 84% of this revenue is recurring licences or transactions. This is a direct result of the growth in new sales bookings that we have seen in the last 24 months, which are now producing recognised revenue as the customers are implemented.

Revenues for the EMEA business are generated both from services on our first generation, privately-hosted platform and, since 2018, from our true-cloud AWS environment which enjoys much higher gross margins. We have not sold services on our first-generation platform since early 2018, with all sales since then being on our AWS platform. We finished the year with 46% of EMEA revenues generated from our AWS platform, (2019: 18%) an increase of 156%. To date we have opportunistically transitioned a number of our customers on our first-generation platform to our AWS environment. Plans have though now commenced to proactively transition these customers to our higher gross margin AWS environment over the next 24 months.

TACV in the region increased 46% year on year to £5.08 million (2019: £3.47 million) illustrating the outlook for recurring revenue from signed contracts as they are implemented and reach revenue recognition over the coming year. Incorporated into these TACV numbers, is our new business ACV signed in the year. Similar to North America, EMEA sales bookings were adversely impacted due to timing delays during the on-set of the pandemic in the final four months of the financial year. We finished the year with new ACV sales bookings 8% greater than the prior year at £1.53 million (2019: £1.42 million). I am pleased to report that the EMEA business has started the new financial year well and in line with management expectation.

Sales highlights in the year include the signing of another major enterprise-size government agency contact centre, with more than 4,000 agent seats. The contract, to deliver our Agent Assist solution, has an ACV value of £0.5 million. We will be invoicing the first years' license when agreed delivery milestones have been met, and we continue to expect this to occur in H1 FY21. We have a particularly strong presence in U.K. public sector and this latest contract further underlines our position in this specific market vertical.

Through our resellers, who focus on the public sector, such as Civica, we have now more than 40 local authorities using our services to secure payments for U.K. citizens. PCI Pal is a Crown Commercial Services Certified Supplier, and our products are available to public sector organisations through the U.K. government G-Cloud framework.

Other sales highlights in the period include a number of further contracts through our reseller relationship with Capita Pay 360, one of which is to a well-known FTSE 250 retailer delivering our services into their contact centres in the UK and South Africa. In H2 this customer went live with all services across both territories. Additionally, we also won a contract with a global Nutritional Supplements firm, headquartered in Cambridge, UK to provide not only secure credit card payment services but also the facility to securely collect customer bank details for direct debit transactions and bank transfers. This company serves customers across Europe, including Germany, where direct bank transfers are more prevalent for orders taken by phone. This customer was sold through our newly on-boarded integrated partnership with Puzzel, the Nordic based pan-European CCaaS vendor.

We have been particularly successful in EMEA in opening up partnerships with new resellers who have had historic relationships with our competitors. As we have previously reported, a number of our closest competitors invested in the market earlier than us, and as a result they had been able to achieve working relationships with the sorts of organisations we would seek to partner with. Nonetheless we have proactively targeted leading VARs with these historic competitor relationships in the region, and particularly those that focus on the resale and maintenance of the major telephony vendors with whom we are accredited (such as Genesys, Avaya, and Cisco). I am very pleased with our progress on this initiative and can report that we completed the year having signed three new important VAR resellers. Two are leading Genesys VARs, one in Ireland (with whom we have sold and delivered our first customer) and the other in the UK. The third is a leading UK-based Avaya VAR. Both of the UK-based resellers have their own hosted instances of Genesys and Avaya respectively, and so we are deploying repeatable integrations which can be used across all their customers using services on these platforms.

The EMEA business today is very much focused on the U.K. market. We continue to monitor opportunities, both through existing and new partners, to gain footholds in other countries in the territory as we assess our future long-term strategy and timing to expand across mainland Europe. We remain cautious to balance the EMEA opportunities with the risk of management distraction and resource diversion away from our core focus opportunities in our stated target markets in the UK and North America.

Channel Partners

PCI Pal has a partner-first sales model which means that we have a company-wide focus on generating most of our sales through channel sales partners. In the year 78% (2019: 84%) of new customer contracts were sold through channel partners, equating to 42% of the total ACV by value. We anticipate channel to be the majority by value over time as our lead generation from channel increases as a result of our growing base of on-boarded partners.

As we have referenced in the Market Drivers section of this report, the contact centre market is by majority made up of contact centres of 250 agent seats or less. In the US 93% of all contact centres (37,000 in total) have less than 250 seats and employ 55% of all agents across the country. This is clear evidence of the long-term scale opportunity for PCI Pal if we are able to profitably win and serve these smaller, higher quantities of contact centres who make up a majority of the addressable market. Our channel approach is integral to this capability, particularly through our integrated partners such as 8x8, Vonage, and Talkdesk. This growing capability is being substantiated by the accelerated increase we have seen across the year in the number of new customers we are signing quarter on quarter as more of our partners become fully enabled and relationships mature finishing the year with 37 new customers signed in Q4 alone, compared to 24 in Q1.

Channel not only gives us the ability to cost-effectively access a wider addressable market, but it also empowers us to efficiently deploy higher quantities of customers leveraging the highly repeatable nature of our Integrated Partner engagements. Additionally, our partners provide first-line support to customers, so PCI Pal can be highly efficient in servicing these accounts, focusing instead primarily on the success of the partner. This sales strategy plays a major part in establishing the significant operational gearing that this business is building towards.

Having started the year with the announcement that we had been awarded EMEA Partner of the Year for Genesys AppFoundry, this award led to increased cooperation within Genesys. While commercial relationships with large partners such as this take time to nurture and develop, we are now seeing progress as a result of the time investment and commitment we have shown to them. This includes the signing of three new Genesys VAR resellers in the period across EMEA and APAC. Our collaboration with partners has only increased during the on-set of the COVID-19 pandemic, and we have been particularly active across the final four months of the year creating extensive amounts of thought leadership content and collateral with these partners, naturally strengthening those relationships while at the same time growing awareness of our products with their customer bases.

We categorise our partners into four different groups:

- **Integrated Partners** - Such as CCaas, UCaaS or carrier partners with tight telephony, and sometimes desktop, integrations. Repeatable integrations facilitate shorter customer implementation times.
- **Solution Providers** - Typically VARs or Systems Integrators of the major telephony platforms such as Genesys, Cisco, and Avaya. Solution Providers also include payment service providers such as Paymetric and Civica.
- **Referral Partners** - Partners who introduce customers to us, to whom we then sell direct. These include Master Agents, consultants, as well as other organisations who may prefer to first introduce, prior to becoming a fully enabled reseller.
- **Technology Partners** - a recent addition to our partner landscape, and whilst expected to be less numerous, we have identified an important subset of technology vendors with whom we have sought technology accreditations that allow us to sell to both their own partner communities and also major enterprise customers.

Whilst typically, the vendors we would see as Technology Partners have been the more traditional vendors such as Avaya and Cisco, we have also seen cloud vendors such as inContact (an existing referral partner) and Five9 adopt the same approach. Whilst being part of these communities has some value, they do not produce the same level of volume or interaction that can be achieved through a fully on-boarded reseller partner. We are therefore careful to allocate resources judiciously, while being mindful that closer relationships can be built with these organisations' own VAR reseller communities. We also carefully assess these technology partners' appetites for direct reseller relationships.

Operations

I am extremely pleased with the stepped improvements we have made across our engineering and professional services departments in the first full year since we re-structured both of them in H2 FY19.

We have continued to invest in these critical functions by adding several new key resources and skills to the teams. These have been targeted at supporting larger volumes of telephony deployments both for integrated partners and direct customer deployments, as well as adding a Head of Development reporting to the CTO. Some of these new people have been hired in the US to support increasing demand for our services and delivery there, even during the on-set of COVID-19 where we benefitted from our ability to deliver services entirely remotely.

In FY20 we delivered 71 new customer projects which is an increase of 154% on the prior year (FY2019: 28). This significant increase not only reflects the accelerated increase in new customers, but it particularly highlights our improved capabilities in deploying new customers. As we continue to expand the volume of new business enquiries generated through our channel partners, the foundations we have now put in place across engineering and professional services position us to achieve service delivery excellence and, importantly, efficiency in our processes as we scale this business.

Our key project delivery metric of TTGL, which is a measure of the time it takes us to get from a new signed contract to revenue recognition (typically go live), stood at an average of 5.5 months (2019: 6.4 months) across all channels and all contracts delivered by the year end irrespective of when the customer was signed. We have also begun tracking TTGL measuring only contracts signed in the year. I am pleased to report that we are seeing improvements in this measure of TTGL, for example achieving an average of 4.4 months TTGL for all projects signed and delivered in FY20. These measures taken together are indicative of further expected improvements in our overall operational gearing of the Company as the mix of our business continues to shift towards partner driven and AWS cloud hosted new customers. It reflects both the result of the considerable positive changes we have implemented since we introduced the TTGL metric in January 2019, and also the growing number of customer projects that we are delivering through Integrated Partners, such as Talkdesk, 8x8, Vonage, and Puzzel.

Given these improvements, it is not surprising that we have experienced a significant increase in our Net Promoter Scores, the globally recognised measure of customer (and partner) experience. We finished the year with an NPS score 102% above the global benchmark, which is a significant improvement on the prior financial year. The knock on impact of this positive outcome is that we are well positioned to produce more case studies and testimonials from partners and customers once their services are live.

Our #1 stated value is *"Security is job zero", and so data security is* an intrinsic part of everything we do. In the year we achieved certification for the third year running against the current version of the Payment Card Industry Data Security Standards (PCI DSS) for our AWS cloud platform; and for the eighth year running for our first-generation platform. This certification testifies that PCI Pal is the highest level of security required under PCI DSS and, as a Service Provider, can therefore handle payment data for any size organisation across the globe. Latterly in the year, we also incorporated our new PCI Pal Digital product into the scope of our PCI DSS compliance when this was launched across our platform globally in January 2020.

In addition to PCI DSS, we continue to maintain certifications for a variety of globally-recognised standards, including ISO 27001 (Information Security Management Systems), ISO 22301 (Business Continuity), ISO 9001 (Quality Management Systems), and ISO 14001 (Environmental Management). In totality our accreditations not only bolster our own processes but ensure that our partners and customer have points of reference to recognisable standards by which the Company operates.

People

As our vision states, it is our people, beyond our technology, that underpin this business. Creating an environment within which our people can succeed, ensures the success of our partners who rely on us. Talent acquisition, people development and employee retention are a critical part of my role as CEO. As a business that has grown from 11 to 58 people in under 4 years, we have maintained considerable attention to our hiring strategies. I am personally very proud that our employee retention remains high, at more than 95%, with only one employee leaving us in the financial year. From recent Company-wide surveys we know that our employees believe that the COVID pandemic has brought them all even closer together as we have worked as a team to reach a new normal during what have been very busy times for the business. Our people can be proud of what they have achieved during this time given they have been managing some of the most challenging circumstances they will ever meet personally away from work.

Cultural fit carries significant weight during our new hire assessment process, and it is often the differentiator between a number of strong candidates. This personal fit to the Company has always been essential as a small business with global operations. Cohesiveness of our teams and how they interact with each other is critical to both our internal cohesion but also our external facing success. And they must also know how to have fun. To that end, it is very common for senior management to receive positive feedback from partners and customers, both prospective and existing, commenting positively on our people, our professionalism, our approachability, and our personality. All of these things are critical for maintaining high customer retention and Net Promoter Scores.

New this year we have introduced an array of new processes and activities to our people strategy and plans; including the launch of the Company's Wellbeing Portal introduced during the height of COVID-19 lockdown in the UK and US; twice annual all-company people surveys; the launch of our cloud-based HR system "Breathe", as well as introducing a kudos initiative allowing employees to give each other and internal teams kudos, encouraging positive internal interaction.

These new initiatives, supplement our existing people engagement activities which include quarterly Company all hands meetings, all now entirely virtual and run with far greater frequency during COVID-19 lockdown, and OKRs ("Objectives and Key Results") which we use to align our high level corporate strategy with all individual employees objectives within the business.

I would like to personally take this opportunity to thank every member of the PCI Pal team for going over and above, and particularly during what have been trying times for everyone personally away from work.

Funding

As a fast-growing company, it is always critical to have sufficient working capital available to deliver on our plans. Early in the financial year we entered into a debt facility arrangement drawing down £1.50 million of a £2.75 million facility.

In March 2020, we announced an equity fundraising with gross proceeds of £5.00 million, with £4.25 million of this raised from VCT investors to fund continued growth in North America. We were delighted with the support shown by both our existing investors, and new investors, which will enable us to capitalise on our current North American expansion, and enable us to further advance our product management and development capabilities in order to support our long term ambitions and growth opportunity.

The additional funding has also ensured that we have strengthened our balance sheet. We finished the year with £4.30 million of cash and £1.25 million of further loan facility to draw giving us sufficient working capital to continue to grow the business as we work towards the point of cash generation and then profit both of which are anticipated during FY22.

Outlook

After a year of significant progress against our stated objectives; North American expansion, excellence in our global cloud platform, and execution of our channel go to market strategy, and in a year that incorporated significant market disruption due to the on-set of the COVID-19 pandemic, PCI Pal is positioned well to continue its momentum as a result of its market position and business model.

Following the fund raise in March 2020 we have the opportunity to continue this momentum from a position of greater strength with further, cautious investment in North America, the Company's largest growth opportunity, improved product management capabilities, and a more robust cash position. We are confident of the business' prospects given these factors while companies worldwide give more focus than ever to the security of data handled by home workers, and the availability of robust, flexible cloud services to enable business continuity during challenging times.

We fully anticipate the cloud transformation of the communications industry to continue to increase pace with changing market conditions, and we look forward to another year of strong performance against our key metrics and significant revenue growth as we work towards our first months of cash generation and profit in FY22.

James Barham | CEO
11 September 2020

"Talkdesk understands the changing needs of today's innovative enterprises and prides itself on creating contact centre solutions that continuously improve the customer experience, and result in increased productivity, customer satisfaction and higher cost savings. It is important to us that we also ensure the highest levels of security and compliance for our customers now more than ever, and PCI Pal allows us to do that."
Talkdesk

CHIEF FINANCIAL OFFICER'S REVIEW

FOR THE YEAR ENDED 30 JUNE 2020

Revenue and gross margin

Group revenue grew by 56% to £4.40 million (2019: £2.82 million) and gross margin improved to 69% (2019: 60%). This improvement continues to reflect the higher margin revenue generated by the PCI Pal platform hosted on AWS which has only a limited reliance on third party carriers to receive or deliver calls. Going forward, we expect the gross margin to continue to improve as more sales, delivered on the AWS platform, reach revenue recognition.

The Group's revenue reflects its SaaS business model. It delivers its services primarily through channel partner into contact centres who are charged primarily 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. Renewal and retention rates are extremely high exceeding 95%.

