6 September 2022

**PCI-PAL PLC**

(“PCI Pal”, the “Company” or the “Group”)

**Final Results**

**Analyst Briefing & Investor Presentation**

**Continued strong new business momentum**

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

**Financial Highlights**

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

**Operating and Other Highlights**

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

[1] TACV is the total annual recurring revenue of all signed contracts, whether invoiced and included in deferred revenue or still to be deployed and/or not yet invoiced [2] Loss from Operating Activities before exchange losses/gains recorded in the profit and loss exceptional items and share option charges

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

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

**Current trading**

- Strong start to new financial year with key metrics in line with management expectations.
- Sales highlights since year end:
    - Signed large well-known US-focused retailer with over 1,500 stores nationwide

    - New contract signed through a top performing partner in the UK with a well-known international food and drink company with an international footprint
- New integrated reseller partnership signed with a B2B telco in Canada.  This new partner has more than 100,000 customers and has a fast growing business in the Canadian contact centre market

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

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

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

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

**Analyst Briefing: 9.30am on Tuesday 6 September 2022**

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

**Investor Presentation: 3.00pm on Thursday 8 September 2022**

The Directors will hold an investor presentation to cover the results and prospects at 3.00pm (UK time) on Thursday 8 September 2022.

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

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

**Annual Report & Accounts**

The Annual Report & Accounts and Notice of Annual General Meeting will be posted to the Company's website (www.pcipal.com) and posted to shareholders in due course.

*This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR.*

**For further information, please contact:**

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**About PCI Pal:**

PCI Pal is a leading provider of Software-as-a-Service ("SaaS") solutions that empower companies to take payments from their customers securely, adhere to strict industry governance, and remove their business from the significant risks posed by non-compliance and data loss. Our products secure payments and data in any business communications environment including voice, chat, social, email, and contact centre. We are integrated to, and resold by, some of the worlds' leading business communications vendors, as well as major payment service providers.

The entirety of our product-base is available from our global cloud platform hosted in Amazon Web Services ("AWS"), with regional instances across EMEA, North America, and ANZ.

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

## CHAIR'S STATEMENT
## FOR THE YEAR ENDED 30 JUNE 2022

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

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

**Patent Infringement Claims**

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

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

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

The Group has put a great deal of effort into supporting our people and continuing to build an enduring culture of respect, positivity, and resilience. This corporate foundation is directly reflected in low employee turnover and an ability to attract first class technical talent despite the enormous impact of the *Great Migration* being felt across not just the technology sector but all areas of the global economy. More importantly, our customers and partners really enjoy working with our teams. This competitive differentiator should not be under-estimated and can be seen in our excellent NPS rankings, continued strengthening of our leadership position in channel partnerships, and impressive customer retention and account expansion metrics.

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

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

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

**Corporate Governance**
In FY22 the Board has continued to focus on building our governance capabilities and ability to exercise independent judgement as the Group becomes larger, more internationally complex, serving a broader range of global partners and customers, and developing an even more culturally diverse team of people in different countries. I am therefore very pleased to have welcomed Carolyn Rand to the Board as Audit Committee Chair and member of the Remuneration Committee. Carolyn is a financial expert with a broad SaaS and international technology background, most recently with Bango Plc, and therefore also brings payment industry experience to the Board. I would like to thank Chris Fielding for his long service and contributions to the Group, both as past Chair of the Board and Audit Committee Chair, as the Group transformed itself into the fast-growing Cloud business it is today.

