

PCI-PAL (U.K.) Ltd



ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

Company registration number: 03960535

Registered office: 7 Gamma Terrace
Ransomes Europark
Ipswich
Suffolk IP3 9FF

Current Directors:

G Forsyth
J C Barham
S A Sangster
T W Good
D E Swift
C M Fielding (non-executive)
J S Starr (non-executive)

Secretary: T W Good

Bankers: NatWest Bank PLC

Solicitors: Birketts LLP

Auditors: BDO LLP



PCI-PAL (U.K.) Ltd

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2021

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 44 to 53 employees at the year-end. The Company has continued to invest in the business and as a result it incurred trading losses of £0.905 million (2020: £1.367 million). The Company is planning to continue to invest further in the core business and so the directors expect the company to continue to be loss making for the coming financial year. The expansion is being financed by the parent company, PCI-PAL PLC and its growing portfolio of customer contracts.

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 to generate a significant intercompany royalty stream.

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

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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 Directors of PCI-PAL PLC are also all 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 of the Company regularly reviews business risk and the Group's appetite for risk relative to its growth and expansion goals. There are a number of potential risks and uncertainties, some of which could have a material impact on the Group's performance, and therefore could cause actual results to differ materially from those expected. Where possible, processes are in place to monitor and mitigate identified risks.

The Group's Information Security department, led by the Group's Chief Information Security Officer ("CISO"), maintains a 'risk register' and on a regular basis, in conjunction with the Audit Committee, carries out an annual review of the Group's primary risks and uncertainties to update the risk register as well as recommending allocation of resources to mitigate key risks. This year the annual assessment has been led jointly by all the Executive Directors in combination with senior members of their respective management teams. The evolution of our approach reflects the broader business risks faced by the Group, beyond those presented by information security.

PCI PAL PLC Risk Map

	Risk Area	Impact	Likelihood	Vulnerability	Speed of onset	Impact v Likelihood	Vulnerability v speed of onset	Combined
1	Information security and cyber risks	5	3	2	4	15	8	23
2	Loss of or infringement of IPR	5	2	3	4	10	12	22
3	Business Interruption	5	2	2	5	10	10	20
4	Recruitment and retention	4	2	3	2	8	6	14
5	Market and product development	4	2	2	3	8	6	14
6	Reputational risk	4	2	3	2	8	6	14
7	Financial risk	4	2	3	2	8	6	14
8	Generation of sales through key partners	3	2	2	3	6	6	12
9	Regulation and industry standards	4	2	1	3	8	3	11
10	Pandemic risks	2	2	2	3	4	6	10

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

The risk map highlights the core areas that the Board monitors and discusses. The higher the combined score, the higher the risks are to the Group. Mechanisms such as the risk heat map allow the Directors to identify the highest priorities and to put in place suitable risk mitigations to reduce the likelihood of a risk from happening and reduce the impact of a risk event should it happen. No business can fully plan and eliminate all the risks it faces and so the Board looks to manage and minimise risks down to an acceptable level.

Set out below are the significant business risks areas identified, together with an overview of the mitigating factors considered by the Board. This is not an exhaustive list of the risks faced by the Group and is not necessarily presented in order of priority.

Specific Risk Area	Mitigating factors
1. Information Security and Cyber risks	Trend: Increasing risk
<i>The ever-evolving, sophisticated nature of the cyber threat landscape poses an ongoing risk to the Group. Given our market and our cloud platform services, revenue is heavily dependent upon the security of the Company and its systems and processes.</i>	<i>The Group continually invests in informational security, data protection and regulatory compliance under the leadership of the Group CISO.</i> <i>It keeps under review formal data security and business continuity policies which are independently audited by a Qualified Security Assessor ("QSA") for PCI compliance, and</i>

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	<p>a qualified assessor for ISO compliance. Both PCI DSS and ISO 27001 certification auditing are some of the most thorough of all certification systems currently available, and the Group has again been successfully accredited this year.</p> <p>Our primary AWS cloud platform, which now handles more than 90% of customer transactions, takes full advantage of the Amazon AWS secure cloud computing environment. The platform utilises AWS data centres and associated network architected to protect information, identities, applications, and devices.</p>
<p>A successful cyber-attack against the Group's digital assets could significantly impact the Group's ability to function, damage its business reputation and trust among its partners and customers, and therefore its ability to retain existing and attract new business.</p> <p>During the past fiscal year, the general cyber security environment has become more challenging with the rise of "Ransomware" attacks, and the global pandemic. Work-from-home requirements around the globe have made employees more susceptible to social engineering-based attacks, the need for endpoint security measures around remote equipment even more important, and has heightened the risk that breaches of third-party suppliers can impact their trading partners.</p>	<p>The Group utilises the latest security products such as end point security systems and phishing simulation software, with staff receiving regular security awareness training and testing. The security regime is regularly reviewed, and the Company invests in state-of-the-art systems to keep both its cloud platform and office networks protected against cyber-attack.</p> <p>The Group promotes a 'zero blame culture' across all staff to help ensure that staff take ownership of raising issues and that teams work together to ensure they are quickly resolved. Escalation procedures are in place to notify incidents to the executive management and the Board.</p> <p>To further mitigate the risks from Ransomware attacks, operational partitioning is practiced to physically isolate its cloud production and development environments from internal office network systems.</p> <p>In addition, our systems are subjected to frequent and rigorous third-party penetration testing to help ensure our system integrity. These take place during the year rather than only a single point in time each year.</p> <p>The Group's solutions are designed to minimise storage of clients' payment data or that of their end customers. This significantly mitigates potential exposure in the event of a data security breach. The Group also carries global insurance risk coverage for cyber security breaches and business interruptions.</p>
2. Loss of or infringement of intellectual property rights ("IPR")	Trend: Level risk
<p>The Group is reliant on IPR to protect its internally generated and licensed software. It may be possible for third parties to obtain and use the Group's IPR without its authorisation. Third parties may also challenge the validity and/or enforceability of the Group's IPR.</p>	<p>The Group utilises several IPR protections such as patents, copyrights, knowhow, and contractual provisions for both partners and customers, as well as with current and former employees and contractors.</p> <p>Additionally, the Group invests time with specialist IP and Patent law firms in both the UK and US to ensure it does not infringe third party IPR.</p>
<p>Protection of the Group's IPR may involve substantial cost and the diversion of resources and management attention.</p>	<p>To counteract the risk of third parties infringing PCI Pal's own IPR, or claim that PCI Pal has infringed their rights, the Company regularly reviews its proprietary software and development activities with its IPR lawyers. As such the Directors do not envisage the risk of loss or infringement to be significant.</p>
3. Business interruption	Trend: Level risk

