DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

PCI-PAL (U.K.) Ltd

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

Company registration number:	03960535	
Registered office:	7 Gamma Terrace Ransomes Europark Ipswich Suffolk IP3 9FF	
Directors:	J C Barham T W Good G Forsyth S A Ahier D E Swift C M Fielding (non-executive) J S Starr (non-executive)	 (resigned 30/06/2022)
Secretary:	T W Good	
Bankers:	NatWest Bank PLC	
Solicitors:	Shepherd and Wedderburn LLP Birketts LLP	
Auditors:	BDO LLP	

TUESDAY
ABVEZ6V6
A12 17/01/2023 #49
COMPANIES HOUSE

DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

PCI-PAL (U.K.) Ltd

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2022

Business Summary

PCI-Pal (U.K.) Ltd is the European division of PCI-Pal PLC. The Company has developed a fully cloud enabled, PCI DSS (Data Security Standard) Level 1 compliant credit card solution designed to prevent card fraud by eliminating credit card data being handled or stored at a client's premises.

This financial year the Company has continued to focus on expanding this secure payment business. Its capabilities around contact centres, and technical expertise of industry relevant telephony, security, and compliance requirements, mean it is well placed to continue to grow the business.

Head count has grown in the financial year from 53 to 74 employees at the year-end. The business has generated its first trading profit of £0.139 million (2021: loss of £0.939 million) and this is expected to improve in the coming financial year.

The Company has had a strong year expanding its client base, which continues to consist of blue chip, well-known European and, increasingly, global brands; organisations at risk of very significant reputation loss in the event of a data breach. More and more of our sales are being brought to us, and sold by, our channel partners.

Recurring revenues have continued to grow year on year, with an additional projects pipeline of contracted business yet to go live. We have maintained our position as one of Europe's leading providers of contact centre payment security solutions.

In addition, the Company also licences its technology to its sister companies within the PCI-Pal PLC Group, and provides these licensees with technical and customer support, in return for a royalty fee. Over the coming financial year, the Company is expecting this intercompany royalty stream to continue to grow.

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

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

The Directors are therefore confident that our modern cloud-based technology services will continue to be in demand for the future.

PCI-PAL (U.K.) Ltd

PRINCIPAL RISKS, UNCERTAINTIES AND RISK MITIGATION

The following has been extracted in full from the Report and Accounts of PCI-PAL PLC without changes. The Executive Directors of PCI-PAL PLC are also directors of the Company. This report highlights the risks not only that the Group are facing but also the Company and indicates how the Company is reacting to try and minimise the risks and potential losses.

"The Board regularly reviews business risk and the Group's appetite for risk relative to its growth and expansion plans. The Board has identified a number of principal risks and has assessed them against: the impact they would have on the business; the likelihood the risk would occur; the vulnerability of the Group to the risk; and how fast the identified risk could occur. The assessment is scored and converted into a heat map, the summary of which is as follows:

	PCI PAL PLC Risk Map	Review of risks for FY22							FY21		
	Risk Area	Impact	Likelihood	Vulnerability	Speed of onset	Impact v Likelihood	Vulnerability v speed of onset	Combined	Combined	Risk change	
1	Information security and cyber risks	[illegible]	2	2	[illegible]	10	10	20	[illegible]	-3	Decreasing
2	Infringement of third parties IPR	5	2	3	4	9	10	19	[illegible]	-3	Decreasing
3	Business Interruption	3	3	2	[illegible]	9	10	19	20	-1	Decreasing
4	Econonic and financial risk	3	3	3	4	9	9	18	14	4	Increasing
5	Market and product development	4	3	3	3	10	6	16	14	2	Increasing
6	Recruitment and retention	3	3	3	3	9	6	15	14	1	Increasing
7	Generation of new business sales	3	3	3	3	8	6	14	12	2	Increasing
8	Damage to reputation	5	2	2	5	7	7	14	14	0	level
9	Regulation and industry standards	4	2	2	2	8	4	12	11	1	Increasing
10	Pandemic risk	2	3	1	3	5	3	8	10	-2	Decreasing

1: Incidental	1: Rare	1: Very Low	1: Very slow
2: Minor	2: Unlikely	2: Low	2: slow
3: Moderate	3: Possible	3: Medium	3: Medium pace
4: Major	4: Likely	4: High	4: Fast
5: Extreme	5: Almost certain	5: Very High	5: Very Fast

From the assessment, the principal risks facing the Group and considered by the Board are:

Information security and cyber risk

Assessment – Risk decreasing

Risk area and potential impact

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

Management of risks

The Group continually invests in information security under the leadership of the Group CISO. The Group is PCI DSS level 1 and ISO 27001: Information Security compliant. These certificates are two of the most thorough certification tests available and are independently assessed. The Group utilises the latest security products and is subject to frequent and rigorous third party penetration testing.

Infringement of IPR

Assessment – Risk decreasing

Risk area and potential impact

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

Management of risks

The Group carefully designs its systems so as to not infringe third party owned software and IP. Where necessary the Group will enter into licence agreements with the owners of IP to allow use within our systems. The Group is currently subject to a claim for infringement of a patent. The directors have thoroughly reviewed the claim and believe it is unfounded and so are defending the claim vigorously. As part of the legal review process the directors have thoroughly reviewed the existing systems and are confident in the unfounded nature of the claims.

