pcipal

ANNUAL REPORT & ACCOUNTS

For the year ended 30 June 2018

PIONEERS OF TRUE CLOUD PCI COMPLIANCE

Delivering a secure, world class service

Significant strategic and commercial progress

PCI-PAL PLC (AIM: PCIP), a leading world-wide provider of Payment Card Industry ("PCI") compliance solutions for contact centres, is pleased to announce full year results for the year ended 30 June 2018 (the "Period").

Financial Highlights

- Revenue increased to £2.1m (2017: £1.9m)
- Recurring revenue increased to 79 per cent of total revenue (2017: 65 per cent)
- Exit run-rate for live customers MRR ("monthly recurring revenue") increased over 60% to £0.2m per month at 30 June 2018 (30 June 2017: £0.1m per month)
- Total contracted RAV (recurring annual value of revenue") increased to £2.5m per annum at 30 June 2018 (30 June 2017: £2.1m per annum) -
- Pipeline of qualified opportunities RAV stood at £6.2m per annum at 30 June 2018
- Adjusted EBIT loss from continuing operations increased to £3.7m (2017: £1.7m)* following the planned further growth in headcount, investment in technology and expansion into North America during the year
- Loss before tax from continuing operations of £3.7m (2017: £1.7m)
- Improved gross margin 46% (2017: 43%)
- £4.95m fundraise completed in January 2018
- Cash and cash equivalents at 30 June 2018 were £3.7m (30 June 2017: £2.0m)

* Adjusted EBIT loss is operating loss adjusted to exclude share-based payments and foreign exchange (losses)/gains.

Technology Highlights

- Second-generation Amazon Web Services ("AWS") platform launched in November 2017 after being certified as PCI DSS Level 1 compliant
- Regional instances of the platform launched in UK, US and Canada
- Capitalised a further £0.5m of research and development as part of the continued investment in the new second-generation AWS platform

Operational Highlights

- Secured 48 new contracts from new and existing customers (2017: 19)
- Further growth in customer base, which now stands at 94 (2017: 60)
- 63% of all new customers sourced through our partner channel
- International expansion:
  - US office opened in Charlotte, North Carolina.
  - US office signed five new customers in US and Canada since launch in February 2018
  - First sale achieved in Scandinavia
- Employee base grown to 41 (2017: 29), of whom 7 are US based

William Catchpole, CEO, commented:

"We are fast approaching the second anniversary of the re-organisation when the Company decided to exclusively focus on secure payment solutions and the progress reported shows just how far we have come in a short period of time. The sales momentum we have seen this year and the 48 new contracts we have signed underscore our confidence in our offering and the market's readiness to engage in meeting their PCI and data compliance obligations.

"As we move in to the new financial year, we will continue to focus on the many ways in which our commercial momentum is being driven. Our opportunities for geographic expansion continues to develop.

"Our class-leading, second-generation AWS platform, is the jewel in the business enabling rapid deployment of the core platform in any region where our customers require it along with providing unparalleled resilience.

"We have seen particular success in the expansion of our formative channel business and the AWS platform is a key component of that; enabling light-touch, non-invasive integration methods that empower our partners, and customers, to solve the challenges of payment security within their contact centre with no detriment to their core operating systems. The opportunities we are now being offered would not have been available to us using the original platform.

"The move from direct sale to a principally channel sale approach to market typically impacts short term revenues, however, we believe the long-term benefits of making the change will outweigh this short term impact.

"This year is showing signs of being another exciting year for PCI-PAL."

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

As the Chairman of the Board, I am pleased to report that PCI-PAL continued to make good progress during the last twelve months. Our business continued to evolve and develop which has been under-pinned by the £4.95 million fundraising we undertook in January 2018.

We have seen significant progress in the development of the PCI compliance market due to GDPR and some well publicised breaches by several major companies and well-known brands. PCI-PAL is benefiting from this evolution of the market and has seen a marked increase in enquiries for its global solution. In the period, we have seen a significant increase in our sales pipeline, growth in our customer base and further strengthening of our leading position as the only pure cloud solution in our market.

Our core strategic aim includes building the best technological solution available to help organisations reduce the risk of fraud and PCI compliance costs by removing sensitive payment data from IT environments in contact centres.

Importantly too, PCI-PAL has continued to evolve over the last 12 months into a focussed channel sales model, primarily made up of resellers and strategic referral partners. The executive management is successfully executing this strategy for growth through our partner channel, which is now fully-engaged and growing in both sophistication and breadth, and this wider global reach continues to drive our momentum.

Our North American operation has started well. The business was established in May 2017 and the first employee joined us in July 2017. The North America AWS instance of our platform was launched in February 2018, following the fund raising, and we are now seeing the positive impact of the investment with signed contracts, expansion of our channel model, and, as a result, growth in sales pipeline across both the US and Canada. Employee numbers have continued to grow in the region and stood at seven by the end of the financial year, including James Barham, who transferred with his family to our Charlotte office in April 2018 to head up the team in the region taking on the role of COO – North America, having previously run the UK operation since it was launched in 2012. Post the year end more high calibre staff have joined and we are starting to see good growth in the opportunities available to us. I am looking forward to seeing how our investment in this strategically important market develops over the coming twelve months.

People

While businesses experiencing rapid change often face managerial challenges, the Board is fully engaged with the executive management team to ensure that the Group is positioned to address the growth challenge head-on. In particular, ensuring the ongoing recruitment at the appropriate time of senior experienced staff with strong track records who can proactively engage in the challenge of building a world-class technology company.

We are an ambitious company looking to take first-mover advantage with our unique fully cloud based solutions. We have grown very fast as an organisation. From 12 employees in one office in September 2016 at the time of the reorganisation we are, twenty-one months later, 41 members of staff across two geographic regions.

I believe we have built a first-class, experienced team and it is down to their hard work and determination that we have built the foundations for a strong business. Without the energy, commitment and enthusiasm of the PCI-PAL employees the growth and potential of PCI-PAL would not be what they are today. We thank them for another year of hard work and execution.

Corporate Governance

During the financial year we have reviewed the business against the latest Corporate Governance Code published by the Quoted Company Alliance. In the Governance section we outline how we have complied with the Code and where our policies depart from the Code together with an explanation of the reasons for that departure.

Changes in Accounting Rules

The Company will be implementing IFRS 15: Revenue from Contracts with Customers, with effect from 1 July 2018, on a fully retrospective basis. When the Company reports the interim results for the six months to 31 December 2018, the financial statements will be presented against restated financial statements for the year ended 30 June 2018. Whilst the impact of IFRS 15 is limited for the Group's historic results it will have a more meaningful impact in the coming years as we start to see our sales momentum materialise from our recent investments. It is important to note that neither the business model nor the Group's market opportunity is impacted. The Group does not intend to change the commercial model of the business, so cash generation is also not impacted by the implementation of IFRS 15.

Momentum

In the year ahead, we are focused on maintaining our momentum. The attractiveness of our market will inevitably encourage competition. However, we believe 2019 will be a year in which we capitalise on our evolution to a channel sales business, as we extend our offering to the addressable market through these major resellers and alliance partners, utilising our highly scalable, true cloud environment as we go.

I look forward to building on these foundations over the next twelve months.

Chris Fielding
Non-Executive Chairman
4 September 2018

Chief Executive's Statement
for the year ending 30th June 2018

Overview

This financial year was a year of expansion, not only in the UK but also North America, and of commercial momentum. We have seen good increases in our recurring revenues, customer numbers, and geographic coverage. Alongside this, we have continued to build the business, increasing our employee base and opening a new US office.

As our business has developed, so has the market we service. The PCI compliance market is now advancing beyond the early hype stage and our partner channel continues to grow and diversify in recognition of this shift. This channel was responsible for sourcing 63% of all new customers in FY18 and there was a healthy number of customers contracting for our solutions.

We are pleased to report that total recognised revenue for the year ended 30 June 2018 increased to £2.1m (2017: £1.9m) driven by sales from both new and existing customers. Sales momentum built throughout the year and our exit MRR at 30th June 2018 stood at £0.2m (2017: £0.1m). We continue to have an extremely high customer retention rate. A strong foundation for the future.