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<p>The loss, failure, or other lack of availability ("downtime") of PCI Pal systems would impact both the Group's cloud platform services to its resellers and customers, as well as the Group's own ability to operate internally.</p>	<p>PCI Pal is accredited to the ISO 22301 (Business Continuity) standard. Robust management systems are in place to detect, minimise and restore systems in the event of a platform outage. Escalation procedures are in place to notify incidents to the executive management and the Board.</p> <p>Additionally, the company holds ISO 9001 (Quality Management) certification which reaffirms our commitment to continually measure and improve every aspect of our business operations.</p> <p>The primary AWS cloud platform is hosted across multiple AWS regions, and within those regions retains resilience through a minimum of two independent availability zones. Load balancers and auto-scaling groups running within each availability zone constantly monitor the health and capacity of the network and automatically act, launching new server instances in the event of high load or server outage.</p> <p>Our first-generation platform, which now handles less than 10% of transactions, is configured as a fully resilient privately hosted system with all components configured into failover pairs. Additionally, the entire platform is duplicated across two physical data centre locations in the UK. These back-up facilities have independent telephony and computer data systems synchronised to the main data centre such that they automatically fail-over to the back-up in the event of a major incident occurring. Traffic on this platform is being migrated to our primary platform hosted on AWS with the intent that the platform will be de-commissioned within the next two years.</p>
<p>4. Recruitment and retention</p>	<p>Trend: Increasing risk</p>
<p>PCI Pal, as a growth company, has a dependence on the recruitment and retention of highly skilled employees.</p> <p>The job market is increasingly competitive in the cloud technology sector, and more so since the 2020-21 pandemic and the acceleration of cloud adoptions and digital transformation trends. Employees may revisit their own career plans or be approached directly as recruitment activity increases.</p>	<p>PCI Pal works closely with external parties to source accurate market data to ensure competitive pay and benefits are being offered to both attract and retain people.</p> <p>We continue to invest in people development and training initiatives to provide opportunities for career fulfilment and progression. Wherever appropriate we seek to develop and promote from within the existing staff pool.</p> <p>As work from home rules are relaxed, we nonetheless will continue to operate a hybrid work policy that balances employee preference with the needs of our customers and partners.</p> <p>People KPIs are closely tracked and provide early identification of risks to allow corrective action to be taken.</p>
<p>The Company requires specialist technical skills that can be scarce (along with identification of knowledge depth). The Company needs to move fast to secure such resources.</p>	<p>PCI Pal management are consistently and proactively involved in recruitment, with dedicated internal resource and software to manage and achieve recruitment goals.</p> <p>Technical tests are used to ensure candidates meet required criteria. We utilise our own people networks and contacts to target specific skillsets, as well as specialised industry recruitment firms.</p>
<p>Homeworking has contributed to the ability for people to work for any company/anywhere. Managing high performing teams and maintaining staff wellbeing can present challenges.</p>	<p>PCI Pal provides an Employee Assistance Programme and Wellbeing portal to allow people to obtain support and guidance.</p>

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	<p>Managers are trained in providing support and know where to obtain help.</p> <p>Surveys are used to take pulse checks at individual and team level to pinpoint areas of concerns and allow corrective action to be taken.</p>
Succession planning whilst the company has rapid growth will continue to be a challenge.	Reasonable staff turnover is not considered unhealthy. PCI Pal ensures information, knowledge and resources are stored and shared centrally to remove risk when our people do move on.
5. Market and Product Development	Trend: Increasing risk
The Group provides cloud-based technology solutions to its customers and partners. PCI Pal has been at the forefront of cloud technology in its space, but as the market evolves there is a risk of competitors developing and driving cloud products and services that compete with our own offerings.	<p>The Group has continued to invest in cloud and has established an extensive eco-system of integrations to core systems in the secure payment space across business communications, payment providers, and CRM applications. The Group will continue to drive expansion of this eco-system and integrations to maintain its position with the most mature cloud offering in its space.</p> <p>PCI Pal retains high retention of partners and customers across its cloud products, having invested significant time in advance of our competitors in cloud technology.</p> <p>These factors act as mitigations to the speed with which a competitor could compete at the same level as PCI Pal in these areas.</p> <p>A number of PCI Pal's main competitors market either an on-premise hardware-based solutions or their services are delivered via privately hosted environments. Any committed shift to a pure-cloud solution would be a distraction for those organisations, again acting as a mitigator for this risk.</p>
The payment and security markets are high-paced environments of change. As the markets evolve, and both compliance and technology adapt, consumer demand can change. Organisations may adopt alternative methods for security and payments which may not require PCI Pal's services as they stand today.	<p>PCI Pal keeps abreast of market trends through the expertise it has within its people and partners. We have recently bolstered this with the formation of the PCI Pal Advisory Committee, with our first member having an extensive international payments background.</p> <p>This should allow the Board to identify trends in advance and plan ahead accordingly. The Group plans to invest further in research and development in the coming year, developing product features that will maintain or grow our relevance to our partners and customers.</p> <p>PCI Pal's global cloud platform, integrated with many of the largest cloud communications platforms globally, provides the Company with a significant opportunity for future growth through product innovation.</p>
6. Damage to reputation	Trend: Level risk
As the Group continues to expand globally, compliance with international and regional regulation is important where it is relevant for any of the services (or elements of services) that PCI Pal is providing within those regions. A lack of compliance with regulation could result in fines and reputational damage should they be announced.	The Group takes great care and invests in advisory services with lawyers who are experts in these fields to ensure that it works within the confines of any relevant regulation in the regions within which it operates or provides services. Furthermore, PCI Pal's infosec and compliance team works closely with product management to ensure that we are ahead of any compliance requirements before the Company becomes subject to them.