The Company has been selling only services served from its AWS platform since early 2018. As it continues to add and deliver more customers so its visibility of recurring revenue increases. At the year end, the Group finished with a TACV of £6.7 million and so has a very high visibility of the market's expected revenue for the next financial year.

Administrative expenses

Total administrative expenses were £7.22 million (2019: £6.37 million), an increase of 13%. Most of the £0.85 million increase was driven by the investment in additional headcount for the Engineering and Professional Services departments as detailed in the CEO's review.

Personnel costs charged to the Comprehensive Income Statement (including commission, bonuses and travel and subsistence expenses) were £5.54 million (2019: £4.47 million), and £1.00 million (2019: £0.49 million) was capitalised as Development costs. These personnel costs make up 77% (2019: 70%) of the administrative costs of the business.

Changes in accounting rules

The Company has implemented IFRS 16: *Leases*, effective from 1 July 2019. The Group has chosen not to restate the previous years' financial statements following the adoption of IFRS 16 and there has been no overall effect on the loss before tax following the adoption. Full disclosure of the changes has been made in the notes to these accounts.

Exceptional non-recurring costs

During the year the Group did not charge any item as an exceptional item to the Statement of Comprehensive Income (2019: £0.36 million).

Adjusted operating loss[1]

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

	EMEA £000s	North America £000s	Central £000s	Total £000s
2020	(1,330)	(2,081)	(692)	(4,103)
2019	(1,138)	(2,489)	(605)	(4,232)
Change in year	(192)	408	(87)	129

1 Loss from Operating Activities before exceptional costs and share option charges.

The EMEA region's Adjusted Operating Loss increased by £0.19 million in the year. The region continued to deliver strong sales which grew by £1.17 million to £3.89 million resulting in an improvement of £0.99 million in Gross Profit at a margin of 67% (2019: 59%). Administrative costs grew by £1.18 million (13%) primarily reflecting a further investment in personnel, especially in the Engineering and Professional Services departments. Depreciation and amortisation costs were £0.55 million (2019: £0.27 million). The operations within this region have been established longer than those in North America and include the majority of the Engineering, Information Security and Professional Services people and costs for the Group as a whole.

Having opened our business in North America with primarily sales and marketing resources, we now have a number of people in Engineering and Professional Services to meet the growing demand for our services in the region. The North American head office is in Charlotte, North Carolina. Operating Loss in the region improved by £0.41 million primarily driven by a £0.36 million improvement in Gross Profit as new contract sales were deployed. Overheads improved by £0.05 million reflecting the savings made by the move back to the UK of James Barham offset by additional operational hires.

New contract sales in the period have been strong in the region, including the Group's second largest contract to date, and so as these sales and subsequent customer deployments in North America continue to grow, we expect Operating Losses in the future to decrease.

Costs for our Central operations relating to PLC activities increased in the year reflecting the cost of James Barham being fully charged in the year following his relocation back from the US and Simon Wilson joining the Board in the financial year.

We have now reached a stage where the future growth in employee numbers is starting to slow, having grown rapidly over the last three years. We are now focusing our hiring policy on targeted improvements and so we are expecting that our continuing, rapid sales growth will now start to deliver positive operational gearing as we push towards achieving profitability.

Further segmental information is shown in Note 9.

Key financial performance indicators

The directors use several Key Financial Performance Indicators (KPIs) to monitor the performance of the Group, its subsidiaries and targets. The principal KPIs are as follows:

		2020	2019
1	Revenue	£4.40 million	£2.82 million
2	Gross Margin	69.2%	60.2%
3	Signed ACV in financial period	£2.62 million	£1.91 million
4	Contracted TACV[1] deployed and live	£4.04 million	Not available
5	Contracted TACV in deployment	£2.19 million	Not available
6	Contracted TACV – projects on hold	£0.52 million	Not available
7	Total Contracted TACV	£6.75 million	£4.06 million
8	Cash facilities available[2]	£5.55 million	£1.49 million
9	Deferred Income	£4.53 million	£2.45 million
10	Ratio Personnel cost to administrative expenses	77%	70%
11	Headcount (excluding non-executive directors)	58	50

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 Cash balance plus undrawn debt facilities

Actual performance to budget is reviewed on a monthly basis and the results are used to continually update the Group's forecast as to expected performance and cash resources.

Capital expenditure

As required by IAS 38, we have capitalised a further £1.00 million (2019: £0.49 million) in development expenditure as we continue to invest in additional headcount in the Engineering department allowing us to continue our investment in our cloud platform and introduce new features and products at an increased pace.

Towards the end of the financial year, following the strong new contract sales and deployments, the Group invested £0.30 million in further perpetual SIP, RTP and SBC software licences (2019: £0.08 million). Other capital expenditure relating to computer equipment was £0.03 million (2019: £0.03 million).

Deferred income

Deferred income increased 85% to £4.53 million (2019: £2.45 million) mostly reflecting the significant growth in new business sales and the consequent increase in invoices raised in advance.

TACV

TACV at the end of the financial year increased 66% to £6.75 million (2019: £4.06 million). This metric is a key indicator of our ability to reach first cash flow and then profit break-even as customers go live with our services. At the end of the financial year £4.04 million of the TACV total was live and delivering monthly recurring revenue. A further £2.19 million was going through our installation processes and so are not yet delivering monthly recognised revenue, but should start within a few months, as the related customer projects go-live. The final £0.52

million related to contracts that were classed as being on hold, normally due to a lack of resource with the customer and/or channel partner, or our solution is part of a larger project being delivered by our partner, which normally has to be deployed first before we can start the installation. The on hold contracts will eventually start being deployed but can take up to six months before the deployment process starts, and so these projects will have a more significant delay prior to reaching recurring revenue recognition. Growing levels of TACV produces increasing levels of future revenue visibility, an attractive aspect of the Group's business model.

Set-up and Professional Services Fees

During the financial year the Group generated £1.29 million (2019 £1.11 million) of set-up and professional services revenue. Of this total £0.09 million (2019: £nil) was for a one off project for a major client and so was released directly to the Statement of Comprehensive Income. The balance will be deferred over the length of the related contract in accordance with IFRS 15.

Trade receivables

Trade receivables grew to £1.263 million (2019: £1.057 million). The level of receivables reflects both debtors generated from new business sales outstanding at the end of the period as well as debtors relating to invoices raised on a monthly basis. As at the 30 June 2020, £0.62 million of the outstanding debtors related to newly signed contracts.

Despite the operating challenges presented by COVID to all businesses, we have nonetheless been able to improve our collection rates, ending the year with 89% of debtors less than 60 days old and a further 8% in the 60 to 90 day period, of which a significant proportion was collected in the first two weeks of the new financial year.

Taxation

During the year the UK entity received £0.22 million as a R & D tax credit from HMRC relating to the financial year ending 30 June 2018. An application was made for an additional credit of £0.15 million related to the financial year ending 30 June 2019, which was received post the year end, and so has not been recognised in the accounts.

Cashflow and liquidity

Net cash as at 30 June 2020 was £4.30 million (2019: £1.49 million).

In September 2019 the Group received £1.50 million in loan funding (£1.31 million after fees) from the facility detailed below and has a further £1.25 million to draw. By the 30 June 2020, the Group has repaid £0.23 million of the £1.50 million loan and had paid interest of £0.13 million.

In March 2020 the Group placed 16.666 million shares at 30 pence per share to raise £5.00 million in new equity finance (£4.57 million net of expenses).

Excluding these additional sources of net cash, the Group cash outflow was £2.71 million against the comparable 2019 figure of £4.56 million. The net cash outflow is far lower than the reported adjusted operating loss of £4.10 million reflecting the advance billing nature of the Group's SaaS business model.

With the existing cash balance of £4.30 million plus the additional £1.25 million of loan facility the Group had available cash resources of £5.55 million at 30 June 2020.

Since the year end we have received $1.13 million of cash for years 2 and 3 of multi-year prepayment arrangement with largest customer in US (signed in FY20), increasing the cash resources of the Group further.

Loan Facility

In September 2019, the Group entered into a £2.75 million loan facility with Shawbrook Bank. The principal terms are as follows:

Term	36 months with three month capital repayment holiday
Interest rate	9.3% over LIBOR paid monthly
Arrangement Fee	1.4% of loan facility
Non utilisation fee	0.6% of unutilised amount
Exit fee	cash amount calculated on the shares equivalent of 7.5% of the facility payable on takeover of Group or refinance of the loan
Security	Fixed and Floating debenture over the assets of the Group.

The loan balance can be drawn in two tranches with a minimum of £1.0 million within five business days of the signing of the agreement and the remaining balance within twelve months. The Company has drawn down £1.5 million of this new facility. The facility is being used to support the working capital requirements of the Group as it continues to grow – see Note 16 for full disclosure of terms.

COVID 19 and Going Concern considerations

The Board of Directors continue to monitor the potential impact of the COVID-19 pandemic closely.

Since the pandemic outbreak there has not been a significant impact on the Group's financial performance. The business was able to transition to home working with relative ease. This was helped by the fact that it is a pure cloud driven business and the fact that before the pandemic some 60% of our employees already worked from home. It was therefore relatively easy to migrate the other 40% to home working as we already provide all employees with laptops and mobile phones. All core documents and systems were already in the cloud and so were immediately available online.

New contract sales for the last quarter of the financial year were a robust £0.8 million, out of a total £2.62 million delivered in the year. When the pandemic hit, despite experiencing delays on some existing pipeline opportunities, the Group saw a noticeable uplift in new sales enquiries and experienced some success with its rapid deployment solution, Rapid Remote, which led to immediate contracts being signed within a few weeks of the launch totalling US $0.2 million. The first quarter of the new financial year has started well. All sales and contract discussions are undertaken via video conference, email, and telephone.

From a marketing point of view all trade conferences have been either cancelled or postponed for the rest of this year, most of which were scheduled to take place in the US This has protected our employees from attending large gatherings and also reduced administration expenditure. We have adjusted our marketing strategy accordingly increasing our digital marketing efforts and collaboration with channel partners. We can report that since the start of the new financial year, we have not experienced the decision-making delays that we saw, and reported on, at the on-set of the COVID-19 pandemic.

Our deployment processes can all be achieved entirely remotely as there is no need for any of our professional services team to attend customer sites. This has allowed us to maintain a strong deployment record with 23 contracts going live in the final quarter of the financial year and this momentum has been maintained into the new financial year.

As a result of the robust performance, the Company has not had to furlough any of its employees, and in fact it has continued to hire new staff to help cope with the additional demand for service delivery. The Group has not taken out any government-backed loans, but it has taken advantage of some of the tax payment deferrals that are available, such as VAT deferment in the UK.

The move to working from home, the lack of trade related shows and the increased use of video conferencing has had the added benefit of dramatically reducing the Group travel and subsistence expenses.

With the Group year-end being 30 June, the Group normally prepares its next financial year budgets in the April to June period. Historically, this has been undertaken face-to-face with all managers meeting in one location. Due to the pandemic this too was moved to being remote sessions by video conference, where the management team presented their departmental forecast based on a COVID-considered market landscape.

This year's budget has made certain cautious assumptions including that sales would be in some part adversely impacted compared to pre-COVID expectations. The budget also assumes, conservatively, that our deployment TTGL would not improve significantly due to the potential for customer delays from having to work remotely. We also took a conservative view of the growth in deferred income.

The Board considered the budget presentation in June and the controls in place that will allow the Group to control its overhead expenditure but still maintain its momentum and deliver market forecasts. Particular attention was paid to the impact of any adverse movement in sales and deployment on the Group's net cash position and the level of headroom achieved.

The Board considered sensitivity models of the budget considering the potential of a longer-term impact of COVID than originally envisaged, which therefore would result in further reduced sales and related cash generation. The Board also considered actions that could be taken to help mitigate the resulting loss in sales.

At all points the directors were satisfied in the robustness of the Group's financial position from the presented plans which, they believe, take a balanced view of the future growth prospects and potential impact of COVID-19, together with the contingencies that can be taken if the budget assumptions are too optimistic. 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 (2019: £nil).

William Good | Chief Financial Officer
11 September 2020

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MITIGATION

The Board of the Company and its management regularly review future strategy and business risk. There are a number of potential risks and uncertainties, which could have a material impact on the Group's performance and therefore could cause actual results to differ materially from those expected. Where possible, processes are in place to monitor and mitigate identified risks.

The Group's Information Security department, led by the Group's Chief Information Security Officer ("CISO"), a board member, maintains a 'risk register' and on a regular basis carries out a review of the Group's primary risks and uncertainties.

Focusing on the "top ten" identified risks, a heat map matrix such as the following example is produced:

The higher the impact score the higher the risks are to the Group. Mechanisms such as the risk heat map therefore allow the directors to identify the highest priorities and to put in place suitable risk mitigations to minimise a risk from happening and reduce the impact of a risk event should it happen. For instance, with the recent interruptions caused by the COVID-19 pandemic we were able to quickly and efficiently move to home working, and because our services our delivered over a cloud environment we have not had to change how we interact with our customers and suppliers, thus minimising the overall risk.

No business can fully plan and eliminate all the risks it faces and so the Board look to manage and minimise risks down to an acceptable level.

ID	Risk	Impact	Likelihood	Vulnerability	Speed of onset	Impact Vs. Likelihood	Impact Vs. Vulnerability
1	Data Breach	5	3	2	4	15	10
2	Business Interruption	5	3	2	5	15	10
3	Third Party Relationships	4	2	3	2	8	12
4	Resistance to Change	3	3	3	2	9	9
5	Recruitment/Retention Issues	3	4	2	1	12	6
6	Crisis Management	3	3	3	2	9	9
7	Risk Culture	3	3	2	1	9	6
8	Legal Regulation	3	3	1	4	9	3
9	Negative Publicity	3	2	2	2	6	6
10	Meeting Performance Expectations	2	4	3	1	8	6
		1 - Incidental 2 - Minor 3 - Moderate 4 - Major 5 - Extreme	1 - Rare 2 - Unlikely 3 - Possible 4 - Likely 5 - Almost Certain	1 - Very Low 2 - Low 3 - Medium 4 - High 5 - Very High	1 - Very Low 2 - Low 3 - Medium 4 - High 5 - Very High		

Raw (unmitigated) risk matrix - top 10 risks

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MITIGATION CONTINUED

Set out below are the significant business risks identified. This is not an exhaustive list of the risks faced by the Group and are not necessarily presented in order of priority.

