09 November 2023

PCI-PAL PLC
("PCI Pal", the "Company" or the "Group")

RESULTS
FOR THE YEAR ENDED 30 JUNE 2023

Strong Growth with Record New Business

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

Financial Highlights:

	FY23 30 June 2023	FY22 30 June 2022	Change
Revenue	£14.95m	£11.94m	+25%
Gross Margin %	88%	84%	
% of revenues from recurring contracts	86%	89%	
Adjusted EBITDA[1] loss	(£1.11m)	(£1.88m)	+41%
Adjusted PBT[2] loss	(£2.31m)	(£2.90m)	+20%
Loss before Tax	(£4.89m)	(£3.11m)	-57%
New ACV[3] contract sales in period	£4.16m	£3.46m	+20%
TACV[4]	£16.43m	£13.36m	+23%
ARR[5]	£12.58m	£11.05m	+14%
NRR[6]	103.0%	117.7%	
Customer retention[7]	95.4%	96.9%	
Cash and available resources (incl maximum debt headroom)[8]	£4.17m	£4.89m	

Operating and Other Highlights:

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

[1] Adjusted EBITDA is the loss on Operating Activities before depreciation and amortisation, exchange movements charged to the profit and loss, exceptional items and expenses relating to share option charges
[2] Adjusted PBT is the Loss before Tax before exchange movements charged to the profit and loss, exceptional items and expenses relating to share option charges
[3]ACV is the annual recurring revenue generated from a contract.
[4] TACV is the total annual recurring revenue of all signed contracts, whether invoiced and included in deferred revenue or still to be deployed and/or not yet invoiced.
[5] ARR is Annual Recurring Revenue of all the deployed contracts at the period end expressed in GBP.
[6] NRR is the net retention rate of the contracts that are live on the AWS platform rate and is calculated using the opening total value of deployed contracts 12 months ago less the ACV of lost deployed contracts in the last 12 months plus the ACV of upsold contracts signed in the last 12 months all divided by the opening total value of deployed contracts at the start of the 12 month period.

[7] Customer retention is calculated using the formula: 100% minus (the ACV of lost deployed contracts on the AWS platform in the last 12 months divided by the opening total value of deployed contracts 12 months ago expressed as a percentage).
[8]Cash balance plus maximum debt facilities available (subject to covenant tests being met)

Current Trading:

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

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

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

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

Analyst Briefing: 9:30am today, Thursday 09 November 2023

An online briefing for Analysts will be hosted by James Barham, Chief Executive Officer, and William Good, Chief Financial Officer, at 9.30am on today, Thursday 09 November 2023 to review the results and prospects. Analysts wishing to attend should contact Walbrook PR on pcipal@walbrookpr.com or 020 7933 8780.

Investor Presentation: 12:00pm on Tuesday 14 November 2023 (UK time)

The Directors will hold an investor presentation to cover the results and prospects at 12.00pm on Tuesday 14 November 2023 (UK time).

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

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

For further information, please contact:

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About PCI Pal:

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

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

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 2023

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

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

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

Strategic Direction

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

Corporate Governance

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

Patent Infringement Claim

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

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

Stakeholder Communications

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

Looking Forward

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

Simon Wilson
Non-Executive Chair
8 November 2023

CHIEF EXECUTIVE'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023

Overview

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

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

New business sales

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

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

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

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

Operations:

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

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

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

Partner Eco-system:

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

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

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

Market and Product Strategy

Market:

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

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

Product Strategy

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

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

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

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

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

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

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

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

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

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

Update on the unfounded claims of patent infringement

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

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

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

Breach of confidentiality by Sycurio Limited:

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

Looking ahead:

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

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

US proceedings:

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

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

PCI Pal Intellectual Property:

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

Outlook

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

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

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

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

James Barham
Chief Executive Officer
8 November 2023

CHIEF FINANCIAL OFFICER'S REVIEW
FOR THE YEAR ENDED 30 JUNE 2023

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

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

	2023	**Change %**	**2022**	**Change %**	**2021**
Revenue	£14.95m	+25%	£11.94m	+62%	£7.36m
Gross Margin	88%		84%		75%
Recurring Revenue[1]	£12.93m	+22%	£10.57m	+63%	£6.48m
Recurring Revenue as % of Revenue	86%		89%		88%