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<p>Despite the Company having low employee churn rates, we anticipate that Company growth will naturally cause the number of employees that may leave the business over time to increase. If employees that leave are dissatisfied with their experience at the Company, this could lead to a negative reputation impact on the company.</p>	<p>We have made extensive progress in our people and development processes, in line with the maturing of the business in the last twelve months. We take considerable care when we hire, and we are investing more time, spend, and effort in further improving our career progression and personal development opportunities for our people. We have made efforts to keep close to our people (virtually) during the regional lockdowns, and we run regular employee surveys to maintain open feedback.</p> <p>We have minimal people churn in the business, high measurable rates of employee satisfaction, and due to the controls and focus we have been building in our People department, see this as a manageable area of risk.</p>
<p>PCI Pal's highly available cloud product suite is a lynchpin in our strategy. Should PCI Pal suffer product performance or platform performance issues that impact customers it would suffer reputational damage that, depending on the severity of any incidents, could have wide reaching reputation impact.</p>	<p>The Group has invested heavily in the first global cloud platform in its market. In FY21, uptime of the entire platform, including voice connectivity from suppliers, exceeded 99.99% and so we believe that the risk of poor platform or service performance going forward, given our further investment in engineering and technology, is manageable. Furthermore, we have stated that we intend to invest more in product management, which is a critical component to high performing products and services.</p>
<p>7. Financial risk management</p>	<p>Trend: Level risk</p>
<p>The principal financial instruments used by the Group, from which financial risk arises, are trade receivables, cash at bank, trade and other payables, and the bank debt facility.</p>	<p>The Board has overall responsibility for the determination of the Group's financial risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing, operating and reporting thereof to the Group's finance function. The overall objective is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.</p>
<p>Credit risk: Credit risk is the risk of financial loss to the Group if a partner or customer or a counter party to a financial instrument fails to meet its contractual obligations.</p>	<p>The Group is mainly exposed to credit risk from credit sales and/or bank default. It is Group policy to assess the credit risk of new customers and partners before entering new contracts and it has a frequent and proactive collections process. The Group does not sell hardware.</p> <p>The concentration of credit risk is limited as the credit given is spread across all clients and partners. Under the terms of our contracts many services are charged for in advance of delivery, thus mitigating the risk further.</p> <p>The Group's largest customer for FY21 accounted for less than 10% of the Groups revenue, and this customer pays its contractual commitments in advance of delivery of the service.</p> <p>Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. At the year-end, the Group's cash at bank was held across two leading banks in different countries.</p>
<p>Market risk: Market risk arises from the Group's use of interest-bearing and foreign currency financial instruments.</p>	<p>The Group does not use interest-bearing or foreign currency financial instruments and so does not have any exposure to market risk.</p>
<p>Liquidity risk: Liquidity risk arises from the Group's management of working capital. It is the risk that the</p>	<p>On a monthly basis, the Directors review the Group's trading to date, the Group's full year financial projections as well as information regarding cash balances, debtors,</p>

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<p><i>Group will encounter difficulty in meeting its financial obligations as they fall due.</i></p>	<p><i>trading and prospects. This allows the Directors to form an opinion as to the working capital of the Group and its likely future requirements, and to plan accordingly.</i></p> <p><i>The Group raised £5.0 million of new equity finance in April 2020, as part of a reaction to any potential liquidity risks from the COVID pandemic. In April 2021 a further £5.18 million (net of expenses) of new equity finance was raised to fund its planned expansion in to Canada, Australia and mainland Europe.</i></p> <p><i>The Group is currently debt free and the Directors believe, if necessary, it could establish new debt facilities to provide liquidity to the Group. The Board currently has no plans to establish such a debt facility as it believes it has sufficient cash to meet its trading obligations.</i></p>
<p>Currency risk: As a consequence of the increasingly international nature of its business, the Group has become more exposed to risks associated with changes in foreign currency exchange rates.</p> <p><i>The Group is based in the United Kingdom and presents its consolidated financial statements in pounds Sterling.</i></p> <p><i>The Group's current revenues are generated primarily in pounds sterling but increasingly it is envisaged that the revenues will be generated in foreign currency, particularly the US dollar, the Canadian dollar and the Australian dollar. The Group also has substantial contractual obligations (primarily employment contracts) that are denominated in US Dollars.</i></p>	<p><i>Currently the Group does not have currency hedging arrangements in place. Notwithstanding any future currency hedging arrangements that the Group may put in place, the Group will have exposure to translation effects arising from movements in the relevant currency exchange rates against sterling. Therefore, there can be no assurance that its future results or resources will not be significantly affected by fluctuations in exchange rates.</i></p> <p><i>Currently the Group holds most of its cash resources in Sterling thereby minimising the risk of adverse currency translation on its cash assets. The Company does have substantial inter-company balances made in sterling with its US subsidiary, which is subject to translation risk as the US company revalues these balances at the end of each trading month. This inter-company debt is considered to be long-term in nature and there are no requirements for repayment. The crystallisation of a loss is therefore unlikely in the near future.</i></p> <p><i>The Group continues to win foreign currency sales contracts, particularly in the US. The sales contracts generates foreign currency income which offsets the cash contract liabilities in the local region.</i></p>
<p>Inflation risk – Inflation risk has been benign for most of the last decade. However, following substantial government support for all the major trading countries of the world as a result of the pandemic there is a risk that inflation may build in the future. Adverse inflationary pressure may affect the value of the assets of the group; create adverse exchange rate pressure; create adverse pressure on the wages and supplier costs that may not be able to be passed on to customers; and potentially force central banks to raise interest rates.</p>	<p><i>The Board receives monthly reports on the asset base of the Group and the trading with it. The Board has also monitored the reports of the Central Banks of the UK and US and noted that they believe the risk of inflation above their 2% targets to be short term in nature and will decrease as the economies start to recover from the pandemic.</i></p> <p><i>As detailed above, the Directors regularly monitor pressure on wages and demand for employees and so are aware of the current underlying inflationary pressure on employee costs. The Board believe this pressure is a manageable risk as part of the Group's operations.</i></p> <p><i>As a result of its work the Board believes this risk to be of a short to medium term and so it only needs to be monitored rather than acted upon.</i></p>
<p>Taxation risk – The Group's operations and business will be subject to the effect of future changes to tax legislation and practice in the countries in which it operates.</p>	<p><i>The Group currently has substantial tax losses available to use in its UK and North American trading entities and so it is envisaged that the Group will not be subject to any meaningful corporation tax in the short term.</i></p>