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

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

**Stakeholder Communications**

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

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

**Looking Forward**

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

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

**Simon Wilson**
**Non-Executive Chair**

## CHIEF EXECUTIVE'S STATEMENT
## FOR THE YEAR ENDED 30 JUNE 2022

**Overview**

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

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

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

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

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

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

**A consistent strategy to meet the opportunity**

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

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

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

**People**

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

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

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

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

**Unfounded claims of patent infringement**

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

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

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

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

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

**Strategy and market**

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

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

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

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

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

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

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

**Cloud Technology**

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

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

**Evolution of PCI Pal product set**

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

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

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

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

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

**Continued Sales Growth**

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

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

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

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

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

**Market leading partner eco-system continues to expand**

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

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

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

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

- Integrated Partners - Such as CCaaS, UCaaS or carrier partners with tight telephony, and sometimes desktop, integrations. Repeatable integrations facilitate shorter customer implementation times
- Solution Providers - Typically Value-Added Resellers ("VARs") and Systems Integrators of the major traditional telephony platforms such as Genesys, Cisco, and Avaya. Solution Providers also includes Payment Service Providers such as Worldpay B2B, Capita Pay 360, and Civica. We also include our BPO partners in this category of partners
- Referral Partners - Partners who introduce customers to us, to whom we then sell direct. These include Master Agents, consultants, as well as other organisations who may prefer to first introduce, prior to becoming a fully enabled reseller
- Technology Partners - typically these are major technology vendors, such as Oracle, with whom we have sought technology accreditations that allow us to sell to both their own partner communities and also major enterprise customers

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

**Current Trading & Outlook**

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

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

**James Barham**
**Chief Executive Officer**

## CHIEF FINANCIAL OFFICER'S REVIEW
## FOR THE YEAR ENDED 30 JUNE 2022

**Key financial performance indicators**

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

The principal financial KPIs are as follows:

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

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

[2] Adjusted EBITDA is the loss on operating activities before exceptional items, depreciation and amortisation, exchange movements charged to the profit and loss and expenses relating to share option charges
[3] Cash balance plus undrawn debt facilities

The principal operational KPIs are as follows:

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

[1]TACV is the total annual recurring revenue of all signed contracts, whether invoiced and included in deferred revenue or still to be deployed and/or not yet invoiced
[2] AWS platform churn is calculated using the ACV of lost deployed contracts in the period divided by the opening total value of deployed contracts at the start of the period
[3] AWS platform net retention rate ("NRR") is calculated using the opening total value of deployed contracts at the start of the period less the ACV of lost deployed contracts in the period plus the ACV of upsold contracts signed in the period all divided by the opening total value of deployed contracts at the start of the period

**Revenue and gross margin**

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

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

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

**ACV growth**

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

**TACV**

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

This £13.36 million of TACV is analysed as follows:

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

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

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

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

**Churn and Net Retention**

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

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

**Internal adjusted operating loss[1] metric**

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

| | **EMEA** | **North America** | **Australia** | **Central** | **Total** |
|---|---|---|---|---|---|
| | £000s | £000s | £000s | £000s | £000s |
| **2022** | | | | | |
| Profit/(Loss) from Operating Activities before adjusting items | 240 | (1,337) | (188) | (1,779) | (3,064) |
| Exchange rate movements | 93 | (932) | 7 | - | (832) |
| Exceptional items relating to patent case legal fees | 37 | 182 | - | 578 | 797 |
| Expenses relating to Share Options | - | - | - | 246 | 246 |
| Internal adjusted operating profit/(loss) | 370 | (2,087) | (181) | (955) | (2,853) |

| | | | | | |
|---|---|---|---|---|---|
| **2021** | | | | | |
| Profit/ (loss) from Operating Activities before adjusting items | (866) | (1,990) | 13 | (1,118) | (3,961) |
| Exchange rate movements | (12) | 563 | (1) | - | 550 |
| Expenses relating to Share Options | - | - | - | 115 | 115 |
| Internal adjusted operating profit/(loss) | (878) | (1,427) | 12 | (1,003) | (3,296) |
| | | | | | |
| Change in year | 1,248 | (660) | (193) | 48 | 443 |

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

**Adjusted EBITDA**

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

**EMEA**

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

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

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

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

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

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

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

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

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

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

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

Further segmental information is shown in Note 10.