Revenue generated from Non-UK deployments	£5.23m	+40%	£3.74m	+82%	£2.06m
Percentage of Revenue from non-UK deployments	35%		31%		28%
Adjusted EBITDA[2]	(£1.11m)	+41%	(£1.88m)	+27%	(£2.56m)
Cash facilities available[3]	£4.17m		£4.89m		£7.52m
Deferred Income	£11.82m		£10.62m		£8.09m

[1] Recurring Revenue is the revenue generated from the recurring elements of the contracts held by the Group and recognised in the Statement of Comprehensive Income in the period
[2] Adjusted EBITDA is the loss on operating activities before exceptional items, depreciation and amortisation, exchange movements charged to the profit and loss and expenses relating to share option charges
[3] Cash balance plus maximum debt facilities available (subject to covenant tests being met)

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

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

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

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

Revenue and gross margin

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

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

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

The Group's revenue reflects its SaaS business model. It delivers its services primarily through channel partners into contact centres who are predominantly charged on a recurring licence basis. The terms of the sales contracts generally allow for automatic renewal of the licences for a further 12-month period at the end of their initial term. 86% (2022: 89%) of revenues recognised in the period have come from annually recurring licences and transactions. Our strong recurring revenue gives the Group high future revenue visibility.

ACV growth

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

TACV

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

This £16.43 million of TACV is analysed as follows:

2023	2022	
£12.58 million	£11.05 million	Live and delivering monthly revenue
£3.08 million	£1.12 million	Mid-deployment and therefore expected to deliver revenues within a few months

£0.77 million	£1.19 million	Projects classed as on hold

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

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

We have seen a £0.42 million reduction in the amount of projects classed as being "on hold". This is testament to our continuous improvement around project delivery, our increasingly tight working relationships with our partners, and improvements to our product suite. Contracts typically go "on hold" as a result of a lack of resource with the customer and/or channel partner, or where our solution is part of a larger project being delivered by our partner or the customer, which may mean there is a delay in reaching the PCI Pal aspect of the project. Such on-hold contracts therefore take longer on average to start delivering recurring recognised revenues.

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

Churn and Net Retention

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

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

Internal adjusted operating loss[1] metric

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

	EMEA	**North America**	**Australia**	**Central**	**Total**
	£000s	£000s	£000s	£000s	£000s
2023					
Profit/(Loss) from Operating Activities before adjusting items	524	(2,510)	(304)	(2,562)	(4,852)
Unrealised foreign exchange gains/(losses) on intercompany trading balances	45	255	25	5	330
Exceptional items relating to patent case costs	-	696	-	1286	1,982
Expenses relating to Share Options	-	-	-	272	272
Internal adjusted operating	569	(1,559)	(279)	(999)	(2,268)

profit/(loss)					
2022					
Profit/(Loss) from Operating Activities before adjusting items	240	(1,337)	(188)	(1,779)	(3,064)
Unrealised foreign exchange gains/(losses) on intercompany trading balances	93	(932)	7	-	(832)
Exceptional items relating to patent case costs	37	182	-	578	797
Expenses relating to Share Options	-	-	-	246	246
Internal adjusted operating profit/(loss)	370	(2,087)	(181)	(955)	(2,853)
Change in year	199	527	(98)	(43)	585

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

Adjusted EBITDA

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

EMEA

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

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

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

International

<u>North America</u>

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

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

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

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

Australia

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

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

Central

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

Further segmental information is shown in Note 10.

Administrative expenses

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

The underlying administrative costs can be analysed as follows:

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

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

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

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

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

Patent case defence costs

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

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

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

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

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

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

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

Changes in accounting policies

There are no changes in our accounting policies for FY23.

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

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

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

Set-up and Professional Services Fees
During the financial year, the Group generated from new contracts £1.41 million (2022: £1.41 million) of set-up and professional services fees. These fees are initially held in the balance sheet as deferred income and then released to revenue over the economic length of the contract as governed by the IFRS 15 accounting standard.

Deferred income
Deferred income increased 11% to £11.82 million (2022: £10.62 million), mostly reflecting the timing of growth in new business sales and the consequent increase in licence fees invoiced in advance, and to a lesser extent the continued build-up of unrecognised set up and professional services fees.