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Any change in the tax status of the Group or any member of the Group or in applicable tax legislation or regulations in any relevant jurisdiction could affect its ability to provide returns to shareholders or negatively alter post tax returns to shareholders.	<p>As the Group expands into more economic regions the Group takes appropriate tax advice from professional tax specialists for each region it operates in and implements processes and procedures to ensure all relevant taxes are paid on time at the correct level.</p> <p>The Board has recently decided to split its tax advisory service from its audit function and so tax advice is now handled by a separate professional firm of international standing. This firm has been asked to undertake a review of the Group's current tax structure, as well as the plans for the future expansion, to ensure all tax scenarios for the next few years are identified and planned accordingly.</p>
<p>Litigation risk – Companies in all sectors, including the sector in which the Group operates, are subject to legal claims, with and without merit. The Group may become involved in legal disputes in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Group's financial position, results of operations and/or prospects.</p>	<p>The Group has retained the services of appropriate external law firms in each of the geographies it operates to advise accordingly.</p> <p>It proactively reviews and manages key potential areas of litigation, such as IPR infringement and customer or partner contract disputes.</p> <p>The Directors therefore believe that the likelihood of the Group being successfully sued is low and so not material.</p>
8. Generation of sales through key partners	Trend: Level risk
While the Board continues to be confident that our channel go-to-market sales model is the most appropriate route to market to scale the business, delays could arise in the expected timetable of engagement and enablement of those partners. Such delays could slow the rate of growth in the Group's sales bookings and revenues. This could have an impact on the trading and financial position of the Group and the planned future timing of when it is expected to reach break-even.	The Board is confident that the Group has hired the right people, adding to an already experienced team, to capitalise on existing channel partnerships whilst growing new channel routes-to-market. We have worked extensively to refine our enablement and partner-engagement processes. Our continued investment in global expansion, as well as product and technology, will enable PCI Pal to capitalise on the relationships it is building with partners, particularly those with a global footprint.
9. Regulation and Industry Standards	Trend: Level risk
The Group operates across a range of countries, each of which has its own legal regulations. Additional laws may be enacted covering issues such as data protection, taxation, pricing, or law enforcement which may impact the Group's ability to operate.	<p>The Group has a long-established and experienced Information Security team, headed by our CISO, which focuses on ensuring the highest standards of regulatory compliance and data security.</p> <p>Additionally, the Company works with specialist law firms in the UK and US, both of whom have significant international experience. As a small company, PCI Pal utilises external counsel to ensure compliance with regulatory and industry standards wherever it operates.</p>
The Group's solutions rely on PCI DSS compliance and adherence to industry standards such as ISO 27001. Changes to these standards, or the introduction of new ones, could potentially impact operations.	PCI Pal is a Participating Organisation of the Payment Card Industry Security Standards Council ("PCI SSC") and as such, is directly involved in the process of updates and revisions to the PCI Data Security Standard. Our compliance and information security team is therefore well positioned to both anticipate and respond to the evolution of PIC DSS.
10. Pandemic Risk	Trend: Decreasing risk
Changes to government guidance could lead to further repeated lockdowns and restrictions, and could in turn have a negative impact on existing or prospective partners' and customers' businesses and industries (for example, those most at risk such as travel or hospitality).	Firstly, prior to the pandemic more than 60% of PCI Pal's employees were already regularly working from home. Having moved the remaining staff to homeworking in late March 2020 with no disruption, we are confident that we can maintain full operating efficiency across all departments and regions. We continue to update detailed