Like-for-like operating losses for the period were £3.8m (2017: £1.7m) and comparable adjusted EBITDA [(1)] losses for the period were £3.5m (2017: £1.7m), both representing continued investment in our international expansion. Cash and cash equivalents at 30 June 2018 were £3.7m (30 June 2017: £2.0m), reflecting the fundraising undertaken during the year.

Product development

At the end of October 2017, we announced that our second-generation, PCI-PAL Amazon Web Services based cloud platform, had been certified as PCI DSS Level 1 Compliant allowing us to launch the new platform to the market. Since this date we have made good progress in introducing the service to our major target locations. As at 30 June 2018 we had live and testing instances of the new platform in London, Virginia and Montreal. Since the launch to the year end, we have signed 15 new contracts with a combined RAV of £0.29m. Interest in the new platform continues to build.

This second-generation platform is technically advanced, and as highlighted in our trading update on 11 July 2018, our partners and prospective customers have undertaken significant levels of load testing. This level of testing was more than we originally anticipated and as a result of the additional testing, our first customers went live last month, after some eight months of deployment testing. It is only at go-live that we start recognising the monthly recurring income and any associated professional services fees.

In terms of installing the platform infrastructure, our Canadian regional instance, in Montreal, took us about one week to initiate from start to finish and was deployed at a minimal upfront cost. The limited cost and fast deployment time to a new territory is a major benefit of the second-generation platform.

Amazon Web Services have locations almost everywhere we want to be. The ability for us to respond to demand globally by opening territory specific instances of the platform as required should be a major advantage compared to the historic, old-fashioned method of co-locating services with partner telecom companies in their data centres on a revenue share basis. Each territorial instance will allow data to be kept within that region/country to ensure that all the local data sovereignty rules are fully adhered to. However, all our development work and operational aspects of running the AWS instances around the world will continue to be run from our UK offices, thus enhancing efficiency.

Looking forward, we believe we will, in the next twelve months, be opening a regional instance of the platform in mainland Europe to assist in our expansion into the region and as part of our post Brexit contingency planning. We are also actively considering our expansion plans in the Asia Pacific region.

[1)] being EBITDA before share-based payments and foreign exchange gains/(losses) to remove the effect of volatile share-based payments expenses and foreign exchange gains/(losses))

Sales and marketing

It is PCI-PAL's stated objective to deliver its services in partnership with major partners across the world. The Board is very pleased with the progress that has been made. At the end of the last financial year PCI-PAL was contracted with relatively few channel partners, the majority of whom were focused on the UK market. During this financial year we have successfully negotiated new agreements with several important partners including Capita Pay 360 in Europe, NewVoiceMedia globally, and a major payment service provider and a leading cloud service provider in North America. Whilst this approach, compared to our previous direct sale strategy, typically impacts near term revenue realisation, it benefits ultimate contract capture and in due course speed of on-boarding and long-term revenue growth.

North America

The regional business was only opened in July 2017 and fully launched in February 2018. Despite this relatively recent launch, we have signed and on-boarded a major payment gateway, which has already bought to us two contracted customers. We have also partnered with a major regional telco, which has verbally confirmed its first sale in Canada, and the US business has signed its first customer with a global cloud contact centre provider.

In the financial year ended 30 June 2018, the North American division signed 5 new customers of which three were via our channel partners.

EMEA

The EMEA region is a more developed market than the North American market and our PCI Compliant services have been sold in to this region since 2012, to customers primarily located in the UK.

During the last twelve months we have continued to drive our growth strategy forward. As well as investing in the new North American operation, a great deal of change has been undertaken within the original UK business, including the appointment of a new very experienced President of Sales EMEA. He has been asked to expand our sales growth across the region and we are already seeing some important opportunities.

We continue to focus on developing our channel partnerships in Europe and we expect the numbers to continue to grow in the next financial year. We are particularly pleased to have received confirmation from a major UK telco provider with operations across the globe that they wish to start selling our services to their clients during the next financial year.

In the financial year ended 30 June 2018, the EMEA division signed 43 new contracts (2017: 19) of which 63% were via our channel partners.

Of particular note, the Company was pleased to announce two recent contracts wins in Europe. This included our first Nordic contract (one of the region's railways) and a contract with a significant UK utility provider, with an aggregate RAV of £97,000 for a minimum three years

Also, I am pleased with the fact that we have reached terms for delivering a very significant contract, via a partner reseller, with a major contact centre in the UK for which we have already received a payment for Phase 1 of this complex and difficult project. We have also agreed terms with a major European insurance company as well as received verbal confirmation from our first important Spanish customer.

Pipeline

Our pipeline of qualified sales opportunities continues to grow across all our targeted regions, with the RAV currently standing at £8.8m, which has more than doubled in the last six months.

Partnership strategy

Our stated strategy is to focus on the channel sales route to market, evolving away from our previous mainly direct sale route. I am pleased at how quickly this evolution is happening albeit that we are still learning the timelines of the contracting, testing and go-live process.

Working with channel partners around the world will inevitably mean that revenue momentum may take time to build, but once established we believe we will have access to a far greater market opportunity than that available from direct sales alone. It takes a long time to negotiate and win each new partner and then many months more to integrate our PCI compliant solution into their own, often broader, solution. Despite this time taken to "on-board" our solution into our partners service offerings, it should mean we are looking at much shorter go-live times in the future once the partner becomes accustomed to installing the solution. Hence, as the new business wins start to go live, we are confident, based on our sizeable and growing pipeline, that we will experience strong growth in revenues. This gives us greater confidence for the future.

Market review

During the year GDPR was introduced and much hype was generated, in particular by the legal profession regarding the need for businesses to ensure that they adhere to data guidelines. How many emails did we all get regarding readiness for GDPR? There is almost an inevitability that in the future a big firm is going to receive a very big fine, up to 4% of global turnover, and this in turn will raise awareness of the importance of being compliant with data protection regulations. All the awareness of the regulations and potential implications has meant that many boards are now prepared to put budgets aside and commit to data security projects. This does not mean automatic adoption is rolled out within weeks, but we believe it should only help us win more contracts and deliver our services in the future.

Competing in the market place

UK companies are the leading suppliers of PCI compliant services around the globe, reflecting the early adoption of the regulations within the UK. We are one of only two British quoted companies in our section of the compliance market, and the only true cloud vendor. There are other solution providers and the likelihood is that new entrants will emerge in time, but we believe that with our technological first-mover advantage and our ability to gain meaningful traction with prospective large global partners, will make it a less appealing sector for new entrants.

We continue to grow and deepen our partnerships with channel providers and telecom companies who, with us, are working to make their customer data PCI compliant. New partners and payment gateways seem to be attracted to the technical architecture of our multi-tenanted, cloud platform and the ability to have a homogenised product globally.

Against the competition, PCI-PAL continues to differentiate on the purity of our solution offering, the enterprise scale and security, performance and adaptability. This value arises in the comfort of knowing the solution is going to meet data security, regulatory compliance, and governance requirements locally, whilst being a standard solution available to all the partners clients around the globe.

We believe that the combination of being pioneers in the pure cloud environment supported by technical partners and a robust methodology is appealing to both our resellers and our customers and, along with our public status and strong balance sheet, sets us apart from other PCI solution vendors.

Executing our strategy

The Group set out a growth strategy at the time of its re-organisation based on three key strategic objectives. During the past twelve months we have continued to make meaningful progress against each, as follows:

1. Building a single, scalable technology platform to allow the delivery of our services worldwide:

We have continued to invest in our pure cloud AWS platform. Since the formal sign off as PCI DSS Level 1 compliant on October 2017 we have continued to develop our product development road map, focusing on adding more core functionality and ensuring the platform is stable and robust and capable of being rolled out anywhere in the world, where required. The Group capitalised a further £0.5m of research and development expenditure as part of the planned development road map. We have, also, during the year built an infrastructure of skilled specialists capable of discussing and deploying the services with any organisation.

The first AWS instance was established in the UK in November 2017, after the successful certification process. Following the fundraising in late January 2018, we launched our regional US instance in February 2018 and a regional Canadian instance in April 2018. These two new international instances have now been rigorously tested by our partners and we are now starting the go-live processes with the first North American based customers.