PCI-PAL (U.K.) Ltd

Business interruption

Assessment – Risk decreasing

Risk area and potential impact

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

Management of risks

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

Recruitment and retention

Assessment – Risk increasing

Risk area and potential impact

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

Management of risks

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

Market and product development

Assessment – Risk increasing

Risk area and potential impact

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

Management of risks

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

Damage to reputation

Assessment – Risk level

Risk area and potential impact

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

Management of risks

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

Economic and financial risk

Assessment – Risk increasing

Risk area and potential impact

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

Management of risks

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

Generation of new business sales

Assessment – Risk increasing

Risk area and potential impact

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

Management of risks

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

DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

Regulation and industry standards
Assessment – Risk increasing
Risk area and potential impact
Failure to maintain the Group's PCI DSS Level 1 accreditation will impact the ability of the Group to operate. In addition, additional laws around data security, taxation, pricing, law enforcement may also mean it is uneconomic to continue to trade in existing regions
Management of risks
The Group has a dedicated Infosec team, headed by the Group CISO, who have extensive knowledge of the PCI DSS regulations. This team works closely with our third-party Quality Security Assessor (QSA) to review and maintain our PCI compliance. Where there are regional regulation requirements the Group has appointed professional service firms to assist us in maintaining compliance.

Pandemic risks
Assessment – Risk decreasing
Risk area and potential impact
The Group's operations may be restricted by further lockdowns, staff shortages, enforced remote working and general economic impacts caused by an aggressive mutation of COVID-19 or other pandemics, hindering new sales or revenues or cash generation
Management of risks
The Group has well-established plans to deal with any future pandemic risks. 75% of our employees are contracted to work from home and previously we were able to easily adopt a 100% policy with little or no impact to the business. Our sales and deployments have been proven to be successfully made without the need to visit customer sites. The provision of the Group services have been designed from the start to be delivered remotely via the Cloud.

First-time adoption of IFRS and changes in Accounting Policies

These financial statements are the first the Company has prepared in accordance with UK adopted international accounting standards (IFRS). See note 4 (b) and note 24 for further details. There were no other changes in accounting policies adopted in the year.

Key performance indicators

The Company monitors several key performance indicators, using both financial and non-financial metrics, on a monthly basis. The most important of these are as follows:

	2022	Change %	As restated 2021	Change %	2020
Revenue	£9.28m	+57%	£5.90m	+52%	£3.89m
Gross Margin	80.8%		72.1%		66.5%
Contracted TACV[1] deployed and live	£7.83m	+40%	£5.59m	+62%	£3.46m
Contracted TACV in deployment	£0.62m	+5%	£0.59m	-52%	£1.23m
Contracted TACV – projects on hold	£0.57m	+16%	£0.49m	+26%	£0.39m
Total Contracted TACV	£9.02m	+35%	£6.67m	+31%	£5.08m
ACV of contracts cancelled before deployment	£0.08m		£0.07m		Not Calculated
Signed ACV in financial period	£2.01m	+18%	£1.71m	+13%	£1.52m
Headcount at end of year	74		53		44
Ratio Personnel cost to administrative expenses	74%		71%		82%
Cash	£1.45m		£0.67m		£0.11m
Deferred Income	£5.78m		£4.61m		£2.65m

[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

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

Corporate and Social Responsibilities

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

Mission, Vision and Values

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

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

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

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

Our Values:

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

Customer Engagement & Business

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

Employee Engagement, Retention and Development

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

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

DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

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

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

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

Community Impact

PCI Pal recognises the importance of the communities within which we operate, aiming to positively contribute towards them by being sensitive to their needs whilst promoting ethical and socially responsible trading. For FY22 the Company chose a global charity that was selected following an all company employee survey. The charity, Girls Who Code, aims to increase the number of women in computer science by equipping young women with the necessary computing skills to pursue modern day opportunities. The Group raised USD $3,364 for the charity in the year.

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

COVID-19

The safety of our employees is paramount to the Directors. The COVID-19 pandemic is still with us but the implications of it are now far better understood in relation to our business. We continue to follow the guidance available from all the governmental authorities where we have a presence to try and protect our staff as best as we can. The nature of our business means that our people can work remotely with ease. The risk of staff transmitting COVID-19 whilst performing their duties for PCI Pal is considered low if all government and advisory guidance is followed. We have developed clear Return to Work policies which have been communicated to all staff. All required government controls and safety measures are in place.

At the time of publication of this report the majority of staff are still working from home, with a small number working from our Ipswich site. Meetings by majority tend to be over video conference.

Outlook

As a result of the strong financial performance of the Company, we continue to be on track with our current plans to hit long-term positive cashflow and profitability in the coming year, while maintaining our significant investment in our products and services.

DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

Whilst we remain conscious of the rapidly evolving wider macro-economic environments affecting our key markets today, we are very confident in the prospects of this fast growing business.

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

DocuSigned by:
James Barham
9EA08A5058CB478...

James Barham
CEO
6 January 2023

PCI-PAL (U.K.) Ltd

DIRECTORS' REPORT

The directors present their report together with the financial statements of the Company for the year to 30 June 2022.