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	<p>risk assessments, local to our employees, to ensure that our policies and plans are well communicated, tested and up to date.</p> <p>Secondly, the PCI Pal customer base is broad and not concentrated in any specific industry segment(s). Furthermore, we have seen that the need for our services increases when contact centre agents work from home. PCI Pal's revenue model is primarily based on minimum committed annual licences rather than usage-based models. The Company has experienced little impact on either our expected recognised revenues, or our underlying growth rates and continues to have that expectation going forward, should there be a resurgence in the pandemic.</p>
Some PCI Pal staff will continue to work from home for some portion of the working week. Managing remote high performing teams and maintaining staff wellbeing can present challenges, particularly in sharing knowledge, ideas and maintaining engagement, as well as personal well-being.	<p>Dedicated internal resource and software is used to both increase and maintain staff engagement. Our specialised management training programme provides advanced coaching in engagement techniques, and enables managers to ensure they keep focused on overall team cohesiveness whether working in the office or remotely.</p> <p>The Company's Employee Assistance Programme and Wellbeing Portal provides support in dealing with personal issues, and physical/mental health. Wellbeing surveys take pulse checks at individual, team and company level to pinpoint areas requiring attention and allow corrective action to be taken.</p>
Limits on International travel could pose challenges to planned expansion into new territories.	Our People function already had in place remote hiring, on-boarding, and training strategies. Well-established communication protocols (both software tools and processes) ensure that barriers to engagement are identified, monitored and resolved. Outside the UK, local specialised contract resource is used to help support company expansion plans as needed.
Outbreaks of disease and local government enforced lockdowns could impact regional working environments.	<p>As PCI Pal is a cloud vendor it requires no physical access to customers' premises in order to deploy or maintain services, we can maintain high service levels during these periods.</p> <p>While our first-generation platform does require physical access to our co-location provider from time to time as equipment needs servicing, the platform has full dual back-up systems. A project is underway to migrate customers from this first generation platform to the AWS platform over the next 18 months.</p>
We may experience shortages of staff if they become ill.	<p>The majority of our employees are based in the UK and US where the COVID vaccine programme roll outs have been advanced compared to other developed countries.</p> <p>Additionally, all employees can work remotely from home during the pandemic, thus reducing the chance of COVID-19 spreading through the business.</p>
Large marketing events may be cancelled impacting lead generation.	We have adjusted our marketing focus away from large events to account for reductions in such events and increased our focus into digital marketing and increased collaborative efforts with partners.

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Changes in Accounting Policies

There were no 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 daily and monthly basis. The most important of these are as follows:

	2021	Change %	2020	Change %	2019
Revenue	£5.46m	+40%	£3.89m	+43%	£2.72m
Gross Margin	69.8%		66.5%		58.9%
Contracted TACV ¹ deployed and live	£5.59m	+62%	£3.46m		Not Calculated
Contracted TACV in deployment	£0.59m	-52%	£1.23m		Not Calculated
Contracted TACV – projects on hold	£0.49m	+26%	£0.39m		Not Calculated
Total Contracted TACV	£6.67m	+31%	£5.08m	+25%	£4.06m
ACV of contracts cancelled before deployment	£0.07m		Not Calculated		Not Calculated
Signed ACV in financial period	£1.71m	+13%	£1.52m	+8%	£1.41m
Headcount at end of year (excluding non- executive directors)	53		44		37
Ratio Personnel cost to administrative expenses	71%		82%		80%
Cash	£0.67m		£0.11m		£0.15m
Deferred Income	£4.61m		£2.65m		£1.99m

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.

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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 is developing 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 stakeholders 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 weekly 1:1 sessions with their teams encouraging feedback and discussion whilst providing developmental support as needed. More broadly, these activities are supported by quarterly all hands meetings chaired by the CEO where all company progress updates are given.

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 during Covid-19, 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.

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.

PCI-PAL (U.K.) Ltd

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 has chosen 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. We look forward to supporting this charity with employee challenges and donations.

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 Dropbox and use of an e-sign tool.

COVID-19

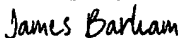
The safety of our employees is paramount to the Directors. We have carried out risk assessments relating to the COVID-19 situation based on guidance available from the UK and US governments. The nature of our business means that our people can work remotely with ease. The risk of staff transmitting COVID-19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

At the time of publication of this report the majority of staff are working from home, with a small number working from our Ipswich and Charlotte sites. The company is currently finalising its Return-to-Work plans and anticipates making decisions to finalise these plans in the Autumn of 2021 when the impacts of the unlocking in both the UK and US, and subsequent government policy, will be better understood. Whilst this is the Boards current ambition we recognise that there is still a high level of uncertainty and so the Board is continually reviewing what is best for our employees and for the Company.

Outlook

We remain confident in our strategy for the Company and in its delivery against our plans over the next few years. I look forward with much excitement to the future as the business continues to gain momentum and scale. The new financial year should be another year of significant progress as we look to convert our exciting pipelines of opportunities into signed contracts.

DocuSigned by:



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James Barham

CEO

28 March 2022

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 2021.

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:

	2021 £000s	2020 £000s
Turnover	<u>5,457</u>	<u>3,894</u>
Loss on ordinary activities before taxation	<u>(923)</u>	<u>(1,373)</u>

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 (2020: £nil) nor post year end.

3. Directors

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

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

PCI-PAL (U.K.) Ltd
DIRECTORS' REPORT (continued)

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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable laws, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

PCI-PAL (U.K.) Ltd
DIRECTORS' REPORT (continued)

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 March 2023.

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

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

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

Based on these reviews, the directors have concluded that the 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.

10. Auditors

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

PCI-PAL (U.K.) Ltd

11. Post balance sheet events

In September 2021, Semafore 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 a Semafore patent. The Group strongly refutes the claims that are being made against it and so have instructed its lawyers to prepare a robust defence 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.

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

BY ORDER OF THE BOARD

7 Gamma Terrace
Ransomes Europark
Ipswich, Suffolk
IP3 9FF

DocuSigned by:

TW Good
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Secretary
28 March 2022

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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of PCI-Pal (U.K.) Limited ("the Company") for the year ended 30 June 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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

PCI-PAL (U.K.) Ltd

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 and 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

PCI-PAL (U.K.) Ltd

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 (Financial Reporting Standard 102), 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

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Tracey Keeble (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

Ipswich, UK

28 March 2022

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 2021**

	Note	2021 £000s	2020 £000s
Turnover	8	5,457	3,894
Cost of Sales		(1,646)	(1,303)
Gross profit		3,811	2,591
Administrative expenses		(4,716)	(3,958)
Operating loss	4	(905)	(1,367)
Other interest receivable and similar income	5	-	-
Interest payable and similar charges	6	(18)	(6)
Loss on ordinary activities before taxation		(923)	(1,373)
Tax on loss on ordinary activities	9	153	221
Loss for the financial year		(770)	(1,152)

All of the activities of the Company are classed as continuing.