The rolling out of each platform instance was quick and very easy when compared to the old first-generation platform that would have taken months, if not more than a year, to build in each location. Having proved the ability to successfully roll out quickly and efficiently we will consider expanding the coverage to mainland Europe and the Asia Pacific region when appropriate, on the back of contracted revenue. We can deploy a regional instance far faster than a customer can prepare itself for go-live.

The cost of each new regional platform is relatively low – we hire appropriate processing capacity from Amazon Web Services for which we pay a monthly amount. The only upfront costs we commit to are: a session border controller licence (allowing VoIP telephony access over the network in the new region); and a small number of SIP/RTP licences (which enable individual VoIP call handling). This will give each instance the capacity to handle an initial amount of licences. As demand for the system grows we can automatically add to the AWS processing power and bolt on addition perpetual licences so the system grows with revenue.

We have applied for a number of patents regarding the new processes we have developed for the AWS platform to protect our investments.

2. International growth:

Our focus this year has been to establish and develop our capabilities in North America. We have made significant and pleasing progress with this planned expansion backed up by the fund-raising undertaken in January 2018.

Since the formal launch of our services in the region in February 2018 we have established valuable partnerships and have sold our first solutions. I am particularly pleased that we have also made strong progress in Canada, where our opening of a Canadian platform was well received.

We have a strong team in North America, now headed by James Barham who relocated with his family to Charlotte in April 2018. We will continue to develop our relationships with core partners and look forward to building momentum in this important region.

Looking forward, through our new partnerships, we are already being introduced to other important potential customers in different regions – especially in Asia Pacific. We are already in negotiation with a number of these clients and hope to win our first contracts in this financial year.

3. Channel partners:

We continue to make great strides towards our goal of having 90%+ of all new contracts generated by channel partners. I am pleased to say that we are ahead of our initial expectations set back at the time of the reorganisation in September 2016.

Our belief is that our partners will already have strong and trusted relationships with the potential contact centre customers for PCI-PAL. Being a specialist solution provider only dealing with PCI DSS compliance, and no other competing products, will allow these partners to resell our solution as a value-added service with their full recommendation.

Particularly pleasing are our new relationships with Paymetric in the US, NewVoiceMedia in the UK, US and Australia, and Capita Pay 360 in the UK. We believe we are attractive to channel partners because we supply a complementary solution that solves their customers PCI compliance challenges, that is light-touch to integrate (cloud to cloud) and cost effective to re-sell.

Clearly, signing and working with new channel partners is initially expensive, it takes a great deal of effort to sign these partners and during this process we are not generating any revenues. However, we firmly believe that by partnering with these larger companies we are opening-up the availability of our solution to a far larger pool of potential customers while raising barriers to entry for future competitors.

Our work in this area is beginning to show real promise. Of our current sales pipeline, £6.8m of potential RAV or 77% of the total has been generated by our channel partners.

Operational review

As the business grows we need to ensure that our operational infrastructure evolves with the organisation. The biggest challenges we faced this year were:

- Preparing the organisation for the launch of our second-generation AWS platform,
- Preparing our systems so that we can deploy our solutions in North America and the rest of the world,
- Developing a core group of SIP specialists and architects capable of working with our new clients ensuring that the integration aspects of the new platform are fully designed and documented,
- Developing a full on-boarding programme for our channel partners,
- As well as ensuring that we continue to deliver the first-generation platform requirements.

I am pleased to report that we have made good progress on all fronts and would like to personally thank all our team for undertaking this mammoth task and would like to welcome all the new specialists we have employed as part of this process.

Employees

As at 30 June 2018, PCI-PAL had 41 (2017: 29) employees worldwide. Whilst this level of growth inevitably places challenges on the Company, the management team has worked hard to build a new appropriate organisational infrastructure. In particular, we have strengthened the management team with key appointments including a President of Sales EMEA and a new senior VP of Channel Sales in North America.

Our public company status and employee share options are enabling us to attract high quality talent. We will continue to invest in people to support our growth plans, and in systems and processes to provide an organisational platform for the next phase of PCI-PAL's growth.

Financing

One of the last planks of our strategy was to ensure that we had the financial resources to deliver on our prospects.

The initial growth and development of the Group was initially funded by the sale of our contact centres business in September 2016. During the period we received a payment of £1.0m from the purchaser and also an accelerated payment of £0.1m. £2.2 million is still to be collected via a loan note receivable with the next loan payment due in October 2018.

To fund the next stage of our growth, we raised £4.95m before expenses through an equity placing. Of the funds raised, £3.90m was raised from Venture Capitalist Trusts and these funds have been ring-fenced for the expansion of our North American business. The remaining £1.05m raised was used to pay the costs incurred and has given us additional working capital.

During the year we changed NOMAD and broker to finnCap Ltd. We believe that as we continue to evolve and deliver our business model their leading sector experience will help us deliver greater shareholder value.

Dividend

The Board is not proposing the payment of a dividend in respect of the year ended 30 June 2018.

Summary and outlook

This has been a year of good progress for PCI-PAL. Our technologically advanced platform has been launched and the global partner sales channel, built to commercialise the opportunity, has started to deliver momentum, strengthening our market position and underpinning the belief in our long-term potential.

In the new financial year, the focus remains on generating revenue from our ever-increasing pipeline of orders and opportunities.

Whilst the volume and value of new business are good indicators of market traction and performance, the continuation of recurring licences sold in prior years is of equally critical importance to the Group's strategy. We will continue to invest in the stability and security of our global cloud platform to support multi-national brands.

We remain confident in our strategy for the Group 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.

William Catchpole
Chief Executive Officer
4 September 2018

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to several risks factors that may affect its performance. The Group has a framework for reviewing and assessing these risks on a regular basis and has put in place appropriate procedures to mitigate, where possible, against them. No system of control or mitigation can completely eliminate all risks. The Board has determined that the following are the principal risks facing the Group.

Short trading history of the Group: The Group has a limited operating history as a standalone business and does not have an extensive track record, nor has it previously achieved critical mass in overseas markets or domestically using its second-generation cloud-based technology platform. The Company is therefore subject to all the risks and uncertainties associated with any new business enterprise, including the risk that the Company will not achieve its objectives.

There can be no assurances that the Company will successfully develop its business in the manner intended or otherwise, or that the resources it has will be suitable or sufficient for its requirements. The Company may require the injection of further capital.

Generation of sales through Channel Partners: While the Board believes that the use of international channel partners (including but not limited to telephony, payment processor and contact management software providers) is the most appropriate route to market to scale the company business with large, multi-national customers, delays could arise in the expected timetable of engagement with existing and other suitable channel partners and in the implementation of the sales process to their customers. Any such delays are likely to slow the rate of growth in the Company's sales. This could have an impact on the trading and financial position of the Company given it is currently loss making and may also require increased scale to achieve cash breakeven. Also, generating sales through channel partners will require staff time to train channel partners in product knowledge and in marketing the Company's solutions. Furthermore, the investment of time and effort is not guaranteed to deliver new sales via channel partners. However, the Board believes and is confident that its already generating sales through channel partners and its hiring of experienced personnel with relevant industry and channel knowledge will enable it to onboard partners successfully, thereby potentially mitigating these risks.

Growth plans may change: The Company is at an early stage in its plans to capitalise on its new cloud-based AWS platform through international expansion. Whilst the Board has carefully considered the strategic growth options available to the Company, the international marketplace for secure payment services is rapidly evolving. As such, the Board may alter its current expansion plans if a material new opportunity presents itself that, in its opinion, is more attractive than its current plans. Any change in strategy may require additional financing, which may include the issue of additional ordinary shares in the Company and dilution to shareholdings.

Inability to recruit and retain suitably experienced personnel: Additional staff will be required to scale the business in overseas and domestic markets. Failure to recruit the individuals required would significantly restrict the company's growth potential. The Group also depends on the services of its key technical, operations, sales and management personnel. The loss of the services of any one or more of these key persons could have a material adverse effect on the Group's business. The Group maintains an active policy to identify, hire, train, motivate and retain highly skilled personnel in key functions.