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

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

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

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

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

The patent costs per entity are estimated as follows:

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

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

**Changes in accounting policies**
There are no changes in our accounting policies for FY22.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**William Good**
**Chief Financial Officer**

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 30 JUNE 2022

| | Note | 2022<br>£000s | 2021<br>£000s |
|---|---|---|---|
| **Revenue** | | **11,937** | **7,362** |
| Cost of sales | | (1,924) | (1,805) |
| Gross profit | | 10,013 | 5,557 |
| Administrative expenses | | (13,077) | (9,518) |
| Loss from operating activities | | (3,064) | (3,961) |
| Adjusted Operating Loss | | (2,021) | (3,846) |
| Expenses relating to share options | | (246) | (115) |
| Exceptional items | 6 | (797) | - |
| Loss from operating activities | | (3,064) | (3,961) |
| Finance income | 7 | 1 | - |
| Finance expenditure | 8 | (44) | (230) |
| **Loss before taxation** | 5 | (3,107) | (4,191) |
| Taxation | 12 | 164 | 154 |
| **Loss for the year** | | **(2,943)** | **(4,037)** |

| | | | |
|---|---|---|---|
| Other comprehensive expense:<br>Items that will be reclassified subsequently to profit or loss | | | |
| Foreign exchange translation differences | | (1,086) | 653 |
| **Total other comprehensive (expense) / income** | | **(1,086)** | **653** |
| **Total comprehensive loss attributable to equity holders for the period** | | **(4,029)** | **(3,384)** |
| **Basic and diluted loss per share** | 11 | (4.50) p | (6.64) p |

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS AT 30 JUNE 2022

| | Note | 2022<br>£000s | 2021<br>£000s |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Plant and equipment | 14 | 238 | 74 |
| Intangible assets | 13 | 2,661 | 2,366 |
| Trade and other receivables | 15 | 964 | 801 |
| Deferred taxation | 18 | - | - |
| **Non-current assets** | | 3,863 | 3,241 |
| **Current assets** | | | |
| Trade and other receivables | 15 | 4,203 | 2,928 |
| Cash and cash equivalents | | 4,888 | 7,518 |
| **Current assets** | | 9,091 | 10,446 |
| **Total assets** | | 12,954 | 13,687 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | (11,372) | (7,817) |
| Current liabilities | | (11,372) | (7,817) |
| **Non-current liabilities** | | | |
| Other payables | 17 | (1,397) | (1,941) |

| | | | |
|---|---|---|---|
| **Non-current liabilities** | | (1,397) | (1,941) |
| **Total liabilities** | | (12,769) | (9,758) |
| **Net assets** | | **185** | **3,929** |
| **EQUITY** | | | |
| Share capital | 20 | 656 | 655 |
| Share premium | | 14,281 | 14,243 |
| Other reserves | | 650 | 404 |
| Currency reserves | | (620) | 466 |
| Profit and loss account | | (14,782) | (11,839) |
| **Total equity** | | **185** | **3,929** |

**J Barham** **Director**

**T W Good** **Director**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

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

| | | | | | | |
|---|---|---|---|---|---|---|
| **Transactions with owners** | **1** | **38** | **246** | **-** | **-** | **285** |
| Foreign exchange translation differences | - | - | - | - | (1,086) | **(1,086)** |
| Loss for the year | - | - | - | (2,943) | - | **(2,943)** |
| **Total comprehensive loss** | **-** | **-** | **-** | **(2,943)** | **(1,086)** | **(4,029)** |
| **Balance at 30 June 2022** | **656** | **14,281** | **650** | **(14,782)** | **(620)** | **(185)** |