1. Principal activity

The Company (company number 03960535) is engaged in the provision of Payment Card Industry ("PCI") Compliant solutions to contact centres.

2. Results, dividends and future prospects

The trading results of the Company are summarised as follows:

	2022 £000s	As restated 2021 £000s
Turnover	9,283	5,903
Profit / (loss) on ordinary activities before taxation	139	(939)

The Strategic Report contains a full explanation of developments during the year and the Company's future prospects.

As detailed in the Strategic Report no dividend was paid during the year (2021: £nil) nor post year end.

3. Directors

The membership of the Board during the year is set out below:

J C Barham
T W Good
G Forsyth
S A Ahier
D E Swift
C M Fielding (non-executive) (resigned 30 June 2022)
J S Starr (non-executive)

4. Directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with UK adopted International Accounting Standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors confirm that:

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

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

5. Qualifying third party indemnity provision

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

6. Research and development

The Company is continuing to invest in developing its next generation full cloud, PCI DSS Compliant solution platform.

DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

7. Employee policy

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

8. Financial risk management

The financial risk management and objectives are discussed in Note 18.

9. Going concern

The Directors have considered financial forecasts for the coming year through to the end of January 2024.

As part of these considerations, the Directors reviewed and challenged information provided by the management team such as the new contract sales forecast, the Group current sales pipeline and the likely demand for our services and any continued impact from the COVID 19 pandemic.

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

The Directors have considered the financial implications of the outstanding patent case claims being made against the Company, which is being managed by its Parent Company. The Directors strongly refute the allegations made in the claim and are assisting the Parent company Directors in the defence of the claims. The likely timing and impact of the legal fees relating to the patent claim have been reviewed including the effect on the Parent company's cash flow and availability of financial support to the Company over the next 24 to 36 months if required. The sensitivity scenarios around the budget models indicate that the Company would continue to have sufficient resources to meet its expansion plans in FY24 without the financial support of the Parent company.

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 Company's financial position from the presented plans which, they believe, take a balanced view of the future growth prospects, together with the contingencies that can be taken if the budget assumptions prove to be materially inaccurate.

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

The Directors of PCI-Pal PLC have confirmed that PCI-Pal PLC are willing to continue to financially support the Company for the foreseeable future. Therefore, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

10. Auditors

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

11. Post balance sheet events

There are no post balance sheet events to disclose.

BY ORDER OF THE BOARD

DocuSigned by:
William Good
766A8A5A1E56459...

7 Gamma Terrace
Ransomes Europark
Ipswich, Suffolk
IP3 9FF

T W Good
Secretary
6 January 2023

PCI-PAL (U.K.) Ltd

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PCI-PAL (U.K.) LIMITED

Opinion on the financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of PCI-Pal (UK) Limited ("the Company") for the year ended 30 June 2022 which comprise the Statement of Comprehensive income, the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

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

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Use of our report

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

DocuSigned by:
Tracey Keeble
90ADC148A9614B1...

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

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

PCI-PAL (U.K.) Ltd

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 £000s	As restated* 2021 £000s
Revenue	8	9,283	5,903
Cost of sales		(1,779)	(1,646)
Gross profit		**7,504**	**4,257**
Administrative expenses		(7,365)	(5,196)
Profit / (loss) from operating activities		**139**	**(939)**
Finance expenditure	6	(36)	(30)
Profit / (loss) before taxation	5	**103**	**(969)**
Taxation	9	165	153
Profit / (loss) for the year		**268**	**(816)**

*As restated – see note 24 to the financial statements.

There was no other comprehensive income for the year (2021: £nil).

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

DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

PCI-PAL (U.K.) Ltd

REGISTERED NUMBER: 03960535

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	2022 £000s	As restated* 2021 £000s	As restated* 1 July 2020 £000s
ASSETS				
Non-current assets				
Plant and equipment	10	236	74	104
Intangible assets	11	2,661	2,378	2,177
Trade and other receivables	12	480	407	175
Deferred taxation	15	-	-	-
Non-current assets		**3,377**	**2,859**	**2,456**
Current assets				
Trade and other receivables	12	3,072	2,226	1,693
Cash at bank and in hand		1,445	673	109
Current assets		**4,517**	**2,899**	**1,802**
Total assets		**7,894**	**5,758**	**4,258**
LIABILITIES				
Current liabilities				
Intercompany payables		(6,785)	(6,340)	(6,023)
Trade and other payables		(6,392)	(4,864)	(3,271)
Current liabilities	13	**(13,177)**	**(11,204)**	**(9,294)**
Non-current liabilities				
Other payables	14	(878)	(983)	(577)
Non-current liabilities		**(878)**	**(983)**	**(577)**
Total liabilities		**(14,055)**	**(12,187)**	**(9,871)**
Net liabilities		**(6,161)**	**(6,429)**	**(5,613)**

*As restated – see note 24 to the financial statements.

DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

REGISTERED NUMBER: 03960535

STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 30 JUNE 2022

	Note	2022	As restated* 2021	As restated* 1 July 2020
		£000s	£000s	£000s
EQUITY				
Capital and Reserves				
Share capital	17	-	-	-
Profit and loss account		(6,161)	(6,429)	(5,613)
Shareholder's deficit		**(6,161)**	**(6,429)**	**(5,613)**

*As restated – see note 24 to the financial statements.