Specific Risk	Mitigating factors
Information Security and Cyber risks such as data breach and business interruption	
The ever-evolving, sophisticated nature of the cyber threat landscape poses an ongoing risk to the Group. Given our market and services, revenue is heavily dependent upon the security of the Company and its systems and processes.	The Group continually invests in informational security, data protection and regulatory compliance under the leadership of the Group CISO. It keeps under review formal data security and business continuity policies which are independently audited by a Qualified Security Assessor ("QSA") for PCI compliance, and a qualified assessor for ISO compliance.
A successful cyber-attack against the Group's digital assets could significantly impact the Group's ability to function, as well as its ability to retain and attract business.	Twice yearly our systems are subjected to rigorous third-party penetration testing to help ensure our system integrity. Both PCI DSS and ISO 27001 certification auditing are some of the most thorough of all certification systems currently available. The Group's solutions are designed to minimize storage of clients' payment data or that of their end customers, as such PCI Pal significantly reduces any potential exposure in the event of a data security breach. PCI Pal does not store payment data itself either, which has a similar mitigating affect.
Business interruption	
The loss or failure of PCI Pal systems would impact both on the Groups operations and those of its resellers and customers.	The primary AWS cloud platform is hosted across multiple AWS regions, and within those regions retains resilience through a minimum of two independent availability zones. Load balancers and auto-scaling groups running within each availability zone constantly monitor the health and capacity of the network and automatically act, launching new server instances in the event of high load or server outage. To reduce the operational risks for the legacy first-generation platform the Group has a fully resilient privately hosted platform with all components configured into failover pairs. Additionally, the entire platform is duplicated across two physical data centre locations in the UK. These back-up facilities have independent telephony and computer data systems synchronised to the main data centre such that they automatically fail-over to the back-up in the event of a major incident occurring.
Delays in delivery of customer projects	
The Group generates most of its cashflow and revenue from the licensing and periodic charges for our solutions. The Group invoices its customers both initially on signing of contracts and then at set times during the term of the contract. The timing of some of these periodic charges may be linked to project delivery milestones related to solution implementation. Unexpected or extended delays to the implementation process may therefore impact the timing of our ability to charge and receive payment for our services, which may have a serious, detrimental impact on the Group's financial position.	The Board has created KPIs specifically related to project delivery and implementations and management reviews these regularly. The Board believes the Group has employed the right people to oversee these risks and has established good systems and processes to ensure we can manage the risk as best as possible.
Pandemic Risk	
Outbreaks of diseases and enforced lockdowns could impact local working environments.	As PCI Pal is a cloud vendor it requires no physical access to customers premises in order to implement and maintain services, we can maintain high service levels during these periods.
We may experience shortages of staff if they become ill	All employees, both in the UK and the US can work remotely from home during the pandemic, thus reducing the chance of COVID-19 spreading through the business.
Large marketing events may be cancelled impacting lead generation.	We have adjusted our marketing focus away to account for reductions in physical events and increased our focus into collaborative marketing efforts with partners and digital campaigns.

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MITIGATION CONTINUED

Specific Risk	Mitigating factors
Regulation and Industry Standards	
The Group operates across a range of countries, all of which have their own legal regulations. Additional laws may be enacted covering issues such as data protection, taxation, pricing or law enforcement which may impact the Group's ability to operate.	The Group has established an Information Security team, headed by our CISO, who focus on ensuring the highest standards of regulatory compliance and data security. The CISO is a PLC board director. Additionally, the company works with specialist law firms in the UK and US, both of whom have significant international experience. As a small company, PCI Pal utilises external counsel frequently to ensure compliance with regularly and industry standard wherever it operates.
The Group's solutions rely on PCI DSS compliance and adherence to industry standards such as ISO 27001. Changes to these standards, or the introduction of new ones, could potentially impact operations.	PCI Pal is a Participating Organisation of the Payment Card Industry Security Standards Council ("PCI SSC") and as such, is involved in the process of updates and revisions to the PCI Data Security Standard.
Loss of or infringement of intellectual property rights ("IPR")	
The Group is reliant on IPR surrounding its internally generated and licensed software. It may be possible for third parties to obtain and use the Group's IPR without its authorisation. Third parties may also challenge the validity and/or enforceability of the Group's IPR.	The Group holds several IPR protections such as patents, copyrights and contractual provisions. In order to counteract the risk of third parties infringing PCI Pal's own intellectual property rights, or claim that PCI Pal has infringed their rights, the company regularly reviews its proprietary software and development activities with its IPR lawyers. As such the Directors do not envisage the risk of loss or infringement to be significant.
Recruitment and retention	
PCI Pal has a dependence on the recruitment of and retention of highly skilled employees. The Group has built a strong, core team to deliver its on-going strategy. However, additional staff may be required to scale the business. Failure to recruit the individuals required on time could restrict the Group's growth potential.	As detailed in the CEO's review, the Group has an active policy to identify, hire, train, motivate and retain highly skilled personnel in key functions. As a result of these policies it has been able to attract new skilled personnel to the Group and has a high employment retention rate.
Market and Product Development	
The sectors in which the Group operates and routes to market may undergo rapid or unexpected changes or may not develop at a pace in line with the Boards' expectations. It is also possible that competitors will develop similar or improved products; the Group's technology may become obsolete or less effective if left without product development or evolution; or that consumers use alternative channels of communications or methods of payment, which may reduce demand for the Group's products and services in the future. In addition, the Group's success may depend in part upon its ability to develop new and enhanced existing software solutions, on a timely and cost-effective basis, that meet changing customer requirements and incorporate technological advancements.	The Directors regularly review market movements, customer and partner requirements and competitors' products in depth. This focus allows the Directors to make product driven decisions based on sound forward visibility of likely market trends. The Group plans to invest in its Product Management capabilities by creating a new team who will be responsible for maintaining the relevance of our products in our markets, as well as identifying future opportunities. The Group has also established an Advisory Committee bringing in external sector experience to inform the directors and assist them in monitoring how the Group's markets are evolving. The Group had hired an experienced CTO in January 2019 and has invested heavily in the Engineering team, who are responsible for delivering the Groups product roadmap. Ultimate product ownership within the Company sits with the CEO.
Generation of sales through key partners	
While the Board continues to be confident that our channel go-to-market sales model is the most appropriate route to market to scale the business, delays could arise in the expected timetable of engagement and enablement of those partners. Such delays could slow the rate of growth in the Group's sales bookings and revenues. This could have an impact on the trading and financial position of the Group and the planned future timing of when it is expected to reach break-even.	The Board is confident that the Group has hired the right people, adding to an already experienced team, to capitalise on existing channel partnerships whilst growing new channel routes-to-market. In the year we have seen extensive evidence that our channel model is beginning to deliver, and the partner engagement and on-boarding processes we have defined and/or improved on in the last 24 months, give the Board confidence that this risk is manageable.

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MITIGATION CONTINUED

Specific Risk	Mitigating factors
Growth plans may change	
The cyber security market globally is rapidly evolving and growing. PCI Pal's focus today is in the PCI compliance space providing solutions to allow companies to handle their customers payment card data securely. We operate primarily in the UK and North America, managing payments made in primarily contact centre environments. Given the pace at which technology is moving in these markets, the Group may choose to explore additional strategic growth options utilising our existing global cloud platform. As such, the Board may alter its current expansion plans if a material new opportunity presents itself that, in its opinion, is more attractive than its current plans. Any change in strategy may require additional financing, which may include the issue of additional ordinary shares in the Company and dilution to shareholdings.	The Group continually monitors the market and maintains a focus on future-proofing our activities. The formation of the PAC will provide a further breadth of knowledge to allow us to plot the long-term growth plans.
Brexit	
The Group has a substantial trading operation within the United Kingdom; both in terms of staff headcount and in terms of its customer base. Brexit (the departure of the United Kingdom from the European Union at the end of December 2020) still has several unknown factors and these present some amount of risk with regards to the Group. The effects of the UK's exit from the EU on the Group could include: (i) significant legal and regulatory uncertainty; (ii) increased compliance and operating costs for the Group; (iii) increased levels of inflation, in the UK and other markets in which the Group operates; (iv) lower levels of demand for the Group's services; and (v) a reduction in the net assets and/or share price of the Group.	The Board continues to monitor the legislative environment, particularly in relation to data transfers between the UK and EU and visa-versa. The Group has already established a regional AWS cloud platform in Frankfurt, Germany, which can be used to deliver our services within the EU without breaching potential cross-border data protection laws. In the event of a "no deal" Brexit the Group's services currently would not be subject to any tariff charges under the World Trade Organisation guidelines. We therefore believe that the Group will not be materially adversely affected by Brexit, either with or without a trade agreement.
Reputational risks	
The Group's reputation may be damaged by a range of events, such as poor implementation of services, poor account management of partners and customers, product under-performance or data security incidents. The Group's reputation underpins its service offerings and so any damage to our reputation may damage our prospects.	The Board believes that the steps taken in establishing strong people, process, and technology ensure that this risk is significantly reduced. The Directors regularly monitor its Professional Services team receiving monthly updates on Net Promoter Scores provided by customers who have recently implemented our solution. Performance and uptime of the Group's platform is monitored and reported on to the Board. Any major service incident is escalated through established protocols and reported to senior executive directors. Post incident reports are circulated detailing any improvements/changes needed to the solution platforms, ensuring we undertake a continual improvement cycle. The Group's sales teams work closely with the channel partners and actively report back findings to the management team. The Directors therefore believe they have the right systems in place to protect and maintain the Group's reputation.
Financial risk management	
The principal financial instruments used by the Group, from which financial risk arises, are trade receivables, cash at bank and trade and other payables and the bank debt facility.	The Board has overall responsibility for the determination of the Group's financial risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing, operating and reporting thereof to the Group's finance function. The overall objective is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MITIGATION CONTINUED

Specific Risk	Mitigating factors
Financial risk management (continued)	
Credit risk Credit risk is the risk of financial loss to the Group if a partner or customer or a counter party to a financial instrument fails to meet its contractual obligations.	The Group is mainly exposed to credit risk from credit sales and/or bank default. It is Group policy to assess the credit risk of new customers and partners before entering new contracts and it has a frequent and proactive collections process. The concentration of credit risk is limited as the credit given is spread across all clients and partners. Under the terms of our contracts many services are charged for in advance of delivery, thus mitigating the risk further. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. At the year-end, the Group's cash at bank was held with two banks.
Market risk The Directors consider that exposure to market risk, arising from the Group's use of interest-bearing and foreign currency financial instruments, is not significant.	This is assessed in note 20.
Liquidity risk Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.	On a monthly basis, the Directors review an annual twelve-month cash flow projection as well as information regarding cash balances. The Group raised £5.0 million of new equity finance and has also recently established an on-going term debt facility with a UK Bank to assist in managing its liquidity risk.
Currency risk As a consequence of the increasingly international nature of its business, the Group has become more exposed to risks associated with changes in foreign currency exchange rates. The Group is based in the United Kingdom and presents its consolidated financial statements in pounds sterling. The Group's current revenues are generated primarily in pounds sterling but increasingly it is envisaged that the revenues will be generated in foreign currency, particularly the US dollar, the Canadian dollar and the Australian dollar. The Group also has substantial contractual obligations (primarily employment contracts) that are denominated in U.S. Dollars.	The Group has no currency hedging arrangements in place at present and notwithstanding any future currency hedging arrangements that the Group may put in place, the Group will have exposure to translation effects arising from movements in the relevant currency exchange rates against sterling. Therefore, there can be no assurance that its future results or resources will not be significantly affected by fluctuations in exchange rates. However, currently most of its cash resources are held in Sterling thus minimizing the risk of adverse currency translation on its physical assets. The Group continues to win foreign currency sales contracts, particularly in the United States of America. The sales contracts will generate foreign currency income which offset the cash contract liabilities in the local region.
Taxation risk The Group's operations and business will be subject to the effect of future changes to tax legislation and practice in the countries in which it operates. Any change in the tax status of the Group or any member of the Group or in applicable tax legislation or regulations in any relevant jurisdiction could affect its ability to provide returns to shareholders or negatively alter post tax returns to shareholders. The taxation of an investment in the Group depends on the individual circumstances of the investor.	The Group currently has substantial tax losses available to use in its EMEA and North American trading entities and so it is envisaged that the Group will not be subject to any meaningful corporation tax in the short term. The Group takes appropriate tax advice from professional tax specialists for each region it operates in and implements processes and procedures to ensure all relevant taxes are paid on time at the correct level.
Litigation Risk Companies in all sectors, including the sector in which the Group operates, are subject to legal claims, with and without merit. The Group may become involved in legal disputes in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Group's financial position, results of operations and/or prospects.	The Group has retained the services of appropriate external law firms in each of the entities it operates to advise accordingly. It proactively reviews and manages key potential areas of litigation, such as IPR infringement. The Directors therefore believe that the likelihood of the Group being successfully sued is low and so not material to the Group.

CORPORATE RESPONSIBILITIES

Mission, Vision and Values

Our mission is to safeguard reputations and trust. We provide organisations that engage with customers by phone with globally accessible cloud solutions ensuring their conversations are PCI compliant and personal data is protected. Safeguarding reputation and trust.

At PCI Pal, our vision is to be the preferred solution provider that technology vendors globally turn to for achieving PCI compliance for payments by phone. 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

"As part of our mission to deliver the highest level of security and compliance to our customers we are pleased to extend our partnership with PCI Pal. 8x8 is helping to transform the way the world communicates, and we've worked hard to become the leading choice for businesses looking for powerful, seamless services to meet all of their communications, collaboration and customer experience needs"

8x8

The PCI Pal CSR policy compliments our business mission, vision and values, reflecting the way we work and the services we deliver by focusing on three components:

Customer Engagement and Business Growth

"developing our business based on highly professional and ethical standards"

We build strong relationships with our customers, partners and stakeholders by ensuring we fully understand their objectives and needs. By being honest, open and transparent in our dealings we aim to have the highest professional and ethical standards. Working in partnership with our stakeholders we create tailored, high quality and fair value solutions. We engage with our customer base to address both opportunities and issues and have procedures in place to deal effectively with both complaint escalations and feedback.

Employee engagement, retention and development:

"recruiting and developing employees to ensure PCI Pal services are led and delivered by a well-motivated, educated and engaged workforce"

Supported by a thorough onboarding programme that starts from the point of employment acceptance, PCI Pal welcomes new people to the business in a friendly and professional manner. Tailored induction timetables give new starters the chance to engage with all areas of the business to help them quickly establish working relationships and begin building their internal network. Training doesn't stop when onboarding finishes, with a host of tailored management initiatives, technical courses and development opportunities. Our people development framework encourages feedback and open discussions around performance, objectives and achievements.

The diversity of our workforce reflects both the customers and communities we work with. We expect our employees to act with integrity towards both one another, and customers, partners, and suppliers, with diversity, fairness and equal opportunity policies laid out in our online employee handbook. The welfare of our people is further underpinned by our approach to Health and Safety and employee Wellbeing. We work hard to ensure our line managers are educated in supporting their people with issues both within and outside the workplace.