Intellectual property rights ("IPR"): The Group is reliant on IPR surrounding its internally generated and in-licensed software. Whilst it relies upon IPR protections including patents, copyrights, trademarks and contractual provisions, it may be possible for third parties to obtain and use the Group's intellectual property without its authorisation. Third parties may also challenge the validity and/or enforceability of the Group's IPR, although the Directors do not envisage this risk to be significant.

In addition, the Directors are aware of the supply risk of losing key software partners. As these partners are not a significant part of the core solutions, this would be expected to have a short-term impact only on the Group as it would be able to find alternative new partners.

Information technology: Data security and business continuity pose inherent risks for the Group. The Group invests in and keeps under review formal data security and business continuity policies which are independently audited. The Group's solutions do not retain details of its clients' payment data or that of their end customers.

Our core PCI platforms are audited annually to enable us to maintain our PCI DSS level 1 accreditations. This audit includes annual certification and attempted penetration testing trying to hack into the platforms. The new platform is hosted on the AWS cloud infrastructure, which is already PCI DSS compliant.

Operational risks:
To reduce the operational risks for its first-generation platform the Group has multiple datacentres locations from which services are delivered. These back-up facilities have independent telephone lines, phone switch and computer data systems synchronised to the main datacentre that can automatically fail-over in the event of a major incident occurring.

The new Cloud platform has been designed to use the Amazon Web Services ("AWS") technology platform with full failover protection. The hardware used on the AWS platform is owned and maintained by AWS and so this further reduces our operational risks.

The Group is planning to expand into new regions and this will naturally create operational risks due to having to set up systems to comply with all new local regulations and laws. Failure to comply with these laws may result in sanctions against the Group. To try and mitigate these risks the Directors use a system of establishing a network of professional advisers located in each region to advise the Group accordingly and then implement a suitable control environment.

The Group generates most of its revenue from the licensing and monthly charges for our solutions. We are only able to charge for these licences and monthly charges once the customer goes live on our platforms. Unexpected or extended delays in the go-live process with therefore impact our ability to charge and receive payment for our services, which may have a serious, detrimental impact on the Group's performance. The Board regularly reviews all customers who are in the process of installation and believes we have appropriate process in place, run by dedicated and experienced staff and project managers, to minimise any delays.

Market place and competition: The sectors in which the Group operates in and/or routes to market may undergo rapid or unexpected changes or not develop at a pace in line with Directors' expectations. It is also possible that competitors will develop similar products; the Group's technology may become obsolete or less effective; or that consumers use alternative channels of communications, which may reduce demand for the Group's products and services. In addition, the Group's success depends upon its ability to develop new and enhance existing software solutions, on a timely and cost-effective basis, that meet changing customer requirements and incorporate technological advancements. The Directors review the market movements, client requirements and competitive suppliers to ensure that the current portfolio of services are as required by clients and partners. The Directors ensure that the team is properly directed, trained and motivated to address this issue.

Failure to penetrate overseas markets successfully (including North America) could damage the Group's growth prospects. Whilst the Group has existing overseas operations in North America and has done extensive research into the market place, contact centre technology and the regulatory environment, there is no guarantee that technology and regulatory standards in overseas territories will not diverge and thereby decrease the scalability of the Group's platform in overseas markets. Also, there is risk that new or existing competitors will be attracted to the US market place for PCI DSS compliance and therefore impact the competitive landscape and the Group's ability to attract new customers and /or maintain its channel partner relationships may be negatively affected.

Reputational risk: The Group's reputation may be damaged by a range of events, such as poor solution implementation, product performance or unsatisfactory client services. The Group's reputation underpins its service offerings and so any damage to our reputation may damage our prospects.

Financial risk management objectives and policies
The principal financial instruments used by the Group, from which financial risk arises, are trade receivables, cash at bank and trade and other payables. The Group currently has no significant net foreign currency monetary assets or liabilities nor any hedged transactions or positions. 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:

- **Credit risk:** Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument, such as the receivable loan notes, fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers before entering new contracts and it has a frequent and proactive collections process. The concentration of credit risk is limited due to the spread across a number of clients. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. At the year-end, the Group's cash at bank was held with two major UK clearing banks.

Part of the loan notes receivable is guaranteed by a charge over the majority shareholding of the directors of the Company issuing the loan note.

- **Market risk:** The Directors consider that exposure to market risk, arising from the Group's use of interest-bearing and foreign currency financial instruments, is not significant. This is assessed in note 21.
- **Liquidity risk**: Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. On a monthly basis, the Directors review an annual twelve-month cash flow projection as well as information regarding cash balances.
- **Currency risk –** As a consequence of the increasingly international nature of its business, the Group will become more exposed to risks associated with changes in foreign currency exchange rates. The Group is based in the United Kingdom and presents its consolidated financial statements in pounds sterling. The Group's current revenues are currently generated primarily in pounds sterling. Increasingly it is envisaged that the Group's revenues will be generated in foreign currency, particularly the US dollar and the Canadian dollar. The Group's cash resources are denominated in pounds sterling. The Group has no currency hedging arrangements in place at present. 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 and there can be no assurance that its future results will not be significantly affected by fluctuations in exchange rates.
- **Taxation risk –** The Group's operations and business will be subject to the effect of future changes to tax legislation and practice in the countries in which it operates. Any change in the tax status of the Group or any member of the Group or in applicable tax legislation or regulations in any relevant jurisdiction could affect its ability to provide returns to shareholders or negatively alter post tax returns to shareholders. The taxation of an investment in the Group depends on the individual circumstances of the investor.
- **Risks relating to the UK's proposed exit from the European Union -** The UK's June 2016 referendum vote to leave the European Union ("EU"), and the subsequent initiation of the withdrawal procedure in March 2017 when the UK Government triggered article 50 of the Treaty on European Union, has created significant uncertainty regarding the UK's relationship with the EU, including the terms and timeframe within which the UK's exit from the EU will be effected. Although the Group has not experienced any immediate material changes to its operations and structure, the UK's proposed exit from the EU could generate political, economic and currency volatility and uncertainty in the markets. The effects of the UK's exit from the EU on the Group could include: (i) significant legal and regulatory uncertainty; (ii) increased compliance and operating costs for the Group; (iii) increased levels of inflation, in the UK and other markets in which the Group operates and lower levels of demand for the Group's services; and (v) a reduction in the net assets and/or share price of the Group. Although it is impossible to predict the full impact of the UK's exit from the EU at this stage, the resultant risks could have a material adverse impact on the Group's growth plans, financial position, results of operations and/or prospects.
- **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.

BOARD OF DIRECTORS and ADVISERS

Chris Fielding – Non-Executive Chairman
Appointed to Board: 1st September 2014
Committees: Chairman of the Audit Committee and member of the Remuneration Committee

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

William Catchpole – Chief Executive Officer
Appointed to Board: 27th October 1999

William was appointed Managing Director of Countyweb.com PLC, the forerunner of PCI PAL PLC, in 1999. Splitting the business away from its parent company, William coordinated the launch of the Internet start-up on the London Stock Exchange AIM market in 2000, raising £5 million in funding. The company evolved rapidly, selling the Internet directory and database business and then focussed the group resources on Call Centre Services and Call Centre Software. Having renamed the business in 2001 as County Contact Centres PLC to reflect the call centre focus, the company grew to over 500 staff and sold its software in over 40 countries. Changing name again in 2008, to IPPLUS PLC, the company continued to grow, adding a Telecoms division, Disaster Recovery and Document Storage divisions. The Document Storage business was sold off in 2014. In 2016, William again restructured the company, deciding to focus solely on credit card compliance systems as PCI-PAL PLC.

William Good – Chief Financial Officer
Appointed to the Board: 1st April 2017

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

James Barham – COO North America
Appointed to the Board: 30th September 2016

Having spent his entire career in the contact centre outsourcing and technology space, James joined the Group in 2008 and was instrumental in developing the PCI Pal business and product suite. James is a graduate of Bath Spa University and fulfilled graduate training at Hiscox PLC before moving into contact centres and technology. James has now relocated to our Charlotte, North Carolina office to focus on growing this strategically important market for us.