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 30 JUNE 2022

| | **2022 £000s** | **2021 £000s** |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss after taxation | (2,943) | (4,037) |
| Adjustments for: | | |
| Depreciation of equipment and fixtures | 85 | 69 |
| Amortisation of intangible assets | 85 | 76 |
| Amortisation of capitalised development | 803 | 595 |
| Loss on disposal of equipment and fixtures | 3 | - |
| Interest income | (1) | - |
| Interest expense | 11 | 206 |
| Exchange differences | (1,124) | 676 |
| Income taxes | (164) | (154) |
| Share based payments | 246 | 115 |
| Increase in trade and other receivables | (1,438) | (1,017) |
| Increase in trade and other payables | 2,918 | 3,721 |
| **Cash (used in) / generated from operating activities** | **(1,519)** | **250** |
| Income taxes received | 164 | 154 |
| Interest paid | (11) | (206) |
| **Net cash (used in) / generated from operating activities** | **(1,366)** | **198** |
| **Cash flows from investing activities** | | |
| Purchase of equipment and fixtures | (124) | (40) |
| Purchase of intangible assets | (48) | - |
| Development expenditure capitalised | (1,098) | (920) |
| Interest received | 1 | - |
| **Net cash used in investing activities** | **(1,269)** | **(960)** |
| **Cash flows from financing activities** | | |

| | | |
|---|---|---|
| Issue of shares | 39 | 5,608 |
| Expenses related to issue of shares | - | (323) |
| Drawdown on loan facility | - | 1,250 |
| Repayment of loan facility | - | (2,523) |
| Principal element of lease payments | (34) | (33) |
| **Net cash generated from financing activities** | **5** | **3,979** |
| **Net (decrease) / increase in cash** | **(2,630)** | **3,217** |
| Cash and cash equivalents at beginning of year | 7,518 | 4,301 |
| Net (decrease) / increase in cash | (2,630) | 3,217 |
| **Cash and cash equivalents at end of year** | **4,888** | **7,518** |

## NOTES TO THE RESULTS FOR THE YEAR ENDED 30 JUNE 2022

### 1. AUTHORISATION OF FINANCIAL STATEMENTS

In accordance with section 435 of the Companies Act 2006, the Directors advise that the financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 30 June 2022 or 2021, but is derived from these financial statements. The financial statements for the year ended 30 June 2021 have been audited and filed with the Registrar of Companies. The financial statements for the year ended 30 June 2022 have been prepared in accordance with the UK adopted international accounting standards and the requirements of the Companies Act 2006. The financial statements for the year ended 30 June 2022 have been audited and will be filed with the Registrar of Companies following the Company's Annual General Meeting. The Independent Auditors Report on the Group's statutory financial statements for the years ended 30 June 2022 and 2021 were unqualified and did not draw attention to any matters by way of emphasis and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

### 2. NATURE OF OPERATIONS AND GENERAL INFORMATION

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

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

### 3. STATEMENT OF COMPLIANCE WITH IFRS

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

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

## 4. PRINCIPAL ACCOUNTING POLICIES

### a) Basis of preparation

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

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

### b) Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings (see Note 19) drawn up to 30 June 2022. A subsidiary is a company controlled directly by the Group and all of the subsidiaries are 100% owned by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

### c) Going concern

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

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

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

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

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

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

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

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

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

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

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

**d) Revenue**

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

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

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

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

There are two exceptions to the four year life estimation:

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

**e) Deferred Costs**

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

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

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

**f) Intangible assets**

**Research and development**

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

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

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

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

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

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

- Development costs 20%

The Directors have reviewed the development costs relating to the new AWS platform and are satisfied that the costs identified meet the tests identified by IAS 38 detailed above. Specifically, the initial platform was launched in October 2017 and has been successfully sold in Europe, North America and Australia, with further sales expected, as detailed in the Chief Executives' statement.

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

**Software licences**

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

- Software licences 33%

**g) Land, building, plant and equipment**

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

**Disposal of assets**

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

**Depreciation**

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

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

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

**h) Leases**

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

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

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs and restoration costs. Where leases include an element of variable lease payment or the option to extend the lease at the end of the initial term, each lease is reviewed, and a decision is made on the likely term of the lease.