Kudos (within our HR system) is a simple but powerful way of publicly giving praise to co-workers, regardless of how big or small that might be. This promotes a healthy company culture and ties in with all our company values.

Our employee turnover is low, but when people do decide to move on, we take the opportunity to interview and document their reasons for leaving to allow us to make improvements wherever possible.

The welfare of our people is underpinned by our Health and Safety, and Wellbeing policies. These ensure our people are both educated and supported with issues they may have both within and outside the workplace.

Community Impact

"appreciating and improving the communities we work within"

We recognise the importance of the local and global communities within which we operate. We aim to enhance our contribution to these groups by being sensitive to the needs of local people and groups, and by promoting ethical and socially responsible trading. As we expand, we will continue to extend our work in the community to further increase our contribution.

We continue to operate sound business practices which identify the financial and environmental importance of improving energy efficiency, reducing waste and conserving materials. For example, conference calls are encouraged as the first choice for meetings, followed by public transport where site attendance is required. Over the next year we aim to focus our support with nominated local and global charities and organisations, assisting in their fundraising and awareness campaigns.

COVID-19

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

Currently the majority of staff are working from home, but we have made our Ipswich office available to those in the UK should they wish to attend to get a break from homeworking. Our main US office remains closed. We are carrying out regular all company surveys which provide feedback on our employee views and feelings towards working environments and the pandemic. The Company continues to assess the situation and intends to make more permanent plans around working arrangement as the situation developed in the UK and US over the coming financial year.

The Strategic Report for the Group was reviewed and approved by the Board of Directors on 11 September 2020

Signed by Order of the Board

James Barham | CEO

BOARD OF DIRECTORS

SIMON WILSON

Non-Executive Chairman

Appointed to the Board

1 November 2019

Working history

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

Committee membership:

A

JAMES BARHAM

Chief Executive Officer

Appointed to the Board

30 September 2016

Working history

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

WILLIAM GOOD

Chief Financial Officer

Appointed to the Board

1 April 2017

Working history

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

Committee membership key: A Audit R Remuneration

GEOFF FORSYTH

Chief Information Security Officer

Appointed to the Board

27 October 1999

Working history

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

CHRIS FIELDING

Independent Non-Executive Director and Senior Independent Director

Appointed to the Board

1 September 2014

Working history

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

Committee membership:

A Chairman R

JASON STARR

Independent Non-Executive Director

Appointed to the Board

1 January 2015

Working history

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

Committee membership:

A R Chairman

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

Dear Shareholder,

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

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

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

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

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

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

Simon Wilson | Chairman and Non-Executive Director
14 September 2020

COMPLIANCE STATEMENT

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

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

The Board considers that it has complied with the provisions of the QCA Code, with the exception of 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 from lawyers and accountants as well as other professional advisers. However, in FY 20, for the benefit of the Non-executive Directors, a series of subject matter deep dives was initiated. These are presentations made to the board 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 the knowledge and understanding of the business across the board and in particular the non-executive directors. This is an ongoing program and will be continued in FY 21 and beyond;
2. The Board has not prepared a formal statement on culture, ethical values and behaviours and so there is no formal, regular measurement or assessment of this. However, the Group has only 58 employees operating from two principal regions. The Board is therefore confident that it can adequately assess the corporate culture within the Group;
3. The Board has not established a nominations committee and so all matters relating to the appointment of directors are reserved for the full Board.
4. The Company Secretary, William Good, is also the Chief Financial Officer of the Group.

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

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

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

Application

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

Evidence & disclosure

Historically the Executive Directors prepare and present the strategic plan to the Board, which the Board challenges in order to determine the strategic priorities. Similarly, the Executive Directors also prepare and present the annual operating plan and associated budget. The Board reviews and critiques the annual plan and budget to ensure it is achievable within funding and resource constraints, as well as consistent with the Company's longer-term strategic plan.

During FY 20, the Board initiated the beginning of a refreshed review of the Company's long-term strategic goals which will continue into FY21. This will result in new five-year plan to replace the one first presented to shareholders in 2016 when the Company began its transformational journey to becoming a global pure-play Cloud services company for the secure payments market. The Board is allocating significant time and effort to the refresh of its strategic plan as it will set the course for the business for another 5 years. The results of this re-assessment will be communicated to shareholders and wider stakeholders upon its completion.

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

Application

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

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

Evidence & disclosure

The Company has improved its Financial Performance and Reporting ("FPR") plan. The CEO and CFO twice yearly, as a minimum, offer meetings with its institutional and senior shareholders to allow the institutions to formally meet and discuss the performance of the Group to date. The Chairman of the Board also offers a direct line of communication to these, and other shareholders, in case other questions arise that need to be answered independently.

The Company also hosts video briefings which allow analysts and other retail shareholders the opportunity to listen and question the CEO and CFO.

The Group has also implemented a detailed media plan publishing articles and documents on social media and through the company website allowing shareholders an opportunity to gain a better understanding of the Group products and markets.

The Company, once a year, holds its AGM and the Board of Directors all attend and are available to answer any specific questions raised.

As a result of the Group's shareholder communication strategy, institutional shareholders now hold circa 50% of the share capital of the Group and they have supported the majority of two equity share placings in recent years.

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

Application

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

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

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

Evidence & disclosure

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

The Group's staff are enormously important to the future performance of the Group and so significant time and effort is taken to ensure that each member feels part of the PCI Pal team and are rewarded accordingly. The CEO has established a formal HR department and the Group has a detailed staff handbook guiding the employees on the culture and expectations of each employee. The employees are regularly requested to provide feedback on core matters via surveys and all are given the opportunity to have a 1:1 meeting with their team leaders and managers. Each employee undertakes an annual staff review. It is the Group's policy that all staff should be awarded share options appropriate to their position in the Group. As a result of our policies staff retention is high, with only one person leaving the Group last year.

Our partners and customers are vital to the Group. Our Chief Revenue Officer ("CRO") leads our sales operation and his team maintain regular dialogue with all our key channel partners and new sales prospects. However, our customer relationship management does not end with sales. All new contracts are on-boarded and deployed by our Professional Services team. Each new contract is allocated to a Project Manager who is responsible for co-ordinating the set up and establishment of new contracts. Every new customer that has gone through our deployment processes is given the opportunity to provide feedback via a survey. The results are evaluated as a Net Promoter Score. Our Professional Services Team have consistently ranked in the top quartile global benchmark of the standard. Once deployed the customers service is proactively monitored and managed by our dedicated Customer Service Desk who are available to handle and escalate accordingly any issues or requirements the Customer might request.

The Group regularly uses a number of core key suppliers ranging from Amazon Web Services through to core telephony providers and security consultancy. All these core suppliers are managed by one of our senior management team who are in regular contact with the supplier's own customer relationship specialists. This allows the Group to have regular dialogue with the supplier.

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

Application

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

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

Evidence & disclosure

The Board is responsible for ensuring that the appropriate framework of controls is in place to enable the proper assessment and management of risks. On a quarterly basis the opportunity is given to one of the senior managers to present to the full Board on the workings of their department and the risks and challenges they face and to answer any questions that arise.

The Board conducted in FY 20 a refreshed assessment of the risks faced by the business lead by the Group's CISO, a main Board director and the findings are reported in the Principal Risks, Uncertainties and Risk Mitigation report. At the same time the Board assessed its appetite and risk tolerance towards different risks, and consciously directed the Executive Directors to allocate prioritised resources accordingly in the FY 21 operating plan and budget.

The risk management framework is a specific matter of overview by the Audit Committee, who advises the Board accordingly. The Committee has undertaken a review of the internal controls of the Group as detailed in the Chairman of the Audit Committee report.

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

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

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

Application

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

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

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

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

Directors must commit the time necessary to fulfil their roles.

Evidence & disclosure

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

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

Given the Company's recent expansion of the business into North America, and its transformation to a channel-centric pure-play Cloud services company, the Board decided to add additional skills and experience to the Board. In November 2019, Simon Wilson joined the board and became Chairman. Simon brings career-long experience in B2B software, Cloud businesses, and international operations, especially in North America.

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

The professional relationship between Chris Fielding and Jason Starr was also explicitly considered by the Board. Chris Fielding is a Managing Director at the investment bank W H Ireland, and W H Ireland has been the appointed NOMAD for The Dillistone Group PLC since 2012, where Jason Starr is CEO and executive board director. In both cases these potential conflicts were openly discussed by all Board Directors as part of an evaluation of board effectiveness exercise undertaken in FY20. The Board concluded that these relationships do not impair the independence of character, judgement and thought of the

COMPLIANCE STATEMENT CONTINUED

directors concerned, and therefore all of the non-executive directors were deemed to be independent.

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

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

The Board typically meets formally four to six times per year to review and discuss the operating and financial performance of the company relative to its annual operating plan and budget, assess any matters specifically reserved for the board, and to review progress towards its longer term strategic goals. During FY20, it was considered appropriate to hold a much higher number of meetings in order to more rapidly assess the impact of COVID-19 on the business, and the appropriate action and steps to be taken by management in response. These additional meetings and attendance thereof are summarised below

Directors’ meeting attendance 2019/20

	Board Scheduled	Board Short Notice	Audit Scheduled	Audit Short Notice	Rem Com Scheduled	Rem Com Short Notice
Executive Directors						
James Barham	9/9	12/12	2*	–	–	–
William Good	9/9	11/12	2*	–	–	–
Geoff Forsyth	9/9	12/12	1*	–	–	–
Non-executive directors						
Simon Wilson	7/7	9/11	1*	–	1*	–
Chris Fielding	9/9	11/12	2/2	–	2/2	–
Jason Starr	9/9	11/12	2/2	–	2/2	–

* = attended by invitation of the Chairman of the Committee

Directors can formally attend meetings either: in person; by conference call or by video conferencing. Since the advent of the coronavirus pandemic, all meetings have been held remotely by video conference. The executive directors are employed on a full-time basis.

Division of roles and responsibilities

The Chairman is responsible for the leadership of the Board and ensuing 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.

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

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

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

Committees

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

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

Application

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

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

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

Evidence & disclosure

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

Following the end of the fiscal year, the Board authorised the creation of an advisory committee in August 2020. The charter of the advisory committee and role of each member is to provide additional breadth of market and product perspectives to the CEO and the Board of Directors as the Company navigates its future. The Board believes that by being able to engage over time with world-class industry expertise through the committee, will enhance the Board's ability to fulfil its responsibilities in the areas of strategy and risk management so as to fully address the dynamics of PCI Pal's fast-developing global opportunity and marketplace. At the time of writing this report, the committee has one member, Ms Neira Jones, and the Company plans to add other complementary members when appropriate in the future.

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

Application

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

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

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

Evidence & disclosure

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

In light of the Company's recent rapid growth, substantive change in its business and operating model, and changes in its executive leadership and board composition, the Board conducted its first formal evaluation of effectiveness during FY 20. Simon Wilson, the newly appointed director and Chairman conducted the evaluation using a mixed methodology of an anonymous survey tool, direct one-on-one conversations, and frank and open group discussion among all board directors together. The exercise was designed to evaluate the effectiveness of the operation of the board as a whole; the board's individual committees; as well as the contributions of each individual director. The objective of these assessments is to enable the board, its committees and its directors to set out down a path of continuous and incremental improvement of our governance at all levels. As part of the goal for continuous improvement, the evaluation of board effectiveness will be on-going periodic assessment process.

The broad conclusions of this initial evaluation were that there were a number of areas where improvements in effectiveness could be made, and an acknowledgment that the work of the board naturally expands over time in the face of change, growth and complexity of the business. For example, in terms of the organisation of board meetings, focus and balance of agenda topics, increased attention to forward looking matters, deepening of non-executive directors' knowledge of operational aspects of the new Cloud business, and expansion of committee work.

Examples of action already taken by the Board as a result of this evaluation process include; deep dive subject matter presentations by a variety of senior management, regularly scheduled closed board sessions where the non-executive directors can discuss matters openly without management present, more extensive and scheduled committee activities, use of outside advisors, rationalization of information provided by management to the Board, and active and timely assessment of the effectiveness of each individual board and committee meeting.

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

Application

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

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

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

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

Evidence & disclosure

The Group has an established corporate and social responsibility policy as detailed in the Corporate and Social Responsibilities report, which is also published on the Group website and in the Company employee handbook.

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

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

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

All new employee positions are advertised to all employees in the Group and where possible we will look to promote existing employees to more senior positions, before offering a position to a new externally hired person.

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

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

Application

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

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

Evidence & disclosure

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

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

Application

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

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

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

Application & disclosure

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

1. The annual and interim statutory financial reports and associated investor and analyst presentations and reports.
2. Announcements relating to trading or business updates released to the London Stock Exchange. As the Company grows, the Board is committed to expanding its disclosures to ensure that all stakeholders are able to fully understand not just the Company's financial results, but also its business model and strategy.
3. The Annual General Meeting which provides shareholders with an opportunity to meet the Board of Directors and to ask questions relating to the business. The new incoming Chairman also offered all major shareholders an opportunity to meet and share their views on the strategy of the Company and its board and management team. These meetings will continue to be offered each year going forward. All votes made at any AGM or EGM are published and the Board will publish commentary on any vote where 20% or more of the independent shareholders have voted against any resolution.
4. Private investor roadshows and presentations at investor conferences.

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

AUDIT COMMITTEE REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Dear Shareholder,

On behalf of the Audit Committee, I am pleased to present our report for the year ended 30 June 2020.

Composition

The Audit Committee now comprises Simon Wilson (who first attended as a member of the Committee on 14 July 2020), Jason Starr and myself. As in prior years, the Committee is chaired by myself. The executive directors may attend by invitation.

Terms of Reference

We have this year reviewed and refreshed the terms of reference of the Committee, considering current practices and the evolving operations of PCI Pal, and were subsequently reviewed and approved by the full Board. The updated terms of reference can be found at www.pcipal.com/en/corporate-governance/.

Responsibilities

Having previously met at least once each year, the Committee will now meet at least three times a year, typically at the point when the external annual audit is being planned, at its conclusion, and ahead of the publication of the interim results.

The key responsibilities of the Committee are to monitor:

1. The integrity of the financial statements of the company;
2. The application of applicable IFRS accounting standards;
3. The extent of any significant management judgements which they may contain;
4. Significant financial reporting issues; and
5. The application of market standards in reporting.

The financial statements include the Company's annual and half yearly reports, preliminary results' announcements and any other formal announcement relating to its financial performance. The Committee provided advice to the Board that the 2020 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.

Other areas of responsibility of the Committee are explained below.