Geoff Forsyth – Chief Technology Officer
Appointed to the Board: 27th October 1999

Geoff has spent the last 20 years designing, developing and implementing a wide range of internet services – including the award-winning CallScripter contact centre software package. A Fellow of the British Computer Society, Geoff is responsible for the design and development of all technical infrastructure systems, ISO compliance and IT security. He joined the Board in 1999.

Jason Starr – Independent non-executive director and senior independent director
Appointed to the Board 1st January 2015
Committees: Chairman of the Remuneration Committee and member of the Audit Committee

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

CORPORATE GOVERNANCE

Chairman's statement on Corporate Governance

Dear Shareholder,

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

As the Chairman of the Group I am responsible for ensuring that the Board outlines and delivers its strategy. To this end the full Board meets regularly throughout the year and is available for short notice meetings as required from time to time. The Board consists of four executive directors each with their own areas of expertise, together with two non-executive directors, including myself. During the year there were no changes to the Board.

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

Our Audit Committee has focused upon ensuring that the Group plans for, and adopts, the latest accounting standards, the most important of which is the forthcoming adoption of IFRS 15: Revenue from Contracts with Customers. The Committee is advised by our auditors, Grant Thornton, and considers recommendations from our Chief Financial Officer.

Our Remuneration Committee has overall responsibility for changes made to the Executive Directors remuneration, including as a result of the recent relocation of James Barham to the US. It is also responsible for the approval of the Group's various share options schemes. It takes advice from the Group Chief Executive Officer in considering all matters.

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

Chris Fielding
Non-Executive Chairman
4 September 2018

CORPORATE GOVERNANCE

Compliance statement

The Directors recognise the importance of sound corporate governance. The Board considers that it has complied with the provisions of the UK Corporate Governance Code, (the Code) as issued by the Quoted Company Alliance, with the exception of the following areas:

1. The Company does not have a formal system of training the Directors for their on-going roles, instead they are expected to keep up-to-date personally with matters relevant to their own positions through memberships of relevant professional societies; regular briefings from lawyers and accountants as well as other professional advisers;
2. The Board has not prepared a formal statement on culture, ethical values and behaviours and so there is no formal, regular measurement or assessment of this. However, the Group has only 41 employees operating from two principal locations. The Board is therefore confident that it can adequately assess the corporate culture within the Group;
3. Given the company size and recent growth, the Board has not carried out a formal evaluation of the Board's performance or of its individual directors;
4. The Board has not established a nominations committee and so all matters relating to the appointment of directors are reserved for the full Board.

Information on significant shareholders in the Company has been included in the directors' report on page 27.

Leadership
The Board is collectively responsible for the long-term success of the Company and provides effective leadership by setting the strategic aim of the Company and overseeing the efficient implementation of these aims in order to achieve a successful and sustainable business.

In practice the Executive Directors prepare and present the strategic plan to the Board, which the Board challenges in order to determine the strategic priorities. The Board also ensures that the appropriate framework of controls is in place to enable the proper assessment and management of risks. The Executive Directors are responsible for the management of the business and implementing the Board's decisions.

Board composition
The Board of PCI PAL PLC is made up of an independent Non-Executive Chairman, CEO, CFO, CTO, COO North America and one other independent Non-Executive Director. Details of the Board's experience are shown on page 15 which demonstrate the range of skills and insight that they bring to the Board. It is important that the Non-Executive Directors bring a wide range of skills to the Board in order to provide robust challenges to the Executive Directors and to ensure that shareholders' interests are represented. The two Non-Executive Directors are both deemed to be independent. All Directors are subject to election by the shareholders at the first Annual General Meeting following their appointment, and to re-election thereafter every three years.

Board meetings
The Board meets formally six times per year to discuss the strategy, direction and financial performance of the company. Other additional Board meetings occur as required. The Board reviews a detailed management pack each month which enables them to fulfil all of their duties of stewardship. This management pack contains detailed financial information as well as wider resources on the KPIs for the Group.

The Non-Executive Directors attend all of the meetings.

Directors' meeting attendance 2017/18

	Board Scheduled	Board Short Notice	Audit Scheduled	Audit Short Notice	Remuneration Scheduled	Remuneration Short Notice
Executive Directors						
William Catchpole	6/6	3/3	1*	-	-	2*
William Good	6/6	3/3	1*	-	-	-
Geoff Forsyth	6/6	3/3	1*	-	-	-
James Barham	6/6	3/3	1*	-	-	-
Non-executive directors						
Chris Fielding	6/6	3/3	1	-	-	2
Jason Starr	6/6	3/3	1	-	-	2

* = attended by invitation of the Chairman of the Committee

Directors can formally attend meetings either: in person; by conference call or by video conferencing.

The executive directors are employed on a full-time basis.

Division of roles and responsibilities

The Chairman is responsible for the leadership of the Board and ensuing the effectiveness of all aspects of its role. Each scheduled meeting includes an agenda that allows each Executive Director to report to the Board on performance of the business including risk analysis and monitoring. Non-scheduled meetings are normally called to discuss single points of matter.

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

Evaluation
The Board has not undergone a formal evaluation during the financial year.

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

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

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

Financial and business reporting

Please refer to the following pages for information as to how the Board has carried out the financial and business reporting obligations:

1. Page 27 of the Directors' Report details the Board's responsibility statement setting out the steps taken to present a fair, balanced and understandable assessment of the Company's position and prospects.
2. Pages 6 to 11 of the Chief Executive's Report reports on the business model and explains how the Group generates and preserves value over the longer term and it also reports on the strategy for delivering the objectives of the Group.
3. Page 28 of the Directors' Report confirms that the financial statements have been prepared on a going concern basis

Risk Management and internal controls

The Board has overall responsibility for establishing and maintaining sound risk management and internal control systems. The Board monitor these risks and systems regularly to ensure they continue to be effective and fit-for-purpose. Further information on risk management and internal controls is set out in the Audit Committee Report on Page 20.

The Directors have carried out an assessment of the principal risks facing the group and how these risks can be reduced. The explanation of these risks and how they are being mitigated can be found on pages 12 to 14.

Communications with shareholders

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

1. The annual and interim statutory financial reports and associated investor and analyst presentations and reports.
2. Announcements relating to trading or business updates released to the London Stock Exchange.
3. The Annual General Meeting which provides shareholders with an opportunity to meet the Board of Directors and to ask questions relating to the business.

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

AUDIT COMMITTEE REPORT

Dear Shareholder,

On behalf of the Audit Committee, I am pleased to present our report for the year ended 30th June 2018.

Composition

The Audit Committee comprises the Chairman and the other Non-Executive Director. The Audit Committee as in prior years is chaired by myself. The executive directors may attend by invitation.

Responsibilities

The Audit Committee meets at least once a year to review the independent audit report of the Company's auditors and the wider responsibilities set out below:

1. Monitor the integrity of the financial statements of the Company.
2. Review the Group's internal financial controls and risk management systems.
3. Ensure a formal channel is available for employees and other stakeholders to express any complaints in respect of financial accounting and reporting.

External Audit

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

1. Make recommendations to the Board, for it to put to the shareholders for their approval in relation to the appointment of the external auditor and to approve the remuneration and terms of reference of the external auditor.
2. Discussion of the nature, extent and timing of the external auditor's procedures and discussion of the external auditor's findings.
3. Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process.
4. Develop and implement policy on the engagement of the external auditor to supply non-audit services.

IFRS 15

In the year under review the Committee and the Board has focused on understanding the impact on the business of IFRS 15: Revenue from Contracts with Customers. A full disclosure as to the historic impact of this new accounting standard is detailed in Note 3 of the report and accounts. IFRS 15 will be adopted in full for the financial year ending 30th June 2019 and the prior year will be restated accordingly.

Internal Audit

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

Internal control procedures

The Board is responsible for the Group's system of internal controls and risk management, and for reviewing the effectiveness of these systems. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

The key features of the Group's internal controls are described below:

1. A clearly defined organisational structure with appropriate delegation of authority.
2. The approval by the Board of a one-year budget, including monthly income statements, balance sheets and cash flow statements. The budget is prepared in conjunction with senior managers to ensure targets are feasible.