Trade receivables
Trade receivables grew to £3.51 million (2022: £2.96 million) as the business expanded its customer and contract base. The level of receivables reflects both debtors generated from new business sales as well as existing contract renewals outstanding at the end of the period. As at the 30 June 2023, £0.89 million (2022: £0.67 million) of the outstanding debtors related to newly signed contracts.
Our debtor collection rates remain within expected average ranges ending the year with 74% (2022: 78%) of debtors less than 60 days old. The Board does not believe that any of the debts over 60 days old will require to be written off.

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

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

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

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

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

Banking facility

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

Going Concern considerations

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

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

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

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

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

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

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

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

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

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

William Good
Chief Financial Officer
8 November 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 £000s	2022 £000s
Revenue		**14,945**	**11,937**
Cost of sales		(1,849)	(1,924)
Gross profit		13,096	10,013
Administrative expenses		(17,948)	(13,077)
Loss from operating activities		(4,852)	(3,064)
Adjusted Operating Loss		(2,598)	(2,021)
Expenses relating to share options		(272)	(246)
Exceptional items	6	(1,982)	(797)
Loss from operating activities		(4,852)	(3,064)
Finance income	7	3	1
Finance expenditure	8	(42)	(44)
Loss before taxation	5	(4,891)	(3,107)
Taxation	12	(1)	164
Loss for the year		**(4,892)**	**(2,943)**

Other comprehensive expense:
Items that will be reclassified subsequently to profit or loss

Foreign exchange translation differences		326	(1,086)
Total other comprehensive (expense) / income		**326**	**(1,086)**
Total comprehensive loss attributable to equity holders for the period		**(4,566)**	**(4,029)**
Basic and diluted loss per share	11	(7.47) p	(4.50) p

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	2023 £000s	2022 £000s
ASSETS			
Non-current assets			
Plant and equipment	14	185	238
Intangible assets	13	3,216	2,661
Trade and other receivables	15	1,567	964
Deferred taxation	18	-	-
Non-current assets		4,968	3,863
Current assets			
Trade and other receivables	15	5,376	4,203
Cash and cash equivalents		1,169	4,888
Current assets		6,545	9,091
Total assets		11,513	12,954
LIABILITIES			
Current liabilities			
Trade and other payables	16	(11,822)	(11,372)
Current liabilities		(11,822)	(11,372)
Non-current liabilities			
Other payables	17	(3,800)	(1,397)
Non-current liabilities		(3,800)	(1,397)
Total liabilities		(15,622)	(12,769)

	Note	2023 £000s	2022 £000s
Net (liabilities) / assets		**(4,109)**	**185**
EQUITY			
Share capital	20	656	656
Share premium		14,281	14,281
Other reserves		922	650
Currency reserves		(294)	(620)
Profit and loss account		(19,674)	(14,782)
Total (deficit) / equity		**(4,109)**	**185**

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

J Barham **Director**

T W Good **Director**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Share capital £000s	Share premium £000s	Other reserves £000s	Profit and loss account £000s	Currency Reserves £000s	Total Equity / (deficit) £000s
Balance as at 1 July 2021	**655**	**14,243**	**404**	**(11,839)**	**466**	**3,929**
Share option charge	-	-	246	-	-	**246**
New shares issued net of costs	1	38	-	-	-	**39**
Transactions with owners	**1**	**38**	**246**	**-**	**-**	**285**
Foreign exchange translation differences	-	-	-	-	(1,086)	**(1,086)**
Loss for the year	-	-	-	(2,943)	-	**(2,943)**

Total comprehensive loss	**-**	**-**	**-**	**(2,943)**	**(1,086)**	**(4,029)**
Balance at 30 June 2022	**656**	**14,281**	**650**	**(14,782)**	**(620)**	**185**
Share option charge	-	-	272	-	-	**272**
New shares issued net of costs	-	-	-	-	-	**-**
Transactions with owners	**-**	**-**	**272**	**-**	**-**	**272**
Foreign exchange translation differences	-	-	-	-	326	**326**
Loss for the year	-	-	-	(4,892)	-	**(4,892)**
Total comprehensive loss	**-**	**-**	**-**	**(4,892)**	**326**	**(4,566)**
Balance at 30 June 2023	**656**	**14,281**	**922**	**(19,674)**	**(294)**	**(4,109)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	2023 £000s	2022 £000s
Cash flows from operating activities		
Loss after taxation	(4,892)	(2,943)
Adjustments for:		
Depreciation of equipment and fixtures	110	85
Amortisation of intangible assets	1,046	888
Loss on disposal of equipment and fixtures	-	3
Interest income	(3)	(1)
Interest expense	5	11
Exchange differences	326	(1,124)
Income taxes	1	(164)
Share based payments	272	246
Increase in trade and other receivables	(1,776)	(1,438)
Increase in trade and other payables	2,895	2,918
Cash used in operating activities	**(2,016)**	**(1,519)**
Income taxes received	(1)	164
Interest paid	(5)	(11)
Net cash used in operating activities	**(2,022)**	**(1,366)**