External Audit

In relation to the Group's external auditors the key responsibilities are to:

1. Make recommendations to the Board, to put to the shareholders for their approval, concerning the appointment of the external auditor and to approve the remuneration and terms of reference of the external auditor;
2. Have a regular dialogue with the external auditor, including ahead of, and following, the external audit;
3. Consider and approve the nature, extent and timing of the external auditor's audit plan and procedures, and fully consider the external auditor's findings;
4. Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process; and
5. Review any engagement of the external auditor to supply non-audit services and the potential impact on auditor independence

Changes in accounting policies

During the financial year the Group has adopted IFRS 16, which provides guidance on accounting for leases. The Group has chosen not to restate the previous years' financial statements following the adoption of IFRS 16 and there has been no overall effect on the loss before tax following the adoption.

Risk and risk strategy

The Committee also oversees and advises the Board on the Group's exposure to risk and its strategy for managing such risk relative to the achievement of the Group's long-term strategic objectives.

As referred to below, the Committee is also responsible for reviewing the adequacy and effectiveness of the Group's internal financial controls, as well as by reference to relevant reports from the external auditors. Together, these systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

The Principal Risk, Uncertainties and Risk Mitigation report describes how the Group has identified and mitigated the risks it faces in delivering and selling its solutions.

Internal controls

The Group has a defined policy of internal control, which have been reviewed and evaluated for the year being reported upon in light of the Group's growth and expansion.

The key features identified are described below:

At the Board level

1. A clearly defined organisational structure headed by the CEO with individual departments headed by experienced managers;
2. The Board has documented and approved a list of matters that are reserved for the Board and has approved a delegated level of authority for the CEO and CFO;
3. Annually, before the start of the new financial year, the Board approves a one-year budget, comprising monthly income statements, balance sheets and cash flow statements, which is prepared by the executive directors in conjunction with senior managers, to ensure targets are feasible;
4. On a monthly basis the CFO report to the Board the following:
    a. A flash report within four working days of the month end, confirming, amongst other things, the Group's new sales, cash and debtor position
    b. Within 15 working days, a full set of management accounts and narrative, comparing actual results to the approved budget and detailing the reasons for any variances accordingly;
5. On a monthly basis, an outlook forecast is prepared considering the actual results for the period to date and looking forward to the end of the financial year allowing the Board to assess the likely future performance of the Group;
6. Quarterly the CEO is asked to present to the full Board a full written report on the performance of the Group and any challenges that it may be facing;
7. Quarterly, the Company Secretary ensures that any matters specifically reserved for the Board or one of the sub committees is brought to the attention of the Chairman; and
8. During the year, department heads are asked to present to the Board on the work of their departments and to highlight the challenges they are facing and how they monitor performance accordingly.

At an executive director level

1. On a weekly basis, the CEO chairs a meeting with the full management team, who provide departmental updates on matters such as: new contracts, solution deployments, problem debtors;
2. The CEO has established a deal take on committee which is a forum to discuss and agree more complex and larger new sales deals, to ensure that the Group does not take on unreasonable degrees of commercial or operational risk, and that appropriate contract profitability levels are maintained;
3. The CEO holds fortnightly 1:1 meetings with all department heads to ensure issues and problems are discussed. Where necessary matters are brought to the attention of the full Board;
4. The CFO, on a monthly basis, analyses the management accounts and in particular reviews:
    a. The reconciliations of key balance sheet accounts to ensure they are accurate and follow the accounting policies agreed by the committee
    b. The full bank account reconciliations to ensure all payments and receipts have been accounted for
    c. The up to date debtor reports to ensure invoices issued are being collected in a timely manner and investigating those that are delayed, to ensure invoices are not being issued inappropriately
    d. The up to date creditor reports to ensure purchase commitments are being paid on time and to review sample invoices to ensure they relate to authorised company business;
5. Other internal financial controls including:
    a. Purchase orders are raised for all significant expenditure and are authorised accordingly
    b. Payments are not permitted without an approved invoice signed in accordance with the Delegation of Authority document
    c. The CFO reviews all payments made from the Group, as proposed by the accounts team, prior to payments being drawn on the bank for authorisation
    d. Dual authority is required for bank payments
    e. Wherever possible segregation of duties is implemented to provide additional comfort and support on all finance processes
    f. Expert advice is sought where appropriate, including, for example in the US in the areas of payroll services, state and local taxes, corporation taxes and regulated filings.

6. Where possible all documentation is stored securely in the cloud, security for which is controlled by the Information Security Team who are responsible for all the Company IT office applications; and
7. Appropriate physical security is in place at all locations to protect the Group's assets, however by the nature of the Group's business and operations, its equipment is relatively limited in value

Human Resources

8. The CEO has established a Human Resources department for the Group. They are responsible for providing all employees with a detailed handbook as to the expectations of their conduct. Every new employee undergoes induction training, which includes ensuring that they understand the rules and expectations set by the Group. The handbook includes agreed policies on whistleblowing and how escalation points are established to provide a safe and secure forum for employees to escalate matters to senior directors, including the Chairman of the Group.

The Board, in conjunction with the Audit Committee, will continue to keep under review the Group's internal control system on a periodic basis and will amend processes as required from time to time.

Internal Audit

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

Chris Fielding | Chairman of the Audit Committee
11 September 2020

REMUNERATION COMMITTEE REPORT

FOR THE YEAR ENDED 30 JUNE 2020

Dear Shareholder,

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

Composition

The Remuneration Committee consists of non-executive directors Jason Starr (Committee Chairman) and Chris Fielding. The committee will typically consider feedback from the main Board Chairman and the CEO.

Terms of Reference

The Terms of Reference for the Remuneration Committee were reviewed and updated in FY20 by the Remuneration Committee and were subsequently reviewed and approved by the full Board. The Committee's Terms of Reference are available for review on the Group's website at www.pcipal.com/en/corporate-governance/.

Remuneration Policy

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

At the time of CEO change in October 2018, the Board felt that the best interest of shareholders would be served by entering into a 20-month salary agreement with the executive directors. This reflected not only the challenges of transition but also the need to control the Group's costs during a period of significant change.

This agreement ended in June 2020. As a result, during the period in review, the Remuneration Committee undertook a full review of executive directors' remuneration packages which included assessments of remuneration at other comparable organisations, cost of living increases, and a refreshed look at both general best practices and current guidelines from the QCA. The outcomes and decisions of this review will be seen as from FY21.

Executive Directors' remuneration

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

Basic salary

As noted above, salaries disclosed in this report were put in place in October 2018 and were not reviewed for FY20. However, salaries and all other elements of remuneration are generally reviewed annually, and specifically consider both the Group's performance as well as the personal performance of each executive director.

Annual Performance Bonus

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

KPIs are selected based upon their anticipated positive influence on shareholder value. The mix and nature of KPIs that are attributed to individual executive directors reflect the degree to which the individual is able to influence their outcome. Generally, selected KPIs will include a combination of both those reportable under IFRS as well as those reflecting more operational criteria.

Any bonus will be paid as cash, company shares or a combination of the two, also to be decided annually by the Remuneration Committee. Under normal circumstances, a bonus will not be payable if targets are not met.

In addition to the performance-based bonuses earned by the executive team in the year under review, an additional bonus of £5,000 was paid to the Chief Financial Officer, reflecting the work undertaken to raise additional funding for the business.

As part of the Committees review of remuneration for FY 21, we also updated the performance-based bonus scheme, to bring it in line with that seen at comparable organisations.

Additional benefits

The Executive Directors receive an annual car allowance, personal health insurance and a contribution to their pension scheme of 10% of their basic salary paid annually in advance. This may optionally be taken as salary.

Long Term Incentive Plan

Long Term Incentives will continue to be set under the 2012 Long Term Incentive Plan ("Plan"). The key elements of this LTIP are as follows:

- The Group reviews its medium and long-term strategy on an ongoing basis, with a formal Board offsite scheduled for the final quarter of FY2020. This was postponed as a result of the COVID pandemic and is currently scheduled to take place in Q1 of the new financial year. The output of this annual review will be an updated set of actions to implement or modify existing or new strategic imperatives.

- 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 U.K. and the U.S.A.
- The performance criteria set will be specifically designed to align shareholder and executive's interests, such as delivering growth in ACV or improvements in the Loss Before Tax results.

Shareholders have authorised the Board to issue share options under the Plan to a maximum of 20% of the Group's equity at the time of issue. However, the Board has currently agreed it will limit share options to a total of 15% of shares in issue.

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

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

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

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

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

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

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

Jason S Starr | Chair, Remuneration Committee
11 September 2020

DIRECTORS AND ADVISORS

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

DIRECTORS' REPORT

The directors present their report together with the financial statements for the year to 30 June 2020.

1. Principal activities

The Company (Company number 03869545) operates principally as a holding company. During the year, the main subsidiary was 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:

	2020 £000s	2019 £000s
Revenue	4,396	2,817
Loss before taxation	(4,350)	(4,502)

The directors are not recommending a payment of a final dividend (2019: nil pence per share).

3. Directors

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

The beneficial and other interests of the directors and their families in the shares of the Company at 30 June 2020 and 1 July 2019 were as follows:

	30 June 2020 Ordinary shares of 1p each	1 July 2019 Ordinary shares of 1p each
G Forsyth	1,343,371	1,311,719
J Barham	138,812	121,942
T W Good	205,000	140,000
C M Fielding (non-executive)	35,590	35,590
S B Wilson (non-executive)	100,000	50,000
J S Starr (non-executive)	–	–

The directors' remuneration for the year was as follows:

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

2018/19	Salary or Fees £	Bonus paid in year £	Benefits £	Payments relating to overseas posting £	Total £	Pension £
G Forsyth	137,100	–	5,005	–	142,105	14,150
J Barham	157,058	24,498	394	64,838	246,788	13,513
T W Good	139,800	–	–	–	139,800	–
C M Fielding (non-executive)	35,000	–	–	–	35,000	674
J S Starr (non-executive)	25,000	–	–	–	25,000	425
W A Catchpole (to 8th October 2018)	43,856	–	–	–	43,856	–
Total	537,814	24,498	5,399	64,838	632,549	28,762

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

S B Wilson is a resident of the United States of America. His remuneration is split between his duties as the Chairman of the Board and providing mentoring and North American business advice to the executive directors. Prior to joining the Board, he received consulting remuneration of US $83,333 and benefits of US $6,860.

On 8th October 2018 the Group terminated the employment of William Catchpole the Chief Executive. The Group reached a settlement with him and the remuneration committee sanctioned the following amounts as a termination payment: A payment in lieu of notice of £161,000; compensation for loss of office of £100,000; settlement of outstanding pension obligations of £11,000 and settlement of outstanding benefit obligations of £8,000. The Group also contributed £8,250 towards his legal fees.

Directors' interests in Long Term Incentive plans

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

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

Note 1: Option grant on the 13th June 2019

Note 2: Option grant on the 25th May 2017

Note 3: Option grant on the 12th November 2018

Note 4: Option grant on the 12th July 2018

Note 5: Option grant on the 12th November 2018

4. Share price and substantial shareholdings

During the year, the share price fluctuated between 50.5 pence and 26.0 pence and closed at 40.0 pence on 30 June 2020.

The beneficial and other interests of other substantial shareholders and their families in the shares of the Company at 30 June 2020 and 1 July 2019 were as follows:

Ordinary Shares of 1 p each	30 June 2020	1 July 2019
P Wildey	3,800,000	4,529,665
D Hamilton	–	1,814,000
W A Catchpole	1,933,697	2,943,697
Unicorn AIM VCT LLP	2,000,000	2,000,000
Octopus Investments Nominees	6,530,302	2,666,667
Gresham House Asset Management	7,151,515	2,000,000
S Perring	1,891,076	–
Canaccord Genuity Group	8,884,725	–

As at the date of this report the holdings shown as at 30 June 2020 remain unchanged.

5. Directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and have elected to prepare Company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 at the balance sheet date and of the profit and loss of the Group for the period ended. 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.

The directors confirm that:

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

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

6. Qualifying third party indemnity provision

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

7. Research and development

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

8. Employee policy

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

9. Corporate governance

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

10. Financial Risk Management Objectives

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

11. Treasury shares

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

12. Going concern

As explained in more detail in the report of the Chief Financial Officer, the directors have considered financial forecasts for the coming year through to the end of September 2021.

As part of these considerations, the directors reviewed information provided by the management team such as the new contract sales forecast, the Group current sales pipeline and the likely demand for our services and any likely impact from the COVID 19 pandemic. The Board also reviewed other risks within the business that could impact the group's performance, such as insufficient numbers of employees to ensure the company can deliver on its contractual obligations or growth opportunities, as it continues to grow.

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

The Board also looked at some more severe possibilities, where new sales are much lower than presented in the forecast models following a prolonged down due to the COVID 19 pandemic. The executive team detailed what actions and mitigations the business could take in these circumstances to ensure the business could continue to trade into the foreseeable future.

Based on these reviews, the directors have concluded that the group will be able to meet its' obligations as they fall due for the foreseeable future (and in any event for no less than 12 months from the date of approval of these financial statements) and accordingly have elected to prepare the financial statements on a going concern basis.

13. Auditors

Grant Thornton UK LLP has expressed willingness to continue in office. In accordance with S489 (4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK 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
11 September 2020

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

OPINION

Our opinion on the financial statements is unmodified

We have audited the financial statements of PCI-PAL PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2020, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's and the parent company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Group's and parent company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Group or a parent company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the Group's and the parent company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Group's and the parent company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the parent company will continue in operation.

INDEPENDENT AUDITOR'S REPORT CONTINUED

GrantThornton

Overview of our audit approach

- Overall materiality: £87,000. Which represents 2% of the group's revenue
- Key audit matters were identified as improper revenue recognition, going concern and intangible assets; and
- We performed full scope audit procedures on the financial statements of PCI-PAL PLC and on the financial information of its subsidiary PCI-PAL (U.K.) Limited. We performed targeted procedures on the financial information of the subsidiary PCI-PAL (US) Inc.