3. The business plan is updated on a periodic basis to take into account the most recent forecasts. On a monthly basis, actual results are compared to the latest forecast and market expectations and presented to the Board on a timely basis.
4. Regular reviews by the Board and by the senior management team of key performance indicators.
5. Dual authority is required for all bank payments.
6. Payments are not permitted without an approved invoice signed in accordance with the Delegation of Authority document.
7. Reconciliations of key balance sheet accounts are performed and independently reviewed by the finance team. Wherever possible segregation of duties are implemented to provide additional comfort and support on all finance processes.
8. Appropriate physical security and virtual checks are in place at all locations to protect the Group's assets.
9. Appropriate whistleblowing and escalation points are established and communicated to staff to provide a safe and secure forum for employees to escalate matters.
10. A disaster recovery plan and back-up system is documented and in place.

The Board in conjunction with the Audit Committee keeps under review the Group's internal control system on a periodic basis.

Chris Fielding
Chairman of the Audit Committee
4 September 2018

REMUNERATION COMMITTEE REPORT
FOR THE YEAR ENDED 30 JUNE 2018

Dear Shareholder,

On behalf of the Board I am pleased to report to you on remuneration matters considered by the Committee during the year.

Composition

The Remuneration Committee consists of non-executive directors Jason Starr (Committee Chairman) and Chris Fielding, and it is normal to invite the Chief Executive to the meeting to hear his recommendation for remuneration.

Remuneration Policy

The objective of the Group's remuneration policy is to attract, motivate, and retain high quality individuals who will contribute significantly to shareholder value. The Remuneration Committee decides on the remuneration of the Directors.

Annual Performance Bonus

For Board executives, a bonus will be paid dependant on the level of achievement against annual key performance indicators for the Group, which will be set annually by the Remuneration Committee, with achievement assessed at the end of the year.

The Executive Directors annual bonus scheme which is based upon the achievement of certain quantifiable profit and commercial targets for the Group, as appropriate.

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

Executive Directors' remuneration

The remuneration package of the Executive Directors includes the following elements:

Basic salary

Salaries are normally reviewed annually considering the rate of inflation and salaries paid to Directors of comparable companies. Pay reviews also consider Group and personal performance.

Additional benefits

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

Long Term Incentive Plan

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

- The Group will review its medium and long-term strategy on an annual basis, towards the end of each financial year. The output of this annual review will be an updated set of actions to implement or modify existing or new strategic imperatives.
- Designated executives and employees will participate in the Plan. At the start of each financial year the Remuneration Committee will agree the participants for the upcoming cycle. Using the rolling three-year plan as input, the Remuneration Committee will grant share options to participants which will vest after the end of the third year, depending on whether the options have met the performance criteria set.
- The performance criteria set will be specifically designed to align shareholder and executive's interests, such as retaining key personnel for a minimum period or delivering growth in the Company's share price.

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

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

Executive Directors	**Date of appointment**	**Notice period**
W A Catchpole	27 October 1999	12 months
T W Good	1 April 2017	12 months
G Forsyth	27 November 1999	12 months
J C Barham	1 October 2016	12 months
Non-Executive Directors		
C M Fielding	1 September 2014	Annual Service Contract
J S Starr	1 January 2015	Annual Service Contract

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

Jason S Starr
Chair, Remuneration Committee
4 September 2018

DIRECTORS and ADVISERS

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

DIRECTORS' REPORT

The directors present their report together with the financial statements for the year to 30 June 2018.

1. Principal activities

The Company (Company number 03869545) operates principally as a holding company. During the year, the main subsidiary was engaged in the provision of PCI compliant solutions.

2. Results, dividends, future prospects

The trading results of the continuing operations of the company are set out in the annexed accounts and are summarised as follows:

	2018	**2017**
	£000s	**£000s**
Revenue	2,136	1,879
Loss before taxation	(3,744)	(1,699)

The directors are not recommending a payment of a final dividend (2017: nil pence per share).

3. Directors

The membership of the Board is set out on page 24.

The beneficial and other interests of the directors and their families in the shares of the Company at 30 June 2018 and 1 July 2017 were as follows:

	30 June 2018 Ordinary shares of 1p each	**1 July 2017 Ordinary shares of 1p each**
W A Catchpole	2,943,697	2,928,697
G Forsyth	1,225,039	1,215,772
J Barham	52,203	52,203
T W Good	125,000	50,000
C M Fielding (non-executive)	-	-
J S Starr (non-executive)	-	-

The above interests of W A Catchpole include 55,108 (2017: 55,108) ordinary shares held by his wife.

The directors' remuneration for the year was as follows:

2017/18	Salary £	Bonus £	Benefits £	Total £	Pension £
W A Catchpole	175,700	27,500	7,700	210,900	-
G Forsyth	111,600	17,500	4,885	133,985	10,200
J Barham	118,002	34,500	26,802	179,304	12,500
T W Good	117,068	10,000	-	127,068	-
C M Fielding (non-executive)	45,000	-	-	45,000	226
J S Starr (non-executive)	25,000	-	-	25,000	143
Total	592,370	89,500	39,387	721,257	23,069

2016/17	Salary £	Bonus £	Benefits £	Total £	Pension £
W A Catchpole	175,700	-	6,386	182,086	-
R S M Gordon	31,075	-	822	31,897	-
G Forsyth	114,876	-	4,666	119,542	10,200
J Barham	77,595	11,000	1,859	90,454	11,620
T W Good	25,400	-	-	25,400	-
C M Fielding (non-executive)	45,000	-	-	45,000	-
J S Starr (non-executive)	25,000	-	-	25,000	-
Total	494,646	11,000	13,733	519,379	21,820

The Bonus payments represent cash payments made in the year. £70,000 of the 2017/2018 bonus figures reflect bonuses paid to the executive directors relating to the Group performance from the 2016/2017 financial year but were only confirmed following the publication of the 2016/2017 financial year results. All bonus amounts had been fully accrued for in the appropriate financial year's accounts.

On 30 September 2016 on the completion of the Disposal, R S M Gordon was made redundant and received £126,576 in compensation for loss of office and £11,470 in pension contributions in line with the terms of his contract.

Prime FD LLP, a company associated with A Francombe, received £89,242 in return for his services to the Group during the 2016/17 year.

On 25 May 2017, the following directors were granted options to subscribe for ordinary shares in the Company as follows:

	Number of shares	Exercise price (pence)
T W Good	300,000	33.00
G Forsyth	325,000	33.00
J Barham	300,000	33.00

4. Share price and substantial shareholdings

During the year, the share price fluctuated between 78.25 pence and 31.30 pence and closed at 31.875 pence on 30 June 2018.

The beneficial and other interests of other substantial shareholders and their families in the shares of the Company at 30 June 2018 and 1 July 2017 were as follows:

Ordinary Shares of 1 p each	**30 June 2018**	**1 July 2017**
P Wildey	4,650,000	4,926,000
A Catchpole	No longer notifiable	2,635,000
P M Brown	No longer notifiable	1,601,000
R Clement	No longer notifiable	1,930,435
D Hamilton	1,814,000	1,814,000
Unicorn AIM VCT LLP	2,000,000	-
Octopus Investments Nominees	2,666,667	-
Livingbridge VCT LLP	2,000,000	-

5. Directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and have elected to prepare Company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit and loss of the Company and the Group 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 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, 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 as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

6. Qualifying third party indemnity provision

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

7. Research and development

PCI-PAL is investing in a new fully cloud based, PCI DSS level 1 compliant secure platform hosted on the AWS cloud infrastructure for its services. The directors believe that the new platform will be fully operational in the first half of the new financial year. The expenditure now meets the guidelines laid down by IAS 38 and have therefore capitalised the director expenditure incurred in the development. See note 12.

8. Employee policy

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

9. Corporate governance

The Group’s policy on Corporate Governance is detailed on page 17 to 19 in the report and accounts.

10. Financial Risk Management Objectives

The principal financial and non-financial risks arising within the Group are detailed on pages 12 to 14 of the report and accounts.

11. Treasury shares

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

12. Going concern

After making enquiries and preparing forecasts, which take a balanced view of the future growth prospects, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis in preparing the accounts.