Cash flows from investing activities		
Purchase of equipment and fixtures	(57)	(124)
Purchase of intangible assets	-	(48)
Development expenditure capitalised	(1,601)	(1,098)
Interest received	3	1
Net cash used in investing activities	**(1,655)**	**(1,269)**
Cash flows from financing activities		
Issue of shares	-	39
Drawdown on loan facility	-	-
Repayment of loan facility	-	-
Principal element of lease payments	(42)	(34)
Net cash (used in) / generated from financing activities	**(42)**	**5**
Net decrease in cash	**(3,719)**	**(2,630)**
Cash and cash equivalents at beginning of year	4,888	7,518
Net decrease in cash	(3,719)	(2,630)
Cash and cash equivalents at end of year	**1,169**	**4,888**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1. AUTHORISATION OF FINANCIAL STATEMENTS

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 2023 or 2022, but is derived from these financial statements. The financial statements for the year ended 30 June 2022 have been audited and filed with the Registrar of Companies. The financial statements for the year ended 30 June 2023 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 2023 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 2023 and 2022 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.

The Group's consolidated financial statements (the "financial statements") of PCI-PAL PLC (the "Company") and its subsidiaries (together the "Group") for the year ended 30 June 2023 were authorised for issue by the Board of Directors on 8 November 2023 and the Chief Executive, James Barham, and the Chief Financial Officer, William Good, signed the balance sheet.

2. NATURE OF OPERATIONS AND GENERAL INFORMATION

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

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

3. STATEMENT OF COMPLIANCE WITH IFRS

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

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

4. PRINCIPAL ACCOUNTING POLICIES

a) Basis of preparation

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

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

b) Basis of consolidation

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

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

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

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

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

c) Going concern

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

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

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

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

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

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

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

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

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

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

d) Revenue

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

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

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

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

There are two exceptions to the four year life estimation:

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

e) Deferred Costs

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

f) Intangible assets

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

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 – 33%

Costs relating to any remediation and testing thereof are expensed.

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

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

Software licences

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

- Software licences 20%

g) Land, building, plant and equipment

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

Disposal of assets

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

Depreciation

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

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

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

h) Leases

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

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

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

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

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

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

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

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

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

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

j) Equity-based and share-based payment transactions

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

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

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

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

k) Taxation

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

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

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

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

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

l) Dividends

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

m) Financial assets and liabilities

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

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

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

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

- unbiased and probability-weighted amounts, determined using a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

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

each group of trade receivables, giving an expected probability of default for the portfolio.

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

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

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

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

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

n) Cash and cash equivalents

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

o) Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares. The shares have attached to them voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.
- "Share premium" represents the difference between the nominal and issued share price after accounting for the costs of issuing the shares
- "Other reserves" represents the cumulative charge for the Company's share option scheme
- "Profit and loss account" represent retained cumulative profits or losses generated by the Group
- "Currency reserves" represents exchange differences arising from the translation of assets and liabilities of foreign operations

p) Contribution to defined contribution pension schemes

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

q) Foreign currencies

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

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

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

r) Exceptional items

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

s) Significant estimates

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

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

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

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

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

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

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

- for contracts with defined termination dates, revenue will be recognised over the period to the termination date
- for rolling contracts with automatic renewal clauses, revenue will be recognised over 4 years, representing the Directors' current best estimate of a minimum contract term.

  The Board has estimated that the four-year period is appropriate as a typical contract normally has a minimum term of between 12 months and 36 months, but due to the automatic renewal clause it is estimated to have a 48-month life as these contracts will normally roll for a certain period.

- If the minimum term of the contract is greater than four years, the minimum term period will be used as the estimated length of the contract.