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

The Board of Directors approved and authorised the issue of the financial statements on 6 January 2023.

DocuSigned by:
James Barham
9EA08A5058CB478...
J Barham **Director**

DocuSigned by:
William Good
766A8A5A1E56459...
T W Good **Director**

DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

PCI-PAL (U.K.) Ltd

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Share capital £000s	Profit and loss account £000s	Total Equity £000s
Balance at 1 July 2020 – as previously stated	**-**	**(5,597)**	**(5,597)**
Prior period restatement (note 24)	-	(16)	(16)
Balance at 1 July 2020 – as restated	**-**	**(5,613)**	**(5,613)**
Loss for the year	-	(816)	**(816)**
Balance at 30 June 2021	**-**	**(6,429)**	**(6,429)**
Profit for the year	-	268	**268**
Balance at 30 June 2022	**-**	**(6,161)**	**(6,161)**

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

PCI-PAL (U.K.) Ltd

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	2022 £000s	As restated* 2021 £000s
Cash flows from operating activities		
Profit / (loss) after taxation	268	(816)
Adjustments for:		
Depreciation of equipment and fixtures	85	69
Amortisation of intangible assets	97	103
Amortisation of capitalised development	817	592
Loss on disposal of equipment and fixtures	3	-
Interest expense	11	12
Income taxes	(165)	(153)
Increase in trade and other receivables	(919)	(765)
Increase in intercompany payables	310	360
Increase in trade and other payables	1,329	1,854
Cash generated from operating activities	**1,836**	**1,256**
Income taxes received	165	153
Interest paid	(11)	(12)
Net cash generated from operating activities	**1,990**	**1,397**
Cash flows from investing activities		
Purchase of equipment and fixtures	(122)	(39)
Purchase of intangible assets	(47)	-
Development expenditure capitalised	(1,015)	(761)
Net cash used in investing activities	**(1,184)**	**(800)**
Cash flows from financing activities		
Principal element of lease payments	(34)	(33)
Net cash used in financing activities	**(34)**	**(33)**
Net increase in cash	**772**	**564**
Cash and cash equivalents at beginning of year	673	109
Net increase in cash	772	564
Cash and cash equivalents at end of year	**1,445**	**673**

*As restated – see note 24 to the financial statements.

DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1. AUTHORISATION OF FINANCIAL STATEMENTS

The Company's financial statements (the "financial statements") for the year ended 30 June 2022 were authorised for issue by the Board of Directors on 6 January 2023 and the CEO, James Barham, and the Chief Financial Officer, William Good, signed the Statement of Financial Position.

2. NATURE OF OPERATIONS AND GENERAL INFORMATION

PCI-PAL (U.K.) Limited is a private limited liability company incorporated by shares in England. The registered office is 7 Gamma Terrace, Ransomes Europark, Ipswich Suffolk IP3 9FF.

The Company operates principally in the provision of PCI Compliant solutions.

3. STATEMENT OF COMPLIANCE WITH IFRS

The principal accounting policies adopted by the Company are set out in Note 4.

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

4. PRINCIPAL ACCOUNTING POLICIES

a. Basis of preparation

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

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

The financial statements present information about the company as an individual undertaking and not about the Group. The company has not prepared Group financial statements as it is exempt to do so by section 400 of the Companies Act as it is a subsidiary undertaking of PCI-PAL PLC, a Company incorporated in England and Wales and is included in the consolidated financial statements of that Company.

The Group financial statements may be obtained from Companies House or from the group website at https://ir.pcipal.com/financials/annual-interim-reports.

b. First-time adoption of IFRS

For all periods up to and including the year ended 30 June 2021, the Company prepared its financial statements in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and the Republic of Ireland, although the principles of IFRS 15 in relation to revenue were adopted.

These financial statements for the year ended 30 June 2022 are the first the Company has prepared in accordance with IFRS. Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at 30 June 2022, together with the comparative period data for the year ended 30 June 2021. The Company's opening statement of financial position was prepared as at 1 July 2020, being the Company's date of transition to IFRS.

There was only one material adjustment made by the Company in restating its FRS 102 financial statements, being the adoption of IFRS 16 – Leases as detailed in Note (h) below. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at 1 July 2020. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 July 2020.

A reconciliation of equity and total comprehensive income as at 1 July 2020 and 30 June 2021 has been included in Note 24.

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 Company meets its day-to-day working capital requirements through trading receipts and loans made by its parent company. Cash balances for the parent group were £4.89 million as at 30 June 2022.

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

During the year the Company continued to win new contracts, recording new ACV sales of £2.01 million, as well as substantial growth in its transactional revenues.

At the end of the financial year the Company had £7.83 million of deployed, live contracts contributing to revenue recognition which helps underpin our expectations for revenue growth in FY23.

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

The Board considered the budget presentation in June and the controls in place that are designed to allow the Company 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 Company and Group's net cash position and the level of headroom achieved.