13. Auditors

Grant Thornton UK LLP has expressed willingness to continue in office. In accordance with S489 (4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting to be held on 18 October 2018.

7 Gamma Terrace
Ransomes Europark
Ipswich, Suffolk
IP3 9FF

BY ORDER OF THE BOARD

T W Good
Secretary
4 September 2018

Independent auditor's report to the members of PCI-PAL PLC Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of PCI-PAL PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2018, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

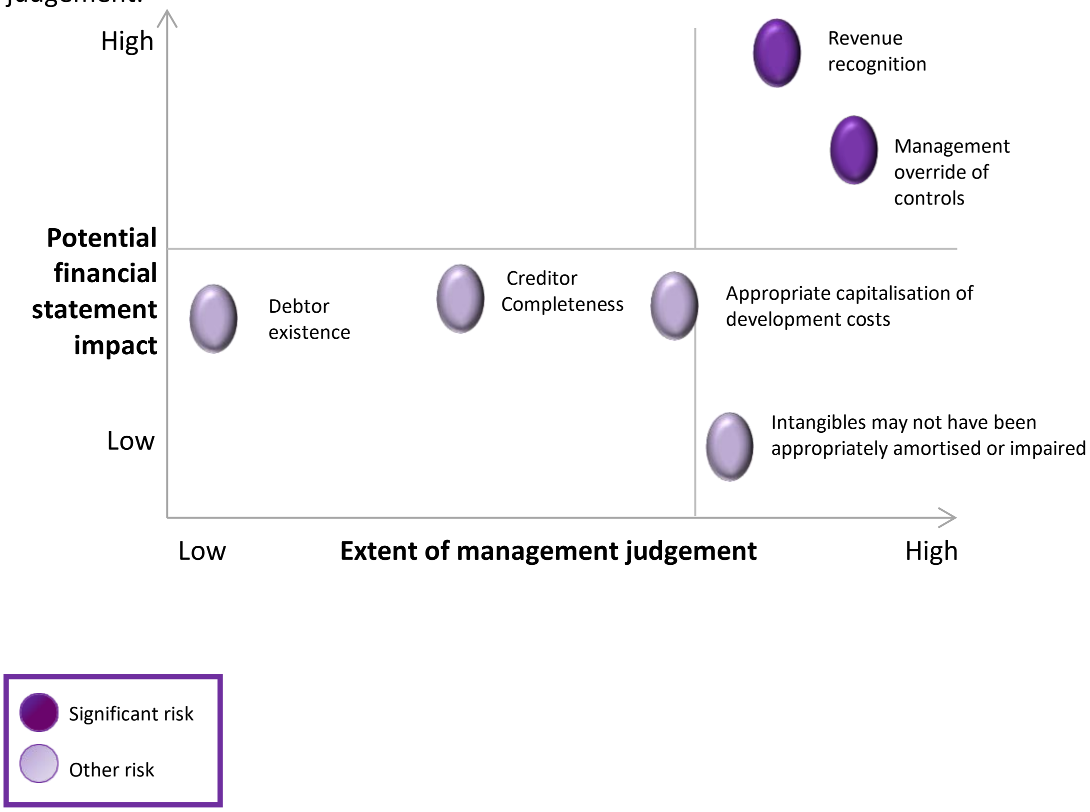
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the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

Overview of our audit approach

- Overall materiality: £112,000, which represents 3% of the Group's loss before taxation;
- The key audit matter identified was revenue recognition; and
- We performed full scope audit procedures on the financial statements of PCI-PAL PLC and on the financial information of its subsidiary PCI-PAL (U.K.) Limited. We performed analytical procedures on the financial information of the subsidiary PCI-PAL (US) Inc.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Revenue recognition During the year, the Group generated £2.14m (2017: £1.88m) of revenue, which after costs generated a loss for the year of £3.74m (2017: £1.70m). The Group's revenue is generated from providing contractual services to customers. Revenue should be recognised in the financial statements in a manner that is consistent with the contractual terms and in accordance with the Group's accounting policy. Under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a presumed risk of fraud in revenue recognition. Additionally the entity is loss making, therefore there is more risk that management may want to include more revenue to show growth. We therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Determining that the stated accounting policy was in accordance with International Accounting Standard (IAS) 18 'Revenue' for the current and prior period and that revenue has been recognised in line with the revenue recognition policy; • Testing existence, validity and appropriate recognition of a sample of contracts by agreeing to the signed contracts; • Testing the existence, validity and appropriate recognition for a non-statistical sample for remaining revenue by agreeing amounts to signed contracts, receipts or third party reports; • Testing the cut off of sales by checking, for a sample of sales around the year end, to confirmation of works from the middle Payment Card Industry provider to ensure that the cut off applied was correct; and • Testing the existence of a sample of debtor invoices outstanding at the year end by direct confirmation from customer or agreement to post year end receipts. The group's accounting policy on revenue, including its recognition, is shown in note 4(d) to the financial statements and related disclosures are included in note 9. **Key observations** Based on our audit work, the level of revenue recognised in the Consolidated Statement of Comprehensive Income is free from material misstatement.

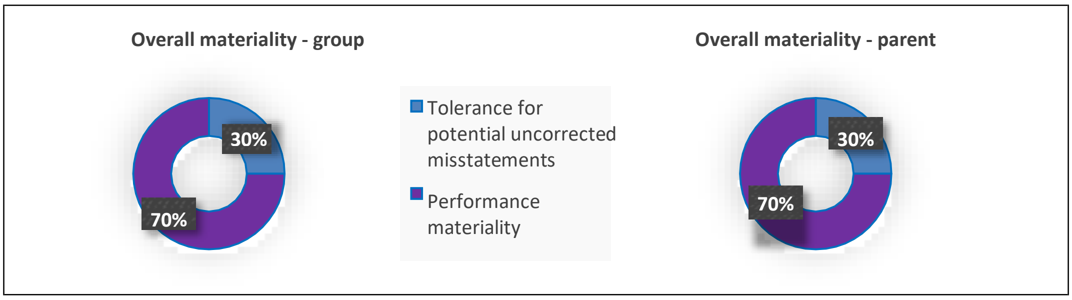
Our application of materiality

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

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£112,000, which is 3% of the Group's loss before taxation. This benchmark is considered the most appropriate because the trading result is a key performance measurement for the Board of Directors to report to investors on the financial performance of the Group. Materiality for the current year is higher than the level that we determined for the year ended 30 June 2017 to reflect the group's greater loss before taxation for the year.	£101,000, which is 2% of the company's total assets, capped at 90% of group materiality. This benchmark is considered the most appropriate because the company itself does not trade, and therefore in our view, the company's total assets is the most appropriate benchmark. Materiality for the current year is higher than the level that we determined for the year ended 30 June 2017 to reflect the company's uplift in total assets, and the capping referred to above, this current financial year.
Performance materiality used to drive the extent of our testing	70% of financial statement materiality.	70% of financial statement materiality.
Specific materiality	We also determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.	We also determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£5,600 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£5,050 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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



An overview of the scope of our audit

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

- PCI-PAL PLC has centralised processes and controls over the key areas of our audit focus. Group management are responsible for all judgemental processes and significant risk areas. All accounting is centralised and we have tailored our audit response accordingly with all audit work being undertaken by the group audit team. In assessing the risk of material misstatement to the Group financial statements we considered the transactions undertaken by each entity and therefore required focus of our work;
- We performed full scope audits on the financial statements of the parent company PCI-PAL PLC and on the financial information of PCI-PAL (U.K.) Limited, based on their materiality to the Group. This covered 98% of total revenues and 80% of net assets. The audit work performed focused on the risk areas for these components and the scope of our audit work was unchanged from the prior year, other than the work conducted on the new subsidiary in the year. We performed analytical procedures on the new subsidiary in the year, PCI-PAL (US) Inc. based in North Carolina, United States. This was based on the entity's size and materiality to the Group with targeted procedures conducted in respect of wages and salaries and revenue testing; and
- We performed the audit work during two visits, an interim visit in June 2018 and a final audit visit in July 2018.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report under the Companies Act 2006 In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