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. These matters included those that 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 – Group	How the matter was addressed in the audit – Group
Risk–Improper Revenue Recognition (accuracy, occurrence and completeness) **During the year, the Group recorded £4,396,000 (2019: £2,817,000) of revenue** The Group's revenue is generated from providing contractual services to customers. As a result management could manipulate the timing of revenue recognition to meet performance targets. Therefore, revenue should be recognised in the financial statements in a manner that is consistent with the contractual terms and in accordance with the Group's accounting policy. Under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' there is a presumed risk of fraud in revenue recognition. Additionally, the entity is loss making, therefore, there is more risk that management may want to include more revenue to show growth. We therefore, identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Determining that the stated accounting policy was in accordance with International Financial Reporting Standard (IFRS) 15: 'Revenue' and that revenue has been recognised in line with the revenue recognition policy; For contract revenue, agreeing a sample of revenue to signed contracts, understanding the total contract value and services provided to the customer, recalculating revenue either to be treated as deferred income or revenue recognised in the year and comparing this to the revenue recognised in the profit and loss account. • Testing the appropriate revenue recognition for a statistical sample for remaining revenue streams by agreeing amounts to third party reports; • For a sample of contracts at the year end, the appropriateness of revenue recognised and revenue deferred with reference to confirmation of works. For contracts where revenue was first recognised post year end confirm revenue recognition by reference to confirmation of works. The group's accounting policy on revenue recognition is shown in note 4d to the financial statements and related disclosures are included in note 9. **Key observations** Based on our audit work, we did not note any material misstatement in the revenue recognition as per accounting policy which was identified to be in accordance with IFRS 15.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Risk– Intangible Assets (existence and accuracy) **During the year, the group capitalised an additional £1,301,000 of additions and charged amortisation of £462,000 resulting in a net book value of £2,139,000 (2019: £1,300,000).** The group's intangible assets relate to the development costs for the core software supporting the AWS cloud platform. There is a risk that development costs are not capitalised in line with IAS 38. Amortisation is calculated to write down the cost less estimated residual value of all intangible asset by equal annual instalments over their expected useful lives. There is a risk that intangible assets may not be appropriately amortised and/or may be impaired. We therefore identified Intangible assets (existence and accuracy) as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assess the nature of projects capitalised against the capitalisation criteria of IAS 38 • For capitalised development costs in the year, testing the existence and accuracy of a sample of additions by agreeing costs to external payroll reports. For SIP,RTP and SBC licences we tested the existence and accuracy by agreeing costs to supplier invoices. • For amortisation, assessing the accounting policy, including the useful economic life of the intangibles and challenging management's judgement of the useful economic life of the capitalised development costs. • Testing the accuracy of the amortisation charge to the profit or loss in the year by obtaining management's calculations and recalculating the estimate. The group's accounting policy on intangible assets is shown in note 4f to the financial statements and related disclosures are included in note 12. **Key observations** Based on our audit work, we did not note any material misstatement in the recognition or amortisation of capitalised development costs in accordance with IFRS 38.
Risk– Going concern (Group and company) The financial statements are prepared on a going concern basis. The current major macro-economic uncertainty in the form of covid-19 affect the operations of the entities and their working capital. There is a risk that the use of going concern in preparing financial statements may not be appropriate which has been heightened given the current environment and therefore has been elevated to a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing management's ability to accurately forecast and challenging management's key assumptions and sensitivities applied. • Evaluating the availability of finance covering a minimum of 12 months from the signing of the financial statements. • Assessing the completeness and accuracy of going concern disclosures in the financial statements • Ensuring that management's assessment of the going concern basis has been consistently and appropriately applied. The group's accounting policy on going concern is shown in note 4c to the financial statements. **Key observations** Based on our audit work we did not note any material uncertainties in relation to management's assumption that the group and the company will operate as a going concern for a period of at least 12 months from the date of approval of the financial statements.

Other than going concern, there are no key audit matters in relation to the parent entity.

Our application of materiality

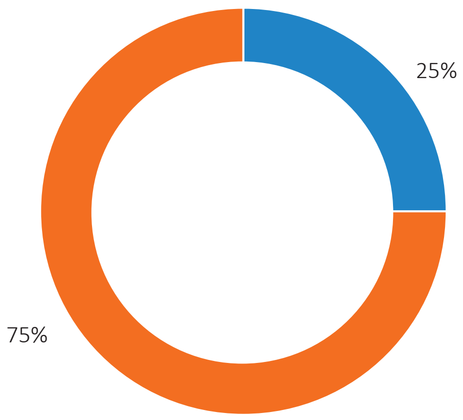
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

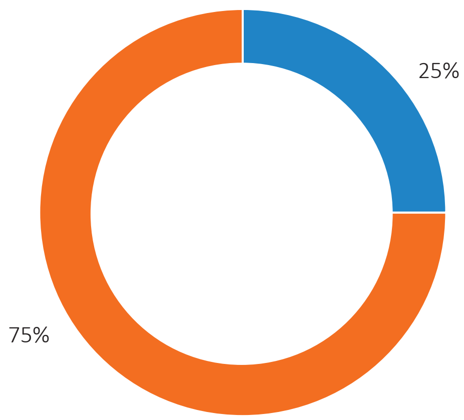
Materiality measure	Group	Parent
Financial statements as a whole	£87,000 which is 2% of Revenue. This benchmark was considered particularly important due to the significant level of user focus on this figure in assessing the Group's future prospects and in assessing the controllable aspects of the Group's performance during the year.	The level of materiality was determined by the application of a specific measurement percentage equivalent to 2% of total assets , restricted to 95% of the group materiality level; the appropriate amount of materiality was thus determined to be £82,000.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as, directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as, directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£4,150 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£4,150 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- PCI-PAL Plc has centralised processes over the key areas of our audit focus. Group management are responsible for all judgemental processes and significant risk areas. All accounting is centralised, and we have tailored our audit response accordingly with all audit work being undertaken by the group audit team. In assessing the risk of material misstatement to the Group financial statements we considered the transactions undertaken by each entity and therefore the required focus of our work; and
- We performed a full scope audit of the financial statements of the parent company PCI-PAL PLC and of its' subsidiary PCI-PAL (U.K.) Limited based on their materiality to the Group. The audit work performed focused on the risk areas for these components and the scope of our audit work was unchanged from the prior year, other than consideration of a greater risk over going concern as a result of the emergence of Covid-19; and
- We performed targeted procedures on the US subsidiary, PCI-PAL (US) Inc. based in North Carolina, United States. This was based on the entity's size and materiality to the Group with targeted procedures conducted in respect of management override of controls, Intangible assets, Trade receivables, revenue testing and deferred income; and
- Full scope and targeted procedures were performed over 100% of revenue and total assets within the group. We performed the audit during our visit in August 2020.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Christopher Frostwick | Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Chelmsford
11 September 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 £000s	2019 £000s
Revenue		4,396	2,817
Cost of sales		(1,353)	(1,119)
Gross profit		3,043	1,698
Administrative expenses		(7,254)	(6,373)
Loss from Operating Activities		(4,211)	(4,675)
Adjusted Operating Loss		(4,103)	(4,232)
Exceptional costs		-	(361)
Expenses relating to Share Options		(108)	(82)
Loss from Operating Activities		(4,211)	(4,675)
Finance income	6	1	181
Finance expenditure	7	(140)	(8)
Loss before taxation	5	(4,350)	(4,502)
Taxation	11	221	136
Loss for the year		(4,129)	(4,366)
Other comprehensive expense: Items that will be reclassified subsequently to profit or loss			
Foreign exchange translation differences		(49)	(107)
Total other comprehensive expense		(49)	(107)
Total comprehensive loss attributable to equity holders for the period		(4,178)	(4,473)
Basic and diluted earnings per share	10	(8.84) p	(10.30) p

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 £000s	2019 £000s
ASSETS			
Non-current assets			
Plant and equipment	13	103	71
Intangible assets	12	2,139	1,300
Trade and other receivables	14	368	207
Deferred taxation	17	–	–
Non-current assets		2,610	1,578
Current assets			
Trade and other receivables	14	2,343	1,792
Cash and cash equivalents		4,301	1,492
Current assets		6,644	3,284
Total assets		9,254	4,862
LIABILITIES			
Current liabilities			
Trade and other payables	15	(5,194)	(2,781)
Current portion of long-term borrowings	15	(545)	–
Current liabilities		(5,739)	(2,781)
Non-current liabilities			
Other payables	16	(875)	(666)
Long term borrowings	16	(728)	–
Non-current liabilities		(1,603)	(666)
Total liabilities		(7,342)	(3,447)
Net assets		1,912	1,415
EQUITY			
Share capital	19	594	427
Share premium		9,018	4,618
Other reserves		289	181
Currency reserves		(187)	(138)
Profit and loss account		(7,802)	(3,673)
Total equity		1,912	1,415

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

The Board of Directors approved and authorised the issue of the financial statements on 11 September 2020.

J Barham **Director**

T W Good **Director**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Share capital £000s	Share premium £000s	Other reserves £000s	Profit and loss account £000s	Currency Reserves £000s	Total Equity £000s
Balance as at 1 July 2018	427	4,618	99	694	(31)	5,807
Share Option amortisation charge	–	–	82	–	–	82
Transactions with owners	–	–	82	–	–	82
Foreign exchange translation differences	–	–	–	–	(107)	(107)
Loss for the year	–	–	–	(4,367)	–	(4,367)
Total comprehensive loss	–	–	–	(4,367)	(107)	(4,474)
Balance at 30 June 2019	427	4,618	181	(3,673)	(138)	1,415
Share Option amortisation charge	–	–	108	–	–	108
New shares issued net of costs	167	4,400	–	–	–	4,567
Transactions with owners	167	4,400	108	–	–	4,675
Foreign exchange translation differences	–	–	–	–	(49)	(49)
Loss for the year	–	–	–	(4,129)	–	(4,129)
Total comprehensive loss	–	–	–	(4,129)	(49)	(4,178)
Balance at 30 June 2020	594	9,018	289	(7,802)	(187)	1,912

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 2020

	2020 £000s	2019 £000s
Cash flows from operating activities		
Loss after taxation	(4,129)	(4,366)
Adjustments for:		
Depreciation of equipment and fixtures	82	53
Amortisation of intangible assets	29	8
Amortisation of capitalised development	433	183
Interest income	(1)	(181)
Interest expense	126	–
Exchange differences	(49)	(107)
Income taxes	(221)	(136)
Share based payments	108	82
Increase in trade and other receivables	(713)	(1,154)
Increase in trade and other payables	2,575	1,605
Cash used in operating activities	(1,760)	(4,013)
Dividend paid	–	–
Income taxes received	221	136
Interest paid	(126)	–
Net cash used in operating activities	(1,665)	(3,877)
Cash flows from investing activities		
Purchase of equipment and fixtures	(33)	(27)
Purchase of intangible assets	(296)	(83)
Proceeds from sale of assets	–	–
Development expenditure capitalised	(1,004)	(564)
Repayment of loan note receivable	–	2,114
Interest received	1	181
Net cash (used) in /generated from investing activities	(1,332)	1,621
Cash flows from financing activities		
Issue of shares – net of cost of issue	4,568	–
Drawdown on loan facility	1,500	–
Repayment of loan facility	(227)	–
Principal element of lease payments	(35)	–
Net cash generated from financing activities	5,806	–
Net increase/(decrease) in cash	2,809	(2,256)
Cash and cash equivalents at beginning of year	1,492	3,748
Net increase/(decrease) in cash	2,809	(2,256)
Cash and cash equivalents at end of year	4,301	1,492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 were authorised for issue by the Board of Directors on 11 September 2020 and the Chief Executive, James Barham, and the Chief Financial Officer, William Good, signed the balance sheet.

2. NATURE OF OPERATIONS AND GENERAL INFORMATION

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

The Company operates principally as a holding company. The main subsidiaries are engaged in the provision of telephony services and PCI Solutions.

3. STATEMENT OF COMPLIANCE WITH IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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, not yet effective

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU ("endorsed IFRS").

These Financial Statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at 30 June 2020 as endorsed by the EU.

The following adopted IFRSs have been issued but have not been applied by the Group in these Financial Statements. Their adoption is either not relevant to the Group or are not expected to have a material effect on the Financial Statements unless otherwise indicated:

Effective for the year ending 30 June 2020

- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 19 Employee benefits
- Amendments to IFRS 9 Financial instruments
- Amendments to IAS 28 Investments in Associates and Joint Ventures

Effective for the year ending 30 June 2022

- IFRS 17 Insurance contracts

4. PRINCIPAL ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the accounting policies set out below. These are based on the International Financial Reporting Standards ("IFRS") issued in accordance with the Companies Act 2006 applicable to those companies reporting under IFRS as adopted by the European Union ("EU").

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

b) Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings (see note 18) drawn up to 30 June 2020. A subsidiary is a company controlled directly by the Group and all of the subsidiaries are 100% owned by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

c) Going concern

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

The Group meets its day-to-day working capital requirements through its cash balances and trading receipts. Cash balances for the group were £4.30 million at the 30 June 2020. The Group also has undrawn banking facilities of £1.25 million.

The directors have considered financial forecasts for the coming year through to the end of September 2021. As part of these considerations, the directors reviewed information provided by the management team such as the new contract sales forecast, the Group current sales pipeline and the likely demand for our services and any likely impact from the COVID 19 pandemic. The Board also reviewed other risks within the business that could impact the group's performance, such as insufficient numbers of employees to ensure the company can deliver on its contractual obligations or growth opportunities, as it continues to grow.

The directors reviewed a range of reasonably possible sensitivities in relation to the future business performance, as detailed in the forecasts, and the resulting demands on the cash and debt resources detailed above.

The Board also looked at some more severe possibilities, where new sales are much lower than presented in the forecast models following a prolonged down due to the COVID 19 pandemic. The executive team detailed what actions and mitigations the business could take in these circumstances to ensure the business could continue to trade into the foreseeable future.

Based on these reviews, the directors have concluded that the group will be able to meet its' obligations as they fall due for the foreseeable future (and in any event for no less than 12 months from the date of approval of these financial statements) and accordingly have elected to prepare the financial statements on a going concern basis.

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

d) Revenue

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

(i) PCI compliance solutions and hosted telephony services

Following the implementation of IFRS 15: Revenue from Contracts with Customers with effect from 1 July 2018 the revenue recognition is more complex and involves calculation schedules and can be judgemental. Revenue relating to monthly licence fees or usage generated in the period will be recognised in the month they relate to once the economic benefit of the contract has passed to the customer. The economic benefit is normally deemed to have passed when the contract either goes live or where the customer takes over the solution for user acceptance testing.

Revenue for set-up and cloud provision fees will be deferred and will be recognised evenly over the estimated term of the contract, having accounted for the automatic auto-renewal of our contracts, up to a maximum of four years, starting the month following from the date of signature of the underlying contract. The payment profile for such contracts typically include payment for set-up fees at the point of signature of the contract, but for revenue recognition purposes, this is deemed to be an integral part of the wider contract rather than a separate performance obligation.

Revenue for all other professional services and installation fees will be deferred and will be recognised evenly over the estimated term of the contract, having accounted for the automatic auto-renewal of our contracts, up to a maximum of four years, starting in the month following the hand over to the client for user acceptance testing.

(ii) Third party equipment sales

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

e) Deferred Costs

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

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

Costs relating to commission costs paid to employees for winning the contract will be capitalised as 'direct costs to fulfil a contract' at the date the commissions payments become due and will be released in monthly increments over the estimated economic length of the contract starting the month following the date the cost is capitalised.

f) Intangible assets

Research and development

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

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

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

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include development engineer's salary and on-costs 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. However, until completion of the development project, the assets are subject to impairment testing only.

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 the it is expecting to continue to capitalise the development costs (which are primarily labour costs) into the future.