The Directors have considered the financial implications of the outstanding patent case claims being made against the Company, which is being managed by its Parent Company. The Directors strongly refute the allegations made in the claim and are assisting the Parent company Directors in the defence of the claims. The likely timing and impact of the legal fees relating to the patent claim have been reviewed including the effect on the Parent company's cash flow and availability of financial support to the Company over the next 24 to 36 months if required. The sensitivity scenarios around the budget models indicate that the Company would continue to have sufficient resources to meet its expansion plans in FY24 without the financial support of the Parent company.

The Board also considered actions that would help to mitigate the actual results if the assumptions made in the original forecast proved to be overly optimistic, such as lower commission and bonus payments, slower investment and timings of new hires.

At all points the Directors were satisfied in the robustness of the Company's financial position from the presented plans which, they believe, take a balanced view of the future growth prospects, together with the contingencies that can be taken if the budget assumptions prove to be materially inaccurate.

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

The Directors will review, on a regular basis, the actual results achieved against the planned forecasts. Some of the planned expenditure assumptions in the current forecast remain discretionary and as a result the Directors can delay such expenditure to further ensure the Company is able to meet its day-to- day financial working capital needs.

d. Revenue

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

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

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

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

There are two exceptions to the four year life estimation:

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

(iii) Royalty income from intra-group licences
The Company develops and maintains the AWS platform and licences the platform to fellow subsidiary undertakings to sell to third parties. Revenue relating to royalty income from fellow subsidiary undertakings is recognised on a monthly basis calculated as a percentage of relevant revenue generated as per the terms of the licence agreement.

e. Deferred Costs

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

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

Costs relating to commission costs earned by employees for winning the contract will be capitalised as 'direct costs to obtain a contract' at the date the commissions payments become due and will be released to administrative expenses in monthly increments over the estimated economic length of the contract, as defined in 3d 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 Company intends to complete the intangible asset
- the Company is able to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the expenditure attributable to the intangible asset during the development can be measured reliably

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management.

Directly attributable costs include, for example, development engineer's salary and on-costs, such as pension payments, employer's national insurance & bonuses, incurred on software development.

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

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

- Development costs 20%

The Directors have reviewed the development costs relating to the new AWS platform and are satisfied that the costs identified meet the tests identified by IAS 38 detailed above.

Specifically, the initial platform was launched in October 2017 and has been successfully sold in Europe, North America and Australia, with further sales expected in the future. The Directors expect that the AWS platform will continue to be developed, as more functionality is added, and as a result it is expecting to continue to capitalise the development costs (which are primarily labour costs) into the future.

Software licences

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

- Software licences 33%

g. Land, buildings, 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-of-use asset	Length of contract
Computer equipment	33%

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

DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

h. Leases

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 Company. Interest expense is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

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

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

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

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

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

j. Taxation

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

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

DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

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

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

k. Dividends

Dividend distributions payable to equity shareholders are recognised when paid.

l. Financial assets and liabilities

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

Management determines the classification of its financial assets at initial recognition. Management considers that the Company's financial assets fall under the amortised cost category. These are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date, which are classified as non-current assets. The Company's financial assets held at amortised cost arise principally through the provision of 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 Company'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 Company'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 Company's method in measuring ECLs reflects:

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

The Company 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 Company has employed the following process in calculating ECLs:

- Default definition – amounts not collected are defined in accordance with the credit risk management of the Company 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 Company 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 Company classifies its financial liabilities under the definitions provided in IFRS 9. All financial liabilities are recorded initially at fair value plus or minus directly attributable transaction costs. Except where noted, such liabilities are then measured at amortised cost using the effective interest method.

Financial liabilities measured at amortised cost include trade payables, intercompany payables and accruals. All financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provision of the instrument. Financial liabilities do not comprise deferred income.

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

m. Cash and cash equivalents

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

n. 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.
- "Profit and loss account" represent retained profits or losses of the Company

o. 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.

p. Foreign currencies

Transactions in foreign currencies are translated into the 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.

q. Significant estimates

In the application of the Company'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 11.

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

Contract revenue and direct costs

The Company 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 Company's contracts it has estimated that:

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

Associated direct costs such as commission costs directly linked to individual contracts will be assessed and will also be deferred over 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 increase 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 £1,279,000 and corresponding change in the tax charge reported.

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

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

r. Significant judgements

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

Valuation of separately identifiable intangible assets

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

Patent case

The Directors have reviewed the potential requirement for a provision in relation to the ongoing patent case in accordance with IAS 37. From the advice given by the Company's legal advisors, 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 20.

5. PROFIT / (LOSS) BEFORE TAXATION

The profit / (loss) on ordinary activities is stated after:

	2022 £000s	As restated 2021 £000s
Disclosure of the audit and non-audit fees		
Fees payable to the auditors for:		
The audit of the Company's accounts	32	19
There were no fees payable to the Company's auditors for other services in either the current or prior year.		
Charged in administrative expenses		
Depreciation and amortisation		
Right of use assets, equipment and fixtures	85	69
Intangible fixed assets	97	103
Capitalised development	817	592
	999	764
Loss on disposal of equipment and fixtures	3	-
Rents payable on flexible office space	14	3
Foreign exchange loss/(gain) in period	93	(12)

6. FINANCE EXPENDITURE

	2022 £000s	As restated 2021 £000s
Interest on lease liabilities	11	12
Other	25	18
	36	30

7. DIRECTORS AND EMPLOYEES

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

	2022	As restated 2021
	£000s	£000s
Wages and salaries	4,415	3,201
Social security costs	542	385
Other pension costs	95	70
	5,052	3,656

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

Therefore, included in the above figures is £448,000 (2021: £335,000) of sales commissions paid, recognised as an asset under IFRS 15 and deferred and released over the estimated life of the related contract. Similarly, the release of sales commissions under IFRS 15 of £217,000 (2021: £171,000) has been excluded from the above disclosure.