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

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

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

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

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

**j) Equity-based and share-based payment transactions**

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

**k) Taxation**

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

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

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

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

**l) Dividends**

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

**m) Financial assets and liabilities**

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

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

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

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

- unbiased and probability-weighted amounts, determined using a range of possible outcomes;

- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

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

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

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

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

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

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

**n) Cash and cash equivalents**

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

**o) Equity**

Equity comprises the following:

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

scheme

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

**p) Contribution to defined contribution pension schemes**

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

**q) Foreign currencies**

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

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

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

**r) Exceptional items**

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

**s) Significant estimates**

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

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

**Amortisation of capitalised development expenditure**

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

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

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

**Contract revenue and direct costs**
The Group has adopted IFRS 15. A key estimate is the term used to recognise deferred contract revenue and costs. Having reviewed the terms and conditions of the Group's contracts it has estimated that:

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

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

- Alternative accounting estimates that could have been applied – this could be the contractual period without taking into account the automatic renewal clause
- Effect of that alternative accounting estimate – increase in the revenue figure reported by an immaterial amount and an equal decrease in deferred income.

- Second alternative accounting estimates that could have been applied – this could be a longer period other than the four years, with reference to low churn rates.
- Effect of that alternative accounting estimate – decrease in the revenue figure reported by an immaterial amount and an equal increase in deferred income.

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

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

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

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

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

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

**t) Significant judgements**

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

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

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

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

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

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

## 5. LOSS BEFORE TAXATION

The loss on ordinary activities is stated after:

| | 2022 £000s | 2021 £000s |
|---|---|---|
| **Disclosure of the audit and non-audit fees** | | |
| Fees payable to the Group's auditors for: | | |
| The audit of Company's accounts | 37 | 22 |
| The audit of the Company's subsidiaries pursuant to legislation | 42 | 26 |

There were no fees payable to the Group's auditors for other services in either the current or prior year.

| | 2022 £000s | 2021 £000s |
|---|---|---|
| Depreciation and amortisation – charged in administrative expenses | | |
| Right of use assets, equipment and fixtures | 85 | 69 |
| Intangible assets | 85 | 76 |
| Capitalised development | 803 | 595 |
| | 973 | 740 |
| Loss on disposal of equipment and fixtures | 3 | - |
| Rents payable on flexible office space | 53 | 44 |
| Share based payments charge | 246 | 115 |
| Foreign exchange loss/(gain) in period | (832) | 550 |

## 6. EXCEPTIONAL ITEMS

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

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

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

For further details, see Note 24.

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

## 7. FINANCE INCOME

| | 2022 £000s | 2021 £000s |
|---|---|---|

| | | |
|---|---|---|
| Bank interest receivable | 1 | - |
| | 1 | - |

**8. FINANCE EXPENDITURE**

| | 2022<br>£000s | 2021<br>£000s |
|---|---|---|
| Interest on bank borrowings | - | 194 |
| Other | 44 | 36 |
| | 44 | 230 |

**9. DIRECTORS AND EMPLOYEES**

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

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

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

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

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

| Average number of employees during the year: | 2022<br>Heads | 2021<br>Heads |
|---|---|---|
| Sales and marketing | 27 | 21 |
| Engineering and professional services | 52 | 35 |
| Administration and management | 14 | 12 |
| | 93 | 68 |

| Remuneration in respect of directors was as follows: | 2022<br>£000s | 2021<br>£000s |
|---|---|---|
| Emoluments | 610 | 627 |
| Bonus | 159 | 192 |
| Pension contributions to money purchase pension schemes | 27 | 35 |
| Employer’s national insurance and US federal taxes | 100 | 98 |

| | | |
|---|---|---|
| | 896 | 952 |

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

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

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

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

## 10. SEGMENTAL INFORMATION

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

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

| | | | | | |
|---|---|---|---|---|---|
| Capital Expenditure - Capitalised Development | 1,014 | 84 | - | - | 1,098 |
| Depreciation - Equipment, Fixtures & Licences | 135 | - | - | - | 135 |
| Depreciation - Capitalised Development | 727 | 76 | - | - | 803 |