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

- Development costs 20% to 33%

Software licences

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

- Software licences 20% to 30%

g) Land, building, plant and equipment

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

Disposal of assets

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

Depreciation

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

- Lanzt 20% to 50%
- 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, any initial direct costs and restoration costs. Where leases include an element of variable lease payment or the option to extend the lease at the end of the initial term, each lease is reviewed, and a decision is made on the likely term of the lease.

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

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

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

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

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

j) Equity-based and share-based payment transactions

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

k) Taxation

Current tax is the tax payable based on the loss for the year, accounted for at the rates enacted at 30 June 2020.

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

Deferred tax liabilities are provided in full, accounted for at the rates enacted at 30 June 2020, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the year end.

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

l) Dividends

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

m) Financial assets and liabilities

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

Trade receivables are reviewed at inception under an expected credit loss model, and then subsequently for further indicators of impairment, and a provision, if required, is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows.

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

n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term highly liquid investments with maturities of three months or less from inception that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

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 net amortisation charge for the Company's share options scheme
- "Profit and loss account" represent retained profits or losses generated by the Group
- "currency reserves" represents exchange differences arising from the translation of assets and liabilities of foreign operations

p) Contribution to defined contribution pension schemes

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

q) Foreign currencies

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

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

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

r) Significant judgements and estimates

Capitalised development expenditure

The Group makes estimates 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 new AWS platform; future demand; and the resource necessary to finalise the development 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 fees relating to the establishment of a contract constitute a separate performance obligation (see Note 4d above). Having determined that such fees are not a separate performance obligation, a key estimate is the period over which such fees are recognised as revenue. The directors have judged that such revenue will be deferred into deferred revenue and held in the Statement of Financial Position and will be released to the Statement of Comprehensive Income over the estimated term of the contract.

That term is estimated as:

– for contracts with defined termination dates, revenue will be recognised over the period to the termination date

– for rolling contracts with renewal clauses, revenue will be recognised over the maximum of 4 years, representing the directors' current best estimate of a minimum contract term.

Associated direct costs such as commission costs directly linked to individual contracts will be assessed and will also be deferred over the same period.

Deferred tax

The calculation of the deferred tax asset involved the estimation of future taxable profits. In the year ended 30 June 2019, 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.

Leases & adoption of IFRS 16

The Group has adopted IFRS 16: *Leases* using the modified retrospective approach from 1 July 2019 and has not restated the comparatives for the reporting period to 30 June 2019 as allowed under the transitional provisions in the standard.

The only operating lease within the Group relates to its properties in Ipswich. These leases do not have an implied interest rate and so the management have used a rate of 12% as the discount rate to calculate the lease liabilities for each of the leases. This rate was obtained using the underlying rate of interest applied to our bank loan facilities.

Impairment of investments in subsidiaries (Company only)

The Company has intercompany receivables of £13.66 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.

Share based payments

The fair value of share-based payments is estimated using the methods detailed in note 19 and using certain assumptions. The key assumptions around volatility, expected life and the risk free rate of return are based on historic volatility over previous periods, the managements judgement of the average expected period to exercise, and the yield on the UK 5-year gilt at the date of issuance.

5. LOSS BEFORE TAXATION

The loss on ordinary activities is stated after:

	2020 £000s	2019 £000s
Disclosure of the audit and non-audit fees		
Fees payable to the Group's auditors for: The audit of Company's accounts	27	20
The audit of the Company's subsidiaries pursuant to legislation	15	12
Fees payable to the Group's auditors for other services		
Audit related assurance services	–	–
Tax – compliance services	6	6
Tax – advisory services	9	12
Depreciation and amortisation – charged in administrative expenses		
Right of use assets, equipment and fixtures	82	53
Intangible assets	462	191
Rents payable	64	148
Principal element of lease payments	35	–
Amortisation of share-based payments	108	82
Foreign exchange gain	15	89

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. FINANCE INCOME

	2020 £000s	2019 £000s
Unwind of loan note receivable discount	–	181
Bank interest receivable	1	–
	1	181

7. FINANCE EXPENDITURE

	2020 £000s	2019 £000s
Interest on bank borrowings	126	–
Other	14	8
	140	8

8. DIRECTORS AND EMPLOYEES

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

	2020 £000s	2019 £000s
Wages and salaries	4,712	3,648
Social security costs	474	425
Other pension costs	82	74
	5,268	4,147

	2020 Heads	2019 Heads
Average number of employees during the year	54	45

Remuneration in respect of directors was as follows:

	2020 £000s	2019 £000s
Emoluments	523	543
Bonus	103	24
Pension contributions to money purchase pension schemes	27	29
Employer’s National insurance and US Federal Taxes	84	65
	737	661

During the year 4 (2019: 4) directors participated in money purchase pension schemes.

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

	2020 £000s	2019 £000s
Emoluments	140	157
Bonus/commission	49	24
Pension contributions to money purchase pension schemes	13	14

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

9. SEGMENTAL INFORMATION

PCI-PAL PLC operates one business sector: the service of providing data secure payment card authorisations for call centre operations and this is delivered on a regional basis. The Group manages its operations by reference to geographic segments, which are reported on below:

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets comprise items such as cash and cash equivalents, taxation and borrowings. All liabilities, other than the bank loan, are unallocated. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

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

2019	PCI Pal EMEA £000s	PCI Pal North America £000s	Central £000s	Total £000s
Revenue	2,721	96	–	2,817
Cost of Sales	(1,119)	–	–	(1,119)
Gross Profit	1,602	96	–	1,698
	59%	100%		60%
Administration Expenses	(2,754)	(2,680)	(939)	(6,373)
Loss from Operating Activities	(1,152)	(2,584)	(939)	(4,675)
Finance income	–	–	181	181
Finance costs	(3)	(5)	–	(8)
Loss before tax	(1,155)	(2,589)	(758)	(4,502)
Segment assets	3,142	537	1,183	4,862
Segment liabilities	(2,779)	(566)	(115)	(3,447)
Other segment items:				
Capital Expenditure – Equipment, Fixtures & Licences	27	–	–	27
Capital Expenditure – Capitalised Development	647	–	–	647
Depreciation – Equipment, Fixtures & Licences	53	–	–	53
Depreciation – Capitalised Development	191	–	–	191

Revenue can be split by location of customers as follows:

	2020 £000s	2019 £000s
PCI – PAL division		
United Kingdom and European Union	3,764	2,610
North America	433	90
Asia Pacific	69	6
Middle East	130	111
Continuing Operations	4,396	2,817

All non-current assets are located in the United Kingdom and the largest customer accounted for 18% of the revenue of the Group

10. EARNINGS PER SHARE

The calculation of the earnings per share is based on the loss after taxation added to reserves divided by the weighted average number of ordinary shares in issue during the relevant period as adjusted for treasury shares. Details of potential share options are disclosed in note 19.

	12 months ended 30 June 2020	12 months ended 30 June 2019
Loss after taxation added to reserves	(£4,129,000)	(£4,366,000)
Basic weighted average number of ordinary shares in issue during the period	46,720,616	42,386,720
Diluted weighted average number of ordinary shares in issue during the period	51,687,283	47,083,804
Basic and diluted earnings per share	(8.84) p	(10.30) p

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

11. TAXATION

	2020 £000s	2019 £000s
Analysis of charge in the year		
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 19% (2019: 19%)	–	–
R & D Tax credit received	220	136
Total current tax credited	220	136
Movement on recognition of tax losses	–	–
Total deferred tax charged	–	–
Credit	220	136

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year was lower than the standard rate of corporation tax in the UK of 19% (2019: 19%) and in the United States of 21% (2019: 21%)

	2020 £000s	2019 £000s
Loss on ordinary activities before tax	(4,350)	(4,502)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK & US of 19.96% (2019: 20.14%)	(868)	(907)
Expenses not deductible for tax purposes	1	1
Depreciation (less than)/in excess of capital allowances for the year	60	28
Utilisation of tax losses	–	–
Unrelieved tax losses	807	883
Other	–	(5)
Movement on deferred tax timing differences	–	–
R&D Tax Credit received	221	136
Prior year adjustment	–	–
Total tax credited for the year	221	136

The Group has unrecognised tax losses carried forward of £13.69 million (2019: £9.42 million).

The R&D tax credit received in FY 2020 is in respect to the trading in FY 2018. No credit has been recognised in relation to the financial years 2019 or 2020 which are pending submission to HMRC.

12. INTANGIBLE ASSETS

2020	SIP, RTP and SBC licences £000s	Capitalised Development £000s	Total £000s
Cost:			
At 1 July 2019	83	1,515	1,598
Additions	297	1,004	1,301
Disposals	–	–	–
At 30 June 2020	379	2,519	2,898
Depreciation (included within administrative expenses):			
At 1 July 2019	8	290	298
Charge for the year	29	433	462
Disposals	–	–	–
At 30 June 2020	37	723	760
Net book amount at 30 June 2020	343	1,796	2,139

2019	SIP, RTP and SBC Licences £000s	Capitalised Development £000s	Total £000s
At 1 July 2018	–	951	951
Additions	83	564	647
Disposals	–	–	–
At 30 June 2019	83	1,515	1,598
Depreciation (included within administrative expenses):			
At 1 July 2018	–	107	107
Charge for the year	8	183	191
Disposals	–	–	–
At 30 June 2019	8	290	298
Net book amount at 30 June 2019	75	1,225	1,300

13. PLANT AND EQUIPMENT

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

2019	Right of use Asset £000s	Fixtures and Fittings £000s	Computer Equipment £000s	Total £000s
At 1 July 2018	–	22	199	221
Additions	–	–	27	27
Disposals	–	–	–	–
At 30 June 2019	–	22	226	248
Depreciation (included within administrative expenses):				
At 1 July 2018	–	6	118	124
Charge for the year	–	4	49	53
Disposals	–	–	–	–
At 30 June 2019	–	10	167	177
Net book amount at 30 June 2019	–	12	59	71

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

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

– Right to use asset – increase by £82,000

– Lease liability – increase by £82,000

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

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

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

14. TRADE AND OTHER RECEIVABLES

Due within one year	2020 £000s	2019 £000s
Trade receivables	1,263	1,057
Accrued income	60	35
Other receivables	468	398
Prepayments and accrued income	552	302
Trade and other receivables due within one year	2,343	1,792

Due after more than one year	2020 £000s	2019 £000s
Other receivables	368	207
Trade and other receivables due after one year	368	208

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 for further indicators of impairment, and a provision has been recorded as follows:

	2020 £000s	2019 £000s
Opening provision	8	8
Credited to income	(7)	–
Closing provision at 30 June	1	8

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

	2020 £000s	2019 £000s
0-30 days past due	103	118
30-60 days past due	4	19
Over 60 days past due	36	140
	143	277

Amounts which are not impaired, whether past due or not, are considered to be recoverable at their carrying value. Factors taken into consideration are past experience of collecting debts from those customers, plus evidence of post year end collection.

15. CURRENT LIABILITIES

	2020 £000s	2019 £000s
Trade payables	675	491
Social security and other taxes	242	97
Deferred Income	3,674	1,787
Right of use lease	32	–
Accruals	571	406
Trade and other payables	5,194	2,781
Bank Loan (note 16)	545	–
Total current liabilities due within one year	5,739	2,781

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

16. NON-CURRENT LIABILITIES

	2020 £000s	2019 £000s
Deferred Income	859	666
Right of use lease	16	–
Bank loans	728	–
Total non-current liabilities due after one year	1,603	666

Borrowings

Bank loans are repayable as follows:

	2020 £000s	2019 £000s
Within one year	545	–
After one year and within two years	545	–
After two years and within five years	183	–
Over five years	–	–
	1,273	–

In October 2019 the Group entered into a £2.75 million loan facility with Shawbrook Bank. The principal terms are as follows:

Term	36 months with three month capital repayment holiday
Interest rate	9.3% over LIBOR paid monthly
Arrangement Fee	1.4% of loan facility
Non utilisation fee	0.6% of unutilised amount
Exit fee	shares equivalent of 7.5% of the facility payable as detailed below
Security	Fixed and Floating debenture over the assets of the Group.

The loan balance can be drawn in two tranches with a minimum of £1.0 million within five business days of the signing of the agreement and the remaining balance within twelve months. The company initially drew down £1.5 million of this new facility. The facility is being used to support the working capital requirements of the Group as it continues to grow.

Shawbrook Bank will be entitled to receive a cash based exit payment calculated on the value generated, over a 10 year period, on the equivalent of £206,250 of phantom shares (being 7.5% of the facility) if there is a takeover of the Group or a debt refinancing of the Shawbrook debt.

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

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

and where:

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

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

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

An Exit Fee Event is where there is:

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

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

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

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

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

As at 30 June 2020 £1.25 million of the facility remains undrawn.

17. DEFERRED TAXATION

Deferred taxation is calculated at a rate of 19% (2019: 17%) in the UK and 21% (2019: 21%) in the US

	Tax losses £000s	Total £000s
Opening balance at 1 July 2018	–	–
(Charged)/credited through the statement of comprehensive income in the year	–	–
At 30 June 2019	–	–
Charged through the statement of comprehensive income in the year	–	–
At 30 June 2020	–	–

	2020 £000s	2019 £000s
Unprovided deferred tax assets		
Accelerated capital allowances	–	–
Trading losses	2,600	1,602
	2,600	1,602

The unprovided deferred tax assets are calculated at an average rate of 19.67% (2019: 17.0%).

18. GROUP UNDERTAKINGS

At 30 June 2020, 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	England	Ordinary	100%	Payment Card Industry software services provider
IP3 Telecom Limited	England	Ordinary	100%	Dormant
The Number Experts Limited	England	Ordinary	100%	Dormant
PCI PAL (US) Inc	United States of America	Ordinary	100%	Payment Card Industry software services provider
PCI PAL (AUS) Pty Ltd	Australia	Ordinary	100%	Dormant

19. SHARE CAPITAL

Group	2020 Number	2020 £000s	2019 Number	2019 £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	59,387,845	594	42,721,178	427

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

The Group owns 167,229 (2016: 167,229) shares and these are held as Treasury Shares.

During the year, the share price fluctuated between 50.5 pence and 26.0 pence and closed at 40.0 on 30 June 2020.

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 will adjust the grant price if it deems there are extraordinary circumstances to justify doing so.