David Newstead
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants Ipswich
4 September 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 £000s	2017 £000s
Continuing Operations			
Revenue		**2,136**	**1,879**
Cost of sales		(1,151)	(1,068)
Gross profit		985	811
Administrative expenses		(4,747)	(2,510)
Operating loss		(3,762)	(1,699)
Finance income	6	28	-
Finance expenditure	7	(10)	-
Loss before taxation from continuing activities	5	(3,744)	(1,699)
Taxation	11	-	-
Loss for year from continuing activities		**(3,744)**	**(1,699)**
Profit for the period from discontinued activities	28	-	6,097
(Loss)/Profit and total comprehensive income attributable to equity holders of the parent company		**(3,744)**	**4,398**
Basic earnings per share	10	(10.36) p	13.94 p
Diluted earnings per share	10	(9.51) p	13.83 p
Continuing Operations			
Basic earnings per share	10	(10.36) p	(5.38) p
Diluted earnings per share	10	(10.36) p	(5.34) p

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	2018 £000s	2017 £000s
ASSETS			
Non-current assets			
Land and buildings	14	-	-
Plant and equipment	13	97	99
Intangible assets	12	844	495
Deferred taxation	18	-	-
Loan note receivable	15	1,206	2,202
Non-current assets		2,147	2,796
Current assets			
Trade and other receivables	15	708	608
Loan note receivable	15	908	945
Cash and cash equivalents		3,748	1,958
Current assets		5,364	3,511
Total assets		7,511	6,307
LIABILITIES			
Current liabilities			
Trade and other payables	16	(1,128)	(883)
Current portion of long-term borrowings	16	-	-
Current liabilities		(1,128)	(883)
Non-current liabilities			
Long term borrowings	17	-	-
Non-current liabilities		-	-
Total liabilities		(1,128)	(883)
Net assets		**6,383**	**5,424**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 30 JUNE 2018

	Note	2018 £000s	2017 £000s
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	20	427	317
Share premium		4,618	89
Other reserves		99	4
Currency reserves		(31)	-
Profit and loss account		1,270	5,014
Total equity		**6,383**	**5,424**

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

The Board of Directors approved and authorised the issue of the financial statements on 4 September 2018.

W A Catchpole **Director**

T W Good **Director**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Share capital £000s	Share premium £000s	Other reserves £000s	Profit and loss account £000s	Currency Reserves £000s	Total Equity £000s
Balance at 1 July 2016	**317**	**89**	**19**	**1,597**	-	**2,022**
Dividend paid	-	-	-	(996)	-	**(996)**
Transactions with owners	-	-	-	(996)	-	**(996)**
Written off on disposal of asset	-	-	(19)	19	-	-
Share Option amortisation charge	-	-	4	(4)	-	-
Profit and total comprehensive loss for the year	-	-	-	4,398	-	**4,398**
Balance at 30 June 2017	**317**	**89**	**4**	**5,014**	-	**5,424**
Dividend paid	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-
New shares issued net of costs	110	4,529	-	-	-	**4,639**
Share Option amortisation charge	-	-	95	-	-	**95**
Retranslation of currency reserve	-	-	-	-	(31)	**(31)**
Loss and total comprehensive income for the year	-	-	-	(3,744)	-	**(3,744)**
Balance at 30 June 2018	**427**	**4,618**	**99**	**1,270**	**(31)**	**6,383**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	2018 £000s	2017 £000s
Cash flows from operating activities		
(Loss)/profit after taxation	(3,744)	4,398
Adjustments for:		
Depreciation	44	23
Amortisation of capitalised development	107	
Interest income	(28)	-
Interest expense	-	-
Exchange differences	(31)	-
Income taxes	-	-
Deferred tax write off	-	-
Share based payments	95	-
Profit on sale and leaseback of freehold property	-	(361)
Profit on sale of call centre division	-	(5,443)
(Increase) in trade and other receivables	(99)	(437)
Increase in trade and other payables	246	874
Cash used in operating activities	**(3,410)**	**(946)**
Dividend paid	-	(997)
Income taxes received	-	-
Interest element of finance leases	-	-
Interest paid	-	(7)
Net cash used in operating activities	**(3,410)**	**(1,950)**
Cash flows from investing activities		
Purchase of land, buildings, plant and Equipment	(43)	(108)
Proceeds from sale of assets	1	-
Development expenditure capitalised	(456)	(495)
Repayment of loan note receivable	1,032	-
Net cash received on disposal of call centre operations	-	2,478
Net cash received on sale and leaseback of freehold property	-	2,240
Interest received	28	-
Net cash generated in investing activities	**562**	**4,115**

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 30 JUNE 2018

	2018 £000s	2017 £000s
Cash flows from financing activities		
Issue of shares – net of cost of issue	4,638	-
Repayment of borrowings	-	(1,102)
Capital element of finance lease rentals	-	-
Net cash used in financing activities	**4,638**	**(1,102)**
Net increase/(decrease) in cash	**1,790**	**1,063**
Cash and cash equivalents at beginning of year	**1,958**	**895**
Net increase/(decrease) in cash	1,790	1,063
Cash and cash equivalents at end of year	**3,748**	**1,958**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. AUTHORISATION OF FINANCIAL STATEMENTS

The Group's consolidated financial statements (the "financial statements") of PCI-PAL PLC (the "Company") and its subsidiaries (together the "Group") for the year ended 30 June 2018 were authorised for issue by the Board of Directors on 4 September 2018 and the Chief Executive, William Catchpole, and the Chief Financial Officer, William Good, signed the balance sheet.

2. NATURE OF OPERATIONS AND GENERAL INFORMATION

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

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

3. STATEMENT OF COMPLIANCE WITH IFRS

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

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

Standards and interpretations in issue, not yet effective

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU ("endorsed IFRS"). These Financial Statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at 30 June 2018 as endorsed by the EU.

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

Effective for the year ending 30 June 2019
- IFRS 15 Revenue from Contracts with Customers (IFRS 15)
- IFRS 9 Financial Instruments – Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition
- IFRS 2 (amended) Classification and measurement of share-based payment transactions
- 2014-2016 Cycle of annual improvements to IFRS

Effective for the year ending 30 June 2020
- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial instruments
- Amendments to IAS 28 Investments in Associates and Joint Ventures

Effective for the year ending 30 June 2022
- IFRS 17 Insurance contracts

The Directors review newly issued standards and interpretations in order to assess the impact (if any) on the Financial Statements of the Group in future periods.

IFRS 15 Revenue from Contracts with Customers – effective for the year ending 30 June 2019

The review of IFRS 15 is ongoing and the Directors are cognisant of industry practice, which is constantly evolving, that could impact the Group in its implementation. Based on the current position the Directors have undertaken an assessment of the impact of the standard on the Group based on the standard's latest authoritative guidance. The Group will adopt IFRS 15 on 1 July 2018 and anticipates applying the standard on a fully retrospective basis.

For the accounting period beginning on 1 July 2018 the standard will be adopted and the prior year comparison will be restated subject to the application of one or more of the practical expedients available in the standard.

IFRS 15 provides a single, principles-based five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. The Group has undertaken a review of all the services and products the Company provides, and the main types of commercial arrangements used with each service and product.

The most significant effects identified are as follows:

• Revenue for our set-up and cloud provision fee for our PCI Compliant solutions and our hosted telephony services will no longer be recognised at the signature of contracts with our customers. Under IFRS 15 these revenues will be deferred and will be recognised evenly over the estimated term of the contract, having accounted for the automatic auto-renewal of our contracts, up to a maximum of four years. These fees normally account for between 1 and 5% of the minimum total contract value.

• Revenue for all other professional service and installation fees for our PCI Compliant solutions and our hosted telephony services will no longer be recognised at the go-live of a customer installation. Under IFRS 15 these revenues will be deferred and will be recognised evenly over the estimated term of the contract, having accounted for the automatic auto-renewal of our contracts, up to a maximum of four years. These fees normally account for between 3 and 5% of the minimum total contract value.

The overall effect of implementing IFRS 15 on the group is best explained by the following example:

A three-year contract has been signed with XYZ PLC with the following contract terms:

- *Date of signature 1 July