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

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

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

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

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

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

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

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

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

t) Significant judgements

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

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

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

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

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

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

5. LOSS BEFORE TAXATION

The loss on ordinary activities is stated after:

	2023	**2022**
	£000s	**£000s**
Disclosure of the audit and non-audit fees		
Fees payable to the Group's auditors for:		
The audit of Company's accounts	55	37
The audit of the Company's subsidiaries pursuant to legislation	57	42
There were no fees payable to the Group's auditors for other services in either the current or prior year.		
Depreciation and amortisation – charged in administrative expenses		
Right of use assets, equipment and fixtures	110	85

Intangible assets	85	85
Capitalised development	961	803
	1,156	973
Loss on disposal of equipment and fixtures	-	3
Rents payable on flexible office space	116	53
Share based payments charge	272	246
Foreign exchange loss/(gain) in period	330	(832)

6. EXCEPTIONAL ITEMS

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

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

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

For further details, see Note 24.

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

7. FINANCE INCOME

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

8. FINANCE EXPENDITURE

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

9. DIRECTORS AND EMPLOYEES

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

	2023 £000s	**2022 £000s**

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

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

Average number of employees during the year:	**2023**	**2022**
	Heads	**Heads**
Sales and marketing	33	27
Engineering and professional services	62	52
Administration and management	18	14
	113	93

Remuneration in respect of directors was as follows:	**2023**	**2022**
	£000s	**£000s**
Emoluments	613	610
Bonus	160	159
Pension contributions to money purchase pension schemes	26	27
Employer's national insurance and US federal taxes	102	100
	901	896

During the year, 3 (2022: 5) directors participated in money purchase pension schemes.

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

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

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

10. SEGMENTAL INFORMATION

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

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

2022	PCI Pal EMEA £000s	PCI Pal North America £000s	PCI Pal ANZ £000s	Central £000s	Total £000s
Revenue	8,457	3,309	171	-	11,937
Cost of sales	(1,779)	(144)	(1)	-	(1,924)
Gross profit	6,678	3,165	170	-	10,013
	79%	96%	99%		84%
Administration expenses	(7,235)	(3,486)	(358)	(1,201)	(12,280)
Inter-company royalty	834	(834)	-	-	-
Exceptional items	(37)	(182)	-	(578)	(797)
Profit / (loss) from operating activities	240	(1,337)	(188)	(1,779)	(3,064)

Finance income	-	-	-	1	1
Finance costs	(36)	(8)	-	-	(44)
Profit / (loss) before tax	204	(1,345)	(188)	(1,778)	(3,107)
Segment assets	7,420	2,808	151	2,575	12,954
Segment liabilities	(7,269)	(4,990)	(172)	(338)	(12,769)
Other segment items:					
Capital Expenditure - Equipment, Fixtures & Licences	170	-	2	-	172
Capital Expenditure - Capitalised Development	1,014	84	-	-	1,098
Depreciation - Equipment, Fixtures & Licences	135	-	-	-	135
Depreciation - Capitalised Development	727	76	-	-	803

Revenue can be split by location of customers as follows:

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

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

11. LOSS PER SHARE

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

	12 months ended 30 June 2023	12 months ended 30 June 2022

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

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

12. TAXATION

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

Factors affecting current tax charge

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

	2023 £000s	2022 £000s
Loss on ordinary activities before tax	(4,891)	(3,107)
Tax on loss on ordinary activities at standard UK rate of taxation	(1,223)	(590)
Effects of:		
Overseas tax rates	28	(110)
Expenses not deductible for tax purposes	78	61
Adjustments in respect of prior periods R & D tax credit received	-	165
Fixed asset differences	(4)	(11)
Other permanent differences	(1)	(10)

Minimum US state taxes paid in year	(1)	(1)
Origination and reversal of timing differences on unrecognised deferred tax losses	1,150	550
Effect of change in tax rate	(28)	110
Total tax credited for the year	(1)	164

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

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

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

13. INTANGIBLE ASSETS

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

2022	**SIP, RTP and SBC Licences £000s**	**Capitalised Development £000s**	**Total £000s**
Cost:			
At 1 July 2021	379	3,415	3,794
Additions	48	1,098	1,146
Foreign exchange movement	-	51	51
At 30 June 2022	427	4,564	4,991
Amortisation (included within administrative expenses):			
At 1 July 2021	113	1,315	1,428

Charge for the year	85	803	888
Foreign exchange movement	-	14	14
At 30 June 2022	198	2,132	2,330
Net book amount at 30 June 2022	229	2,432	2,661