Average number of employees during the year:	2022	2021
	Heads	Heads
Sales and marketing	13	12
Engineering and professional services	44	30
Administration and management	9	7
	66	49

Remuneration in respect of directors was as follows:

	2022	2021
	£000s	£000s
Emoluments	329	312
Bonus	221	113
Pension contributions to money purchase pension schemes	19	25
Employer's national insurance	74	55
	643	505

During the year 3 (2021: 3) directors participated in money purchase pension schemes.

The emoluments of James Barham, William Good, Chris Fielding and Jason Starr were paid by the parent company.

The Board consider the board of directors to be the key management for the Company.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2022 £000s	2021 £000s
Emoluments	74	147
Bonus	139	23
Pension contributions to money purchase pension schemes	5	13

8. SEGMENTAL INFORMATION

PCI-PAL (U.K.) Ltd operates one business sector: the service of providing data secure payment card authorisations for call centre operations, and so, the Comprehensive Statement of Income and Comprehensive Statement of Financial Position represent the segmental results of the Company.

Revenue can be split by location of customers as follows:

Continuing activities	**2022 £000s**	**2021 £000s**
Direct sales		
United Kingdom	8,186	5,262
Rest of Europe	238	195
Rest of World	33	-
Total direct sales	**8,457**	**5,457**
Intra-group royalty income	826	446
Total revenue	**9,283**	**5,903**

9. TAXATION

	2022 £000s	**2021 £000s**
Analysis of charge in the year		
Current tax:		
UK Corporation tax based on the results for the year	-	-
Adjustments in respect of prior periods (R & D tax credit received)	165	153
Total current tax credited	165	153
Deferred Tax:		
Origination and reversal of timing differences	-	-
Total deferred tax charged	-	-
Tax on profit / (loss) on ordinary activities credited	165	153

Factors affecting current tax charge

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

	2022 £000s	As restated 2021 £000s
Profit / (loss) on ordinary activities before tax	103	(969)
Tax on profit / (loss) on ordinary activities at standard UK rate of corporation tax	20	(184)
Effects of:		
Expenses not deductible for tax purposes	5	1
Fixed asset differences	(9)	-
Other permanent differences	(9)	(21)
Adjustments in respect of prior periods - R&D tax credit received	(165)	(153)
Origination and reversal of timing differences on unrecognised deferred tax losses	(9)	268
Effect of change in tax rate	2	(64)
Total tax credited for the year	(165)	(153)

The Company has unrecognised tax losses carried forward of £5.674 million (2021: £6.423 million).

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

PCI-PAL (U.K.) Ltd

10. PLANT AND EQUIPMENT

	Right-of-use Asset £000s	Fixtures and Fittings £000s	Computer Equipment £000s	Total £000s
Cost:				
Cost at 1 July 2020 – as previously stated	-	22	258	280
Adjustment for first-time adoption of IFRS 16	82	-	-	82
Cost at 1 July 2020 – as restated	82	22	258	362
Additions	-	-	39	39
Disposals	-	-	(1)	(1)
Cost at 1 July 2021	82	22	296	400
Additions	128	12	110	250
Disposals	(82)	-	(214)	(296)
Cost at 30 June 2022	128	34	192	354
Depreciation (included within administrative expenses):				
Depreciation at 1 July 2020 – as previously stated	-	14	210	224
Adjustment for first-time adoption of IFRS 16	34	-	-	34
Cost at 1 July 2020 – as restated	34	14	210	258
Charge for the year	33	5	31	69
Disposals	-	-	(1)	(1)
Depreciation at 1 July 2021	67	19	240	326
Charge for the year	36	3	46	85
Disposals	(82)	-	(211)	(293)
Depreciation at 30 June 2022	21	22	75	118
Net book amount:				
Net book amount at 30 June 2022	107	12	117	236
Net book amount at 30 June 2021 (as restated)	15	3	56	74
Net book amount at 30 June 2020 (as restated)	48	8	48	104

DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

11. INTANGIBLE ASSETS

In calculating the value of capitalised development, management make judgements and estimates of future cash flows.