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

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

Revenue can be split by location of customers as follows:

| **Customer location** | **2022 £000s** | **2021 £000s** |
|---|---|---|
| United Kingdom | 8,202 | 5,298 |
| United States of America | 2,872 | 1,440 |
| Canada | 418 | 329 |
| Rest of Europe | 250 | 195 |

| | | |
|---|---|---|
| Asia Pacific | 195 | 93 |
| Middle East | - | 7 |
| **Total** | 11,937 | 7,362 |

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

### 11. LOSS PER SHARE

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

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

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

### 12. TAXATION

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

**Factors affecting current tax charge**

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

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

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

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

## 13. INTANGIBLE ASSETS

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

| | | | |
|---|---|---|---|
| **Net book amount at 30 June 2022** | 229 | 2,432 | 2,661 |

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

## 14. PLANT AND EQUIPMENT

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

| **2021** | **Right of use Asset** | **Fixtures and Fittings** | **Computer Equipment** | **Total** |
|---|---|---|---|---|
| **Cost:** | **£000s** | **£000s** | **£000s** | **£000s** |
| At 1 July 2020 | 82 | 22 | 258 | 362 |

| | | | | |
|---|---|---|---|---|
| Additions | - | - | 40 | 40 |
| Disposals | - | - | (1) | (1) |
| **At 30 June 2021** | 82 | 22 | 297 | 401 |
| **Depreciation (included within administrative expenses):** | | | | |
| At 1 July 2020 | 35 | 14 | 210 | 259 |
| Charge for the year | 33 | 4 | 32 | 69 |
| Disposals | - | - | (1) | (1) |
| **At 30 June 2021** | 68 | 18 | 241 | 327 |
| **Net book amount at 30 June 2021** | 14 | 4 | 56 | 74 |

## 15. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

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

## 16. CURRENT LIABILITIES

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

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

## 17. NON-CURRENT LIABILITIES

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

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

## 18. DEFERRED TAXATION

| | 2022 £000s | 2021 £000s |
|---|---|---|

| | | |
|---|---|---|
| Balance at 30 June | - | - |

**Unprovided deferred tax assets**

| | | |
|---|---|---|
| Accelerated capital allowances | - | - |
| Trading losses | 4,911 | 4,143 |
| | 4,911 | 4,143 |

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

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

## 19. GROUP UNDERTAKINGS

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

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

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

## 20. SHARE CAPITAL

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

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

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

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

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

**Share Option schemes**

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

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

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

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

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

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

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

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

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

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

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

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

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

## 21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

### Capital Management

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

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

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

### Financial risk management and objectives

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

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

### Interest rate risk

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

### Credit risk

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

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

**Liquidity risk**

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

**Foreign currencies and foreign currency risk**

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

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

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

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

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

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

## 22. CAPITAL COMMITMENTS

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

## 23. CONTINGENT ASSETS

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

## 24. CONTINGENT LIABILITIES

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

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

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

and where:

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

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

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

An Exit Fee Event is where there is:

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

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

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

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

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

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

**Patent case**

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

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

The Group has formed a robust defence on non-infringement, despite the onus being on Sycurio to prove infringement, and has advanced strong counterclaims of invalidity of Sycurio's patents, such as prior-art.

Following an extensive investigation into Sycurio's patents and the previous court challenges in the UK to their validity by other parties, the Group has formed a strong position on counterclaims challenging the validity of the patents.  Both defence and counterclaims form the basis of our multi-faceted position in the UK and US cases.

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

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

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

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

## 25. CHANGES IN ACCOUNTING POLICY

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

## 26. TRANSACTIONS WITH DIRECTORS

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

## 27. DIVIDENDS

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

## 28. SUBSEQUENT EVENTS

There are no subsequent events to report.

## 29. ALTERNATIVE PERFORMANCE MEASURES

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