14. PLANT AND EQUIPMENT

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

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

Net book amount at 30 June 2022	107	11	120	238

15. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

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

16. CURRENT LIABILITIES

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

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

17. NON-CURRENT LIABILITIES

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

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

18. DEFERRED TAXATION

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

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

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

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

19. GROUP UNDERTAKINGS

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

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

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

20. SHARE CAPITAL

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

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

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

Share Option schemes

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

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

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

2: The number of options granted will vest equally over a four year period in monthly tranches with the earliest exercise date being 12 months from the data of issue of the option, and are accounted using the graded vesting model

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

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 2023	# option shares exercisable as at 30 June 2023	Charge for year	Total cumulative charge as at 30 June 2023
25-May-17	33.0 pence	33.0 pence	5 years	0.00%	20.00%	0.57%	10	100000	14.11 pence	Fully vested	3,065,000	1,080,000	285,000	1,700,000	1,700,000	£0	£280,044
10-May-19	22.0 pence	22.0 pence	5 years	0.00%	20.00%	0.87%	10	100000	14.23 pence	0.86 years	145,000	25,000	40,000	80,000	80,000	£2,278	£15,122
13-Jun-19	28.5 pence	28.5 pence	5 years	0.00%	20.00%	0.62%	10	100000	14.30 pence	0.95 years	525,000	0	0	525,000	525,000	£15,023	£60,793
08-Jul-19	28.5 pence	28.5 pence	5 years	0.00%	69.00%	0.59%	10	100000	15.42 pence	1.02 years	215,000	25,000	0	190,000	190,000	£5,847	£23,309
08-Jul-19	26.5 pence	26.5 pence	5 years	0.00%	69.00%	0.59%	10	100000	13.15 pence	1.02 years	115,000	0	50,000	65,000	65,000	£1,706	£13,377
08-Jul-19	19.0 pence	19.0 pence	5 years	0.00%	69.00%	0.59%	10	100000	11.29 pence	1.02 years	20,000	0	0	20,000	20,000	£451	£1,797
08-Jul-19	23.0 pence	23.0 pence	5 years	0.00%	69.00%	0.59%	10	100000	13.38 pence	1.02 years	105,000	0	0	105,000	105,000	£2,804	£11,179
08-Jul-20	40.0 pence	40.0 pence	5 years	0.00%	45.89%	-0.04%	225	10000	15.63 pence	2.02 years	815,000	0	0	815,000	0	£25,421	£75,845
01-Dec-20	44.0 pence	44.0 pence	5 years	0.00%	45.60%	0.04%	225	10000	17.24 pence	2.42 years	140,000	0	0	140,000	0	£4,815	£12,435
28-Jan-21	60.0 pence	60.0 pence	5 years	0.00%	45.88%	-0.03%	250	10000	24.91 pence	2.58 years	65,000	30,000	0	35,000	0	£1,032	£4,216
23-Mar-21	65.0 pence	108.5 pence	5 years	0.00%	45.88%	0.37%	250	10000	61.63 pence	2.73 years	315,000	10,000	0	305,000	0	£37,512	£85,331
23-Mar-21	65.0 pence	108.5 pence	5 years	0.00%	45.88%	0.37%	250	10000	61.63 pence	2.73 years	25,000	0	0	25,000	0	£3,075	£6,994
12-Apr-21	113.5 pence	113.5 pence	5 years	0.00%	45.88%	0.37%	250	10000	42.40 pence	2.78 years	220,000	0	0	220,000	0	£18,615	£41,322
12-Apr-21	113.5 pence	113.5 pence	5 years	0.00%	45.88%	0.37%	250	10000	42.40 pence	2.78 years	30,000	0	0	30,000	0	£2,538	£5,635
29-Jun-21	93.0 pence	93.0 pence	5 years	0.00%	45.99%	0.35%	250	10000	37.06 pence	3.00 years	25,000	0	0	25,000	0	£1,849	£3,708
15-Nov-21	68.5 pence	68.5 pence	5 years	0.00%	42.98%	0.71%	250	10000	25.82 pence	3.38 years	560,000	0	0	560,000	0	£28,938	£46,936
15-Nov-21	68.5 pence	68.5 pence	5 years	0.00%	42.98%	0.71%	250	10000	25.82 pence	3.38 years	65,000	0	0	65,000	0	£3,359	£5,448
02-Mar-22	57.5 pence	57.5 pence	5 years	0.00%	44.89%	1.07%	250	10000	23.50 pence	3.67 years	568,477	0	0	568,477	0	£26,736	£35,525
02-Mar-22	57.5 pence	57.5 pence	5 years	0.00%	44.89%	1.07%	250	10000	23.50 pence	3.67 years	276,523	0	0	276,523	0	£13,005	£17,281
02-Mar-22	57.5 pence	57.5 pence	5 years	0.00%	44.89%	1.07%	250	10000	23.50 pence	3.67 years	205,000	0	0	205,000	0	£9,641	£12,811
25-May-22	61.0 pence	61.0 pence	5 years	0.00%	43.23%	1.56%	250	10000	24.37 pence	3.90 years	30,000	0	0	30,000	0	£1,463	£1,608
06-Oct-22	54.5 pence	54.5 pence	5 years	0.00%	49.24%	4.36%	250	10000	24.95 pence	4.27 years	430,000	10,000	0	420,000	0	£15,338	£15,338
14-Dec-22	53.0 pence	53.0 pence	5 years	0.00%	23.45%	3.28%	250	10000	14.68 pence	4.45 years	55,000	0	0	55,000	0	£876	£876
14-Dec-22	53.0 pence	53.0 pence	5 years	0.00%	23.45%	3.28%	250	10000	14.68 pence	4.45 years	10,000	0	0	10,000	0	£159	£159
06-Feb-23	54.0 pence	54.0 pence	5 years	0.00%	29.55%	3.12%	250	10000	18.03 pence	4.60 years	195,000	0	0	195,000	0	£2,777	£2,777
30-Jun-23	53.5 pence	53.5 pence	5 years	0.00%	38.50%	4.67%	250	10000	22.56 pence	5.00 years	10,000	0	0	10,000	0	£0	£0
											8,230,000	**1,180,000**	**375,000**	**6,675,000**	**2,685,000**	**£225,262**	**£779,866**