Cost:	Customer Contracts £000s	Other Intangible Assets £000s	SIP, RTP and SBC licences £000s	Capitalised development costs £000s	Total £000s
Cost at 1 July 2020 – as previously stated	90	27	380	2,340	2,837
Prior period restatement (note 24)	-	-	-	178	178
Cost at 1 July 2020 – as restated	90	27	380	2,518	3,015
Additions - as restated	-	-	-	896	896
Cost at 1 July 2021	90	27	380	3,414	3,911
Additions	-	-	47	1,150	1,197
Cost at 30 June 2022	90	27	427	4,564	5,108
Amortisation and impairment (included within administrative expenses):					
Amortisation at 1 July 2020 – as previously stated	54	24	37	707	822
Prior period restatement (note 24)	-	-	-	16	16
Amortisation at 1 July 2020 – as restated	54	24	37	723	838
Charge in year - as restated	24	3	76	592	695
Amortisation at 1 July 2021	78	27	113	1,315	1,533
Charge in year	12	-	85	817	914
Amortisation at 30 June 2022	90	27	198	2,132	2,447
Net book amount:					
Net book amount at 30 June 2022	-	-	229	2,432	2,661
Net book amount at 30 June 2021 (as restated)	12	-	267	2,099	2,378
Net book amount at 30 June 2020 (as restated)	36	3	343	1,795	2,177

12. TRADE AND OTHER RECEIVABLES

Due within one year	2022 £000s	2021 £000s	1 July 2020 £000s
Trade receivables	2,096	1,560	916
Amounts owed by group undertakings	177	136	196
Accrued income	34	45	60
Deferred costs	271	163	227
Other prepayments	494	322	294
Total trade and other receivables due within one year	3,072	2,226	1,693

Due after more than one year	2022 £000s	2021 £000s	1 July 2020 £000s
Deferred costs	480	407	175
Total trade and other receivables due after one year	480	407	175

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

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

	2022 £000s	2021 £000s
Opening provision as at 1 July	1	1
Credited to statement of comprehensive income	-	-
Closing provision at 30 June	1	1

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

	2022 £000s	2021 £000s
0-30 days past due	224	149
30-60 days past due	49	16
Over 60 days past due	177	-
	450	165

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 (k) above. The Company 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 Company'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.

DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

13. CURRENT LIABILITIES

	2022 £000s	As restated 2021 £000s	As restated 1 July 2020 £000s
Trade payables	504	506	620
Amounts owed to group undertakings	6,785	6,340	6,023
Social security and other taxes	539	390	274
Deferred Income	4,973	3,627	2,089
Right-of-use lease liability	42	15	33
Accruals	334	326	255
Total current liabilities due within one year	13,177	11,204	9,294

Included with amounts owed to group undertakings is a loan from the parent company, PCI-PAL PLC of £5,826,000 (2021: £5,964,000). The loan is interest free and repayable on demand, however no repayments are expected to be made within the next 12 months.

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.

14. NON-CURRENT LIABILITIES

	2022 £000s	2021 £000s	As restated 1 July 2020 £000s
Deferred Income	811	983	562
Right-of-use lease liability	67	-	15
Total non-current liabilities due after one year	878	983	577

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.

DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

15. DEFERRED TAXATION

	2022 £000s	2021 £000s	1 July 2020 £000s
Balance at 30 June	-	-	-

Unprovided deferred tax assets

	2022	2021	1 July 2020
Accelerated capital allowances	-	-	-
Trading losses	1,279	1,385	958
	1,279	1,385	958

The unprovided deferred tax assets are calculated at a rate of 25% (2021: 25%).

16. SUBSIDIARY UNDERTAKINGS

At 30 June 2022:

Name	Country of Incorporation	Class of share capital held	Proportion held	Nature of business
The Number Experts Limited	England	Ordinary	100%	Dormant

The registered office address of the subsidiary undertaking is 7 Gamma Terrace, Ransomes Europark, Ipswich, Suffolk IP3 9FF.

17. SHARE CAPITAL

Company	2022 Number	2022 £	2021 Number	2021 £	1 July 2020 Number	1 July 2020 £
Authorised:						
Ordinary shares of £1.00 each	1,000	1,000	1,000	1,000	1,000	1,000
Allotted called up and fully paid:						
Ordinary shares of £1.00 each	2	2	2	2	2	2

18. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Capital Management

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

At 30 June 2022, the Company had closing cash balance of £1,445,000 (2021: £673,000).

Financial risk management and objectives

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

The Company relies on loans to be made to it by its parent company, PCI-PAL PLC, whose Directors have indicated that they intend to support the Company for a minimum of 12 months from the approval of these financial statements.

Interest rate risk

At the year-end the Company did not have any debt facilities available and instead is supported by its parent company and so there is no interest rate risk. No interest is charged by the parent company on the inter-company loan.

Credit risk

The Company'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 Company conducts third party credit reviews on new clients and takes deposits or advanced payments where this is deemed necessary.

Where possible the Company collects payment by direct debit, limiting the exposure to a build-up of a large outstanding debt. Concentration of credit risk with respect to trade receivables is limited due to the wide nature of the Company's customer base: The largest customer accounted for 22% of revenues in the financial year and has a very high credit rating. This is expected to continue to drop in the next financial year as we add more and more customers. Historically, bad debts within the Group are minimal due to the importance of our service to the customer as well as the level of payments in advance we receive. This situation is not expected to change in the future.

Liquidity risk

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

Foreign currencies and foreign currency risk

During the year an exchange loss of £93,000 (2021: gain of £12,000) arose and at the year end £393,000 (2021: £156,000) was held in foreign currency bank accounts.