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

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

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

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

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

Date of Grant	25-May-17	12-Nov-18	10-May-19	13-Jun-19	08-Jul-19	08-Jul-19	08-Jul-19	08-Jul-19	25-Jul-19	Total
Exercise Price	33.0 pence	26.5 pence	22.0 pence	28.5 pence	28.5 pence	26.5 pence	19.0 pence	23.0 pence	19.0 pence	
Price at date of grant	44.0 pence	26.5 pence	22.0 pence	28.5 pence	30.0 pence	30.0 pence	30.0 pence	30.0 pence	33.0 pence	
Estimated time to Maturity	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	
Expected Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Risk Free Rate	0.57%	1.00%	0.87%	0.62%	0.59%	0.59%	0.59%	0.59%	0.59%	
No Steps used in calculation	10	10	10	10	10	10	10	10	10	
No of simulations used in calculation	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	
Fair value of Option	14.11 pence	14.23 pence	14.23 pence	14.30 pence	14.18 pence	14.23 pence	14.25 pence	14.21 pence	14.25 pence	
Weighted average life in years	1.91 years	4.25 years	4.75 years	4.83 years	4.92 years	4.92 years	4.92 years	4.92 years	4.92 years	
# option shares issued at grant	3,065,000	225,000	145,000	525,000	105,000	145,000	145,000	145,000	525,000	5,025,000
# option shares lapsed	-780,000	-125,000	0	0	0	0	0	0	0	-905,000
# option shares outstanding as at 30 June 2020	2,285,000	100,000	145,000	525,000	105,000	145,000	145,000	145,000	525,000	4,120,000
# option shares exercisable as at 30 June 2020	1,142,500	0	0	0	0	0	0	0	0	1,142,500
Total charge for year	£52,704	£2,856	£4,141	£15,064	£5,982	£3,212	£559	£2,928	£7,992	£95,438
Total cumulative charge as at 30 June 2020	£199,822	£4,658	£4,729	£15,805	£11,897	£5,285	£841	£3,942	£12,211	£259,189

The fair value of these options has been calculated on an issue by issue basis and £95,438 (2019: £68,635) has been charged to the statement of comprehensive income account for this financial year.

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

Date of Grant	28-Jun-17	04-Oct-17	12-Jul-18	12-Jul-18	12-Nov-18	12-Nov-18	07-Jan-19	27-Feb-19	Total
Exercise Price	41.5 pence	44.5 pence	28.5 pence	28.5 pence	26.5 pence	26.0 pence	18.4 pence	23.0 pence	
Price at date of grant	41.5 pence	44.5 pence	28.5 pence	28.5 pence	26.5 pence	26.0 pence	18.4 pence	23.0 pence	
Estimated time to Maturity	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	
Expected Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Risk Free Rate	0.57%	0.57%	1.00%	1.00%	1.03%	1.03%	0.89%	0.96%	
Volatility	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	
Fair value of Option	7.8 pence	8.4 pence	5.6 pence	5.6 pence	5.0 pence	5.2 pence	3.6 pence	4.5 pence	
Weighted average life in years	2.0 years	2.26 years	3.03 years	3.03 years	3.36 years	3.36 years	3.52 years	3.66 years	
# option shares issued at grant	150,000	150,000	415,000	641,667	150,000	60,000	15,000	100,000	1,681,667
# option shares lapsed	0	0	-25,000	-550,000	0	0	0	0	-575,000
# option shares outstanding at 30 June 2020	150,000	150,000	390,000	91,667	150,000	60,000	15,000	100,000	1,106,667
# option shares exercisable as at 30 June 2020	112,500	100,000	186,875	43,924	59,375	23,750	5,313	33,333	565,070
Total charge for year	£2,114	£2,517	£4,415	£1,038	£1,491	£622	£108	£911	£13,215
Total cumulative charge as at 30 June 2020	£7,051	£6,901	£8,686	£2,042	£2,432	£1,015	£160	£1,219	£29,505

The fair value of these options has been calculated on an issue by issue basis and £13,215 (2019: £11,839) has been charged to the statement of comprehensive income account for this financial year.

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

	2020		2019	
	Weighted Average exercise Price £	Number of Options	Weighted Average exercise price £	Number of Options
Options outstanding at start of year	0.303	5,116,667	0.339	3,255,000
Options granted during the year	0.234	755,000	0.266	3,266,667
Options exercised during the year		–		–
Options lapsed during the year	0.254	(955,000)	0.300	(1,405,000)
Options outstanding at end of year	0.302	4,916,667	0.303	5,116,667
Options exercisable at the end of year		1,707,570		131,250

20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Capital Management

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

At 30 June 2020, the Group had a closing cash balance of £4,301,000 (2019: £1,492,000) and borrowings of £1,273,000, with a further £1,250,000 available to draw on the loan account.

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.

In October 2019, the Group agreed a £2.75 million, 36 month term loan facility with Shawbrook Bank secured over the assets of the business to assist with the working capital requirements of the Group. As at 30 June 2020 £1.25 million of the facility remains available to draw.

In addition, in April 2020 the Group placed 16,666,667 Ordinary shares of 1 pence each with investors raising £5.0 million (£4.57 million net of fees) to provide further working capital and investment funding.

Interest rate risk

The Group has arranged a bank loan with Shawbrook Bank, as detailed in note 16. As at 30 June 2020 the outstanding balance was £1.273 million. Interest is calculated at 9.3% over LIBOR and is paid monthly. 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 all new clients, takes deposits or advanced payments where this is deemed necessary and where possible collects payment by direct debit, limiting the exposure to a build-up of a large outstanding debt. Concentration of credit risk with respect to trade receivables are limited due to the wide nature of the Group's customer base: The largest customer accounted for 18% of revenues in the financial year, but this is expected to drop to around 10% in the next financial year. Historically, bad debts within the Group are minimal due to the importance of our service to the customer, and this situation is not expecting to change in the future.

Liquidity risk

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

Foreign currencies and foreign currency risk

During the year exchange gains of £15,100 (2019: £89,400) have arisen and as at the 30 June 2020 the Group held the following foreign currency cash balances:

US Dollar:	$350,503	Sterling equivalent: £279,508	(2019: £77,111)
Canadian Dollar:	$ 24,772	Sterling equivalent: £ 14,575	(2019: £5)
Australian Dollar:	$ 31,933	Sterling equivalent: £ 17,608	(2019: £6,130)
Total		Sterling equivalent: £311,691	(2019: £83,246)

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 risk is managed 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.

Financial assets

Current financial assets	Note	2020 £000s	2019 £000s
Cash at bank		4,301	1,492
Trade receivables – current	14	1,263	1,057
Accrued income	14	60	35
		5,624	2,584

The fair values of the financial assets are considered to be approximately equal to the carrying values.

Financial liabilities

Current financial liabilities	Note	2020 £000s	2019 £000s
Trade payables	15	675	491
Accruals	15	619	406
Bank debt	16	1,273	–
		2,567	897

The fair values of the financial liabilities are considered to be approximately equal to the carrying values.

21. CAPITAL COMMITMENTS

The Group has no capital commitments at 30 June 2020 or 30 June 2019.

22. CONTINGENT ASSETS

The Group has no contingent assets at 30 June 2020 or 30 June 2019.

23. CONTINGENT LIABILITIES

In September 2019 the Group entered into a loan agreement with Shawbrook Bank for £2.75 million. As part of this agreement the Group could become subject to an exit fee payment calculated on £206,250 phantom shares. The details of how the exit fee is calculated and the triggers for this payment is detailed in Note 16.

The Group had no contingent liabilities at 30 June 2019.

24. CHANGES IN ACCOUNTING POLICY

The Group has adopted IFRS 16: Leases from 1 July 2019, which has resulted in the new accounting policies set out below

On adoption of the standard there was no adjustment to opening equity and the comparative amounts presented in the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position have not been restated.

On adoption the Group recognised lease liabilities of £82,000 for leases previously classified as operating leases, measured at the present value of the remaining lease payments using a discount rate of 12%, which is the assumed incremental borrowing rate at the date of adoption. At the same time the Group recognised a right-to-use asset of £82,000. There is, therefore, no overall impact to loss before tax.

25. TRANSACTIONS WITH DIRECTORS

During the financial year, prior to becoming a director, Simon Wilson was paid $83,333 in salary and received $6,860 in benefits.

Apart from the director's standard remuneration there were no other transactions with directors in the year to June 2020 or June 2019.

26. DIVIDENDS

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

27. SUBSEQUENT EVENTS

There are no subsequent events to report.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 £000s	2019 £000s
ASSETS			
Non current assets			
Investments in Subsidiaries	5	–	–
		–	–
Current assets			
Debtors	6	13,895	8,568
Cash at bank and in hand		877	1,160
		14,772	9,728
Creditors: amounts falling due within one year	7	(670)	(115)
Net current assets		14,102	9,613
Total assets less current liabilities		14,102	9,613
Creditors: amounts falling due after more than one year		(728)	-
Net assets		13,374	9,613
Capital and reserves			
Called up share capital	8	594	427
Share premium account		9,018	4,618
Other reserves		289	181
Profit and loss account		3,473	4,387
Shareholders' Funds		13,374	9,613

The loss for the Company for the year was £914,500 (2019: £757,700)

The financial statements were approved by the directors and were authorised for issue on 11 September 2020.

J Barham **Director**

T W Good **Director**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Share capital £000s	Share premium £000s	Other reserves £000s	Profit and loss account £000s	Total equity £000s
Balance at 1 July 2018	427	4,618	99	5,145	10,289
Equity issued in period	–	–	–	–	–
Share Option amortisation charge	–	–	82	–	82
Transactions with owners	–	–	82	–	82
Loss for the year	–	–	–	(758)	(758)
Total comprehensive loss	–	–	–	(758)	(758)
Balance at 30 June 2019	427	4,618	181	4,387	9,613
Equity issued in period	167	4,400	–	–	4,567
Share Option amortisation charge	–	–	108	–	108
Transactions with owners	167	4,400	108	–	4,675
Loss for the year	–	–	–	(914)	(914)
Total comprehensive loss	–	–	–	(914)	(914)
Balance at 30 June 2020	594	9,018	289	3,473	13,374

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 2020

	2020 £000s	2019 £000s
Cash flows from operating activities		
Loss after taxation	(915)	(758)
Adjustments for:		
Depreciation	–	–
Interest income	(1)	(181)
Share based payments	108	82
Increase in trade and other receivables	(5,310)	(2,707)
Increase/(decrease) in trade and other payables	(7)	72
Cash used in continuing operations	(6,125)	(3,492)
Dividend paid	–	–
Net cash used in operating activities	(6,125)	(3,492)
Cash flows from investing activities		
Repayment of loan note receivable	–	2,114
Dividend received	–	–
Interest received	1	181
Net cash generated from investing activities	1	2,295
Cash flows from financing activities		
Issue of shares – net of cost of issue	4,568	–
Drawdown on loan facility	1,500	
Repayment of loan facility	(227)	
Net cash generated from financing activities	5,841	–
Net (decrease)/increase in cash	(283)	(1,197)
Cash and cash equivalents at beginning of year	1,160	2,357
Net (decrease)/increase in cash	(283)	(1,197)
Cash and cash equivalents at end of year	877	1,160

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING POLICIES

Basis of preparation

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

The directors have continued to adopt the going concern basis in preparing the financial statements.

Deferred taxation

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

Investments

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

Land and buildings

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

Related Party Transactions

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

Financial assets and liabilities

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short- term highly liquid investments with maturities of three months or less from inception that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Intercompany balances

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

Equity

Equity comprises the following:

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

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 £914,500 (2019: £757,700).

3. PERSONNEL REMUNERATION

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

4. INTEREST INCOME

The Company received interest from bank deposits of £1,000 (2019: £1,000). The Company also recognised £nil (2019: £180,000) from the unwinding of the Loan notes receivable discount.

The Company does not charge interest on its intercompany balances.

5. FIXED ASSETS INVESTMENTS

	Subsidiary undertakings £000s	Total £000s
Cost at 1 July 2018	–	–
Disposals	–	–
Additions	–	–
Cost at 30 June 2019	–	–
Additions	–	–
Disposals	–	–
Cost at 30 June 2020	–	–

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

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

6. TRADE AND OTHER RECEIVABLES

	2020 £000s	2019 £000s
Amounts due within one year		
Amount owed by Group undertaking	13,660	8,534
VAT recoverable	31	13
Prepayments	204	21
	13,895	8,568

There are no amounts due after one year

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

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £000s	2019 £000s
Trade creditors	45	27
Accruals	80	88
Trade and other payables	125	115
Bank Loan (See note 8)	545	-
Total current liabilities due within one year	670	115

8. NON-CURRENT LIABILITIES

	2020 £000s	2019 £000s
Bank loans	728	–
Total non-current liabilities due after one year	728	–

Borrowings

Bank loans are repayable as follows:

	2020 £000s	2019 £000s
Within one year	545	–
After one year and within two years	545	–
After two years and within five years	183	–
Over five years	–	–
	1,273	–

In October 2019 the Group entered into a £2.75 million loan facility with Shawbrook Bank. The principal terms are as follows:

Term	36 months with three month capital repayment holiday
Interest rate	9.3% over LIBOR paid monthly
Arrangement Fee	1.4% of loan facility
Non utilisation fee	0.6% of unutilised amount
Exit fee	shares equivalent of 7.5% of the facility payable as detailed below
Security	Fixed and Floating debenture over the assets of the Group.

The loan balance can be drawn in two tranches with a minimum of £1.0 million within five business days of the signing of the agreement and the remaining balance within twelve months. The company has drawn down £1.5 million of this new facility. The facility is being used to support the working capital requirements of the Group as it continues to grow.

Shawbrook Bank will be entitled to receive a cash based exit payment calculated on the value generated, over a 10 year period, on the equivalent of £206,250 of phantom shares (being 7.5% of the facility) if there is a takeover of the Group or a debt refinancing of the Shawbrook debt.

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

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

and where:

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

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

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

An Exit Fee Event is where there is:

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

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

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

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

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

As at 30 June 2020 £1.25 million of the facility remains undrawn.

9. SHARE CAPITAL

Company	2020 Number	2020 £000s	2019 Number	2019 £000s
Authorised:				
Ordinary shares of 1p each	100,000,000	1,000	100,000,000	1,000
Allotted called up and fully paid:				
Ordinary shares of 1p each	59,387,845	427	42,721,178	427

The Company owns 167,229 (2016: 167,229) shares and these are held as Treasury Shares.

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

10. DIVIDENDS

The directors have proposed no final dividend of in respect of the year ended 30 June 2020 (2019: 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 2020, the Company had a closing cash balance of £877,000 (2019: £1,160,000).

Financial risk management and objectives

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

Credit risk

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

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

Liquidity risk

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

Financial assets

Current financial assets	Note	2020 £000s	2019 £000s
Cash at bank		877	1,160
Intercompany receivables	6	13,660	8,534
		14,537	9,694

The fair values of the financial assets are considered to be approximately equal to the carrying values.

Financial liabilities

Current financial liabilities	Note	2020 £000s	2019 £000s
Trade payables	7	45	27
Accruals	7	80	88
Bank Debt	8	1,273	-
		1,398	115

The fair values of the financial liabilities are considered to be approximately equal to the carrying values.

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