There was no other comprehensive income for the year (2020: £nil) other than that disclosed above.

The accompanying accounting policies and notes from pages 25 to 45 form an integral part of these financial statements.

PCI-PAL (U.K.) Ltd**REGISTERED NUMBER: 03960535****STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2021**

	Note	2021 £000s	As Restated* 2020 £000s
Fixed assets			
Intangible assets	10	2,126	2,015
Tangible assets	11	59	56
Fixed assets		2,185	2,071
Current assets			
Debtors: amounts falling due after more than one year	12	407	175
Debtors: amounts falling due within one year	12	2,226	1,693
Cash at bank and in hand		673	109
Current assets		3,306	1,977
Current liabilities			
Intercompany creditors falling due within one year		(6,026)	(5,845)
Other creditors falling due within one year		(4,849)	(3,238)
Creditors: amounts falling due within one year	13	(10,875)	(9,083)
Net current liabilities		(7,569)	(7,106)
Total assets less current liabilities		(5,384)	(5,035)
Creditors: amounts falling due after more than one year	14	(983)	(562)
Net liabilities		(6,367)	(5,597)

*As Restated – see note 25 to the financial statements

PCI-PAL (U.K.) Ltd**REGISTERED NUMBER: 03960535****STATEMENT OF FINANCIAL POSITION (Continued)****AS AT 30 JUNE 2021**

	Note	2021	2020
		£000s	£000s
EQUITY			
Capital and Reserves			
Called up share capital	17	-	-
Profit and loss account		(6,367)	(5,597)
Shareholder's deficit		(6,367)	(5,597)

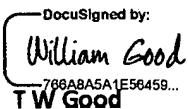
The accompanying accounting policies and notes from pages 25 to 45 form an integral part of these financial statements.

The Board of Directors approved and authorised the issue of the financial statements on 28 March 2022.

DocuSigned by:

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J Barham

Director

DocuSigned by:

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T W Good

Director

PCI-PAL (U.K.) Ltd
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Share capital £000s	Profit and loss account £000s	Total Equity £000s
Balance at 1 July 2019	-	(4,445)	(4,445)
Loss for the year	-	(1,152)	(1,152)
Balance at 30 June 2020	-	(5,597)	(5,597)
Loss for the year	-	(770)	(770)
Balance at 30 June 2021	-	(6,367)	(6,367)

The accompanying accounting policies and notes from pages 25 to 45 form an integral part of these financial statements.

PCI-PAL (U.K.) Ltd
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. AUTHORISATION OF FINANCIAL STATEMENTS

The Company's financial statements (the "financial statements") for the year ended 30 June 2021 were authorised for issue by the Board of Directors on 28 March 2022 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. PRINCIPAL ACCOUNTING POLICIES

a. Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. As noted in note 3c below the Company has adopted the principles of IFRS 15 in relation to revenue.

The financial statements are presented in Sterling (£) which is the functional currency of the Company and are rounded to the nearest £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 Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of the Company's parent, PCI-PAL PLC, as at 30 June 2021 and these financial statements may be obtained from Companies House or from the group website at <https://ir.pcipal.com/financials/annual-interim-reports>.

b. 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 £7.52 million at the 30 June 2021.

PCI-PAL (U.K.) Ltd

The directors have considered financial forecasts for the coming year through to the end of March 2023. As part of these considerations, the directors reviewed information provided by the management team such as the new contract sales forecast, the current sales pipeline and the likely demand for our services and any likely impact from the COVID 19 pandemic, the ongoing patent claim and the situation in Ukraine. The Board also reviewed other risks within the business that could impact the company's performance, such as insufficient numbers of employees to ensure the company can deliver on its contractual obligations or growth opportunities, as it continues to grow.

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

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

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

c. Revenue

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

PCI-PAL (U.K.) Ltd

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) Third party equipment sales

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

d. 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.

e. 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

PCI-PAL (U.K.) Ltd

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% to 33%

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 Section 18 of FRS 102 detailed above. Specifically, the initial platform was launched in October 2017 and has been successfully sold in Europe, North America and Australia, with further sales expected, as detailed in the Chief Executives' statement. The Directors expect that the AWS platform will continue to be developed, as more functionality is added, and as a result it is expecting to continue to capitalise the development costs (which are primarily labour costs) into the future.

Software licences

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

- Software licences 20% to 30%

Intangible assets acquired on acquisition

The assets and liabilities of an acquired business division are required to be measured at their fair values. Intangible assets must be recognised if they are identifiable and separable from goodwill. A purchase price allocation review will be completed for each identifiable cash generating unit ("CGU") on acquisition:

- A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
- Should represent the lowest level within the entity at which goodwill is monitored for internal management purposes.

When identifying whether cash inflows from a CGU are largely independent, the directors consider various factors: including how the business monitors the entity's operations or how management makes decisions about continuing or disposing of the entity's assets or operations.

If a separate identifiable intangible asset is identified the fair value will be recorded in the balance sheet and the directors will decide on the appropriate amortisation period for the asset. The value of the asset will be tested for impairment annually.

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f. Tangible fixed assets

Tangible fixed assets 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% to 50%
Computer equipment	33%

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

g. Impairment testing of intangible and tangible fixed assets

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.

h. Leased assets

In accordance with FRS 102 Section 20, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the statement of comprehensive income over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease.

PCI-PAL (U.K.) Ltd**i. Taxation**

Current tax is the tax payable based on the loss for the year, accounted for at the rates enacted at 30 June 2021.

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.