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

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

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

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

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

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

21. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Capital Management

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

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

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

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

All interest rates are subject to a minimum rate of 4.5% and are paid monthly

Arrangement Fee	1.5% of loan facility
Non utilisation fee	1.8% of unutilised amount paid quarterly
Security	Fixed and Floating debenture over the assets of the Group.

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

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

1. AQR covenant
   The Adjusted Quick Ratio is the ratio of Quick Assets (Cash and Billed debtors) to Current Liabilities minus the aggregate of the current portion of Deferred Revenue plus all amounts outstanding under the Loan Documents must be greater than 1.40x, except for the period of Oct 23 to Feb 24 where it must be greater than 1.10x and the facility is limited to a maximum £1 million.
2. EBITDA covenant
   The 12 months trailing EBITDA of the Group, before exceptional items, shall be no worse than an end of quarter target that increases over time as the Group moves from losses to profit.
3. Advance rate multiplier.
   The amounts advanced under the Loan Agreement shall be no more than A x (B – C), where: A = 3.5; B = 1; C = the Churn Rate, times by the Monthly Recurring Revenue.

Financial risk management and objectives

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

Interest rate risk

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

Credit risk

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

Concentration of credit risk with respect to trade receivables are limited due to the wide nature of the Group's customer base: The largest customer accounted for 16% (2022: 16%) of revenues in the financial year, but this is expected to drop in the next financial year as we add more and more customers. Historically, bad debts within the Group are minimal due to the importance of our service to the customer as well as the level of payments in advance we receive. This situation is not expected to change in the future.

Liquidity risk

The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group's policy through the period has been to ensure continuity of funding by equity backed up by access to a maximum £3.0 million multi-currency revolving loan facility, as detailed above.

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

At 30 June 2023:

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

At 30 June 2022:

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

Foreign currencies and foreign currency risk

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

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

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

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

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

At present foreign exchange translation is low and therefore hedging and risk management is not deemed necessary as the company trades and spends in the various currencies.

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

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

No sensitivity analysis is provided in respect of foreign currency risks as the risk is considered to be moderate, although management will keep the need for sensitivity analysis under regular review going forward.

22. CAPITAL COMMITMENTS

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

23. CONTINGENT ASSETS

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

24. CONTINGENT LIABILITIES

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

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

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

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

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

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

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

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

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

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

25. CHANGES IN ACCOUNTING POLICY

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

26. TRANSACTIONS WITH DIRECTORS

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

27. DIVIDENDS

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

28. SUBSEQUENT EVENTS

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

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

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

29. ALTERNATIVE PERFORMANCE MEASURES

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