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

DocuSign Envelope ID: 6AA35254-D9C0-4266-B529-0C134FBF84CF

at the year end. At present foreign exchange is minimal and hedging and risk management is not deemed necessary as the Company trades and spends in the various currencies.

Foreign currency risk on cash balances is monitored through regular forecasting and the Company 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.

19. CAPITAL COMMITMENTS

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

20. CONTINGENT LIABILITIES

In September 2021, Semafone Limited (now renamed Sycurio Limited), a competitor of the Company, lodged a claim at the Patent Court against the Parent Company, PCI-Pal PLC and the Company, for breach of Semafone patents. The Group strongly refutes the claims that are being made against it and so instructed its lawyers to prepare a robust defence and counterclaims to be heard by the Court, with the initial hearing being scheduled for June 2023. The defence and costs of the claim are being managed and funded by PCI-Pal PLC on behalf of the Group.

The Group has formed a robust defence on non-infringement, despite the onus being on Sycurio to prove infringement, and has advanced strong counterclaims of invalidity of Sycurio's patents, such as prior-art. Following an extensive investigation into Sycurio's patents and the previous court challenges in the UK to their validity by other parties, the Group has formed a strong position on counterclaims challenging the validity of the patents. Both defence and counterclaims form the basis of our multi-faceted position.

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

As the Directors do not believe that the Group has infringed the Sycurio patents they have concluded that there is no past obligating event in relation to the Claim, therefore no provision for anticipated future legal costs has been made in the financial statements. During the year, the Company incurred legal costs of £37,000 (2021: £nil) but as the defence and costs of the UK claim are being managed and funded by PCI-Pal PLC, no future costs for the Company in relation to the claim are anticipated.

21. TRANSACTIONS WITH DIRECTORS

Apart from standard remuneration payments there were no transactions with directors in the year to 30 June 2022 or 30 June 2021.

22. DIVIDENDS

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

23. CHANGES IN ACCOUNTING POLICIES

Other than the first-time adoption of UK adopted international accounting standards (IFRS), there were no other changes in accounting policies adopted in the year.

24. TRANSITION TO IFRS AND PRIOR PERIOD RESTATEMENT

As detailed in note 4 (b), this is the first year the Company has prepared its accounts in accordance with IFRS. There was only one material adjustment made by the Company in restating its FRS 102 financial statements, being the adoption of IFRS 16 – Leases. A reconciliation of equity and total comprehensive income as at 1 July 2020 and 30 June 2021 is included below.

On review of the intra-group licence agreement between the Company and its fellow subsidiary, PCI-PAL (U.S.) Inc. there were two adjustments identified as follows:

1. The royalty income received from PCI-PAL (U.S.) Inc. had been netted off against administrative expenses instead of being recognised in revenue in accordance with IFRS 15.

2. Costs incurred and paid by PCI-PAL (U.S.) Inc. on capitalised development work to the AWS platform had not been re-charged to the Company. Under the terms of the agreement, all Intellectual Property Rights for the AWS platform vest with the Company and therefore all capitalised development costs should have been recognised as an intangible asset on the Statement of Financial Position for the Company, with a corresponding liability to PCI-PAL (U.S.) Inc.

The effect of the correction of the first prior period error is the restatement of the Statement of Comprehensive Income for the only, with an increase in revenue of £446,000 and a corresponding increase in administrative expense for the same amount.

The effect of the correction of the second prior period error is the restatement of the Statement of Comprehensive Income, Statement of Financial Position as at 1 July 2020 and 30 June 2021 as shown below. It was noted that there was no change in the Group position for this prior period error.

Reconciliation of equity as at 1 July 2020 (date of transition to IFRS)

	As originally stated	Transition to IFRS	Prior period restatement	As restated
	£000s	£000s	£000s	£000s
Plant and equipment	56	48	-	104
Intangible assets	2,015	-	162	2,177
Other assets	1,977	-	-	1,977
Total assets	4,048	48	162	4,258
Intercompany payables	(5,845)	-	(178)	(6,023)
Other liabilities	(3,800)	(48)	-	(3,848)
Total liabilities	(9,645)	(48)	(178)	(9,871)
Total equity (Shareholders' deficit)	(5,597)	-	(16)	(5,613)

Reconciliation of equity as at 30 June 2021

	As originally stated	Transition to IFRS	Prior period restatement	As restated
	£000s	£000s	£000s	£000s
Plant and equipment	59	15	-	74
Intangible assets	2,126	-	252	2,378
Other assets	3,306	-	-	3,306
Total assets	5,491	15	252	5,758
Intercompany payables	(6,026)	-	(314)	(6,340)
Other liabilities	(5,832)	(15)	-	(5,847)
Total liabilities	(11,858)	(15)	(314)	(12,187)
Total equity (Shareholders' deficit)	(6,367)	-	(62)	(6,429)

25. SUBSEQUENT EVENTS

There are no subsequent events to report.

26. ULTIMATE PARENT COMPANY

The Directors consider that the ultimate parent undertaking of this Company is PCI-PAL PLC, that has prepared financial statements that consolidate the results of PCI-PAL (U.K.) Ltd. The accounts of PCI-PAL PLC can be obtained from its registered office, which is at 7 Gamma Terrace, Ransomes Europark, Ipswich, Suffolk, IP3 9FF.