Deferred tax liabilities are provided in full, accounted for at the rates enacted at 30 June 2021, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the year end.

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

Dividends

Dividend distributions payable to equity shareholders are recognised when paid.

j. Financial assets and liabilities

The Company's financial assets comprise cash and trade and other receivables, which under FRS 102 are classed as "loans and receivables". Financial assets are recognised on inception at fair value plus transaction costs. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the year.

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

The Company has a number of financial liabilities including trade and other payables and intercompany borrowings. These are classed as "financial liabilities measured at amortised cost" in FRS 102. These financial liabilities are carried on inception at fair value net of transaction costs and are thereafter carried at amortised cost under the effective interest method.

k. Cash and cash equivalents

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

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l. 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

m. 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.

n. Foreign currencies

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

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

o. 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 10.

- Alternative accounting estimates that could have been applied – not capitalising development costs.
- Effect of that alternative accounting estimates – reduction of £1,847,000 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

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- 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 the same period.

- Alternative accounting estimates that could have been applied – this could be a longer period other than the four years
- 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 £1,385,000 and corresponding change in the tax charge reported.

p. Significant judgements

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

Capitalised development expenditure

The 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 Section 18 of FRS 102 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 road-map 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.

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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.

4. OPERATING LOSS

The operating loss on ordinary activities is stated after:

	2021 £000s	2020 £000s
Disclosure of the audit and non-audit fees		
Fees payable to the auditors for:		
The audit of the Company's accounts	19	10
Fees payable to the auditors for other services		
Tax – compliance services	0	4
Tax – advisory services	0	9

The fees for 2020 were payable to the previous auditors, Grant Thornton UK LLP.

Charged in administrative expenses

Rents payable	45	45
Depreciation of tangible fixed assets	36	47
Amortisation of intangible fixed assets	650	473
Foreign exchange (gain)/loss	12	19

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £000s	2020 £000s
Bank interest receivable	-	-

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2021 £000s	2020 £000s
Interest on bank borrowings	-	-
Other	18	6
	18	6

PCI-PAL (U.K.) Ltd**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:

	2021	2020
	£000s	£000s
Wages and salaries	3,043	2,684
Social security costs	365	321
Other pension costs	70	67
	3,478	3,072

	2021	2020
	Heads	Heads
Average number of employees during the year	49	41

Remuneration in respect of directors was as follows:

	2021	2020
	£000s	£000s
Emoluments	312	304
Bonus	113	95
Pension contributions to money purchase pension schemes	25	24
	450	423

During the year 3 (2020: 3) directors participated in money purchase pension schemes.

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

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

	2021	2020
	£000s	£000s
Emoluments	147	140
Bonus	23	23
Pension contributions to money purchase pension schemes	13	13

PCI-PAL (U.K.) Ltd**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:

	2021 £000s	2020 £000s
Continuing activities		
PCI – PAL division		
United Kingdom	5,262	3,638
European Union	195	126
Middle East	-	130
Total	5,457	3,894

9. TAXATION

	2021 £000s	2020 £000s
Analysis of charge in the year		
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year	-	-
Adjustments in respect of prior periods (R & D tax credit received)	153	221
Total current tax credited	153	221
Deferred Tax:		
Origination and reversal of timing differences	-	-
Total deferred tax charged	-	-
Tax on profit on ordinary activities credited	153	221

PCI-PAL (U.K.) Ltd**Factors affecting current tax charge**

The tax assessed on the loss on ordinary activities for the year was lower than the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £000s	2020 £000s
Loss on ordinary activities before tax	(923)	(1,373)
Tax on loss on ordinary activities at standard UK rate of corporation tax	(176)	(261)
Effects of:		
Expenses not deductible for tax purposes	1	1
Depreciation in excess of capital allowances for the year	-	65
Adjustments in respect of prior periods - R&D tax credit received	153	221
Other	-	-
Movement on unrecognised deferred tax losses	507	194
Effect of change in tax rate	(332)	-
Total tax credited for the year	153	221

The Company has unrecognised tax losses carried forward of £6.423 million (2020: £5.044 million).

PCI-PAL (U.K.) Ltd**10. INTANGIBLE ASSETS**

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

2021	Customer Contracts	Other Intangible Assets	SIP, RTP and SBC licences	Capitalised development costs	Total
Cost	£000s	£000s	£000s	£000s	£000s
Cost at 1 July 2020	90	27	380	2,340	2,837
Additions	-	-	-	761	761
Cost at 30 June 2021	90	27	380	3,101	3,598
Amortisation and impairment (included within administrative expenses):					
Amortisation at 1 July 2020	54	24	37	707	822
Charge in year	24	3	76	547	650
Amortisation at 30 June 2021	78	27	113	1,254	1,472
Net book amount					
Net book amount at 30 June 2021	12	-	267	1,847	2,126
Net book amount at 30 June 2020	36	3	343	1,633	2,015

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2020	Customer Contracts	Other Intangible Assets	SIP, RTP and SBC licences	Capitalised development costs	Total
Cost	£000s	£000s	£000s	£000s	£000s
Cost at 1 July 2019	90	27	83	1,515	1,715
Additions	-	-	297	825	1,122
Cost at 30 June 2020	90	27	380	2,340	2,837
Amortisation and impairment (included within administrative expenses):					
Amortisation at 1 July 2019	36	15	8	290	349
Charge in year	18	9	29	417	473
Amortisation at 30 June 2020	54	24	37	707	822
Net book amount					
Net book amount at 30 June 2020	36	3	343	1,633	2,015
Net book amount at 30 June 2019	54	12	75	1,225	1,366

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11. TANGIBLE FIXED ASSETS

2021	Fixtures and Fittings £000s	Computer Equipment £000s	Total £000s
Cost:			
At 1 July 2020	22	258	280
Additions	-	39	39
Disposals	-	(1)	(1)
At 30 June 2021	22	296	318
Depreciation (included within administrative expenses):			
At 1 July 2020	14	210	224
Charge for the year	5	31	36
Disposals	-	(1)	(1)
At 30 June 2021	19	240	259
Net book amount at 30 June 2021	3	56	59
Net book amount at 30 June 2020	8	48	56
2020			
Cost:			
At 1 July 2019	22	226	248
Additions	-	32	32
At 30 June 2020	22	258	280
Depreciation (included within administrative expenses):			
At 1 July 2019	10	167	177
Charge for the year	4	43	47
At 30 June 2020	14	210	224
Net book amount at 30 June 2020	8	48	56
Net book amount at 30 June 2019	12	59	71

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12. DEBTORS

		As Restated*
	2021 £000s	2020 £000s
Due after more than one year		
Other debtors	407	175
Debtors due after more than one year	407	175
Due within one year		
Trade debtors	1,560	916
Amounts owed by group undertakings	136	196
Accrued income	45	60
Other debtors	163	227
Prepayments	322	294
Debtors due within one year	2,226	1,693

*As Restated – see note 25 to the financial statements

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 have been reviewed for indicators of impairment and a provision has been recorded as follows:

	2021 £000s	2020 £000s
Opening provision as at 1 July	1	8
Credited to statement of comprehensive income	-	(7)
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:

	2021 £000s	2020 £000s
0-30 days past due	149	97
30-60 days past due	16	4
Over 60 days past due	-	36
	165	137

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

PCI-PAL (U.K.) Ltd**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

		As Restated*
	2021	2020
	£000s	£000s
Trade creditors	(506)	(620)
Amounts owed to group undertakings	(6,026)	(5,845)
Social security and other taxes	(390)	(274)
Deferred Income	(3,627)	(2,089)
Accruals	(326)	(255)
	<hr/>	<hr/>
Creditors due within one year	(10,875)	(9,083)

Included with amounts owed to group undertakings is a loan from the parent company, PCI-PAL PLC of £5,964,000 (2020: £5,769,000). The loan is interest free and repayable on demand, however no repayments are expected to be made within the next 12 months.

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

		As Restated*
	2021	2020
	£000s	£000s
Deferred Income	(983)	(562)
	<hr/>	<hr/>
Creditors due after more than one year	(983)	(562)

*As Restated – see note 25 to the financial statements

PCI-PAL (U.K.) Ltd**15. DEFERRED TAXATION**

	2021 £000s	2020 £000s
Unprovided deferred tax assets		
Accelerated capital allowances	-	-
Trading losses	1,385	958
	<u>1,385</u>	<u>958</u>

The unprovided deferred tax assets are calculated at a rate of 25% (2020: 19%).

16. SUBSIDIARY UNDERTAKINGS

At 30 June 2021:

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

17. SHARE CAPITAL

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

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At 30 June 2021, the Company had closing cash balance of £673,000 (2020: £109,000).

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 the coming financial year.

Interest rate risk

The total loan balance at 30 June 2021 is £nil (2020: £nil).

The Company does not use external loan facilities 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 all new clients, takes deposits where this is deemed necessary and collects payment by direct debit, limiting the exposure to a build-up of a large outstanding debt. Concentration of credit risk with respect to trade receivables are limited due to the wide nature of the Company's customer base: only two customer accounts for more than 10% of revenues each and these customers have very high credit ratings. In some cases, licences fees are paid for annually in advance.

Liquidity risk

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

Foreign currencies

During the year an exchange gain of £11,671 (2020: loss of £18,747) arose and at the year end £156,120 (2020: £29,794) 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 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.

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

PCI-PAL (U.K.) Limited

19. CAPITAL COMMITMENTS

The Company has no capital commitments at 30 June 2021 or 30 June 2020.

20. CONTINGENT LIABILITIES

In September 2021, Semafone 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 a Semafone patent. The Group strongly refutes the claims that are being made against it and so has instructed its lawyers to prepare a robust defence 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'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 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 or settlement negotiations with Semafone, which are uncertain and are at an early stage.

In October 2019 PCI-PAL PLC, the Company's parent, entered into a £2.75 million loan facility with Shawbrook Bank. As part of the facility the Company signed a guarantee and signed a fixed and floating debenture in favour of Shawbrook Bank as security for the loan facility. The balance drawn down under this facility at 30 June 2020 was £1.278 million. This facility was repaid in full in June 2020 and the security was fully satisfied in the current financial year

21. OPERATING LEASE COMMITMENTS

	2021 £000s	2020 £000s
Total future lease payments:		
Less than one year	23	45
After one and within two years	-	23
After two and within five years	-	-
	23	68

Operating lease commitments relate to the following buildings:

Ipswich Gamma Terrace Nos 5,6 & 7: rental of £45,000 per annum expiring December 2021

22. TRANSACTIONS WITH DIRECTORS

Apart from standard remuneration payments there were no transactions with directors in the year to 30 June 2021 or 30 June 2020.

23. DIVIDENDS

The directors cannot propose a dividend due to not having sufficient distributable reserves.

24. CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies adopted in the year.

PCI-PAL (U.K.) Limited

25. PRIOR PERIOD RESTATEMENT

On review of the intercompany loan between the Company and its parent Company, PCI-PAL PLC it was identified that the amount had been incorrectly disclosed as a non-current liability in the prior year financial statements. Legally the loan is repayable on demand and therefore the disclosure has been corrected to include this amount as a current liability. Other intercompany amounts have also been separated and included in debtors and creditors as appropriate.

The effect of the correction of the prior period error is the restatement of the Statement of Financial Position as at 30 June 2021 only and there has been no change to either the Statement of Comprehensive Income or the Statement of Changes in Equity.

26. SUBSEQUENT EVENTS

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

For details of the Patent claim lodged in September 2021, please see Note 20.

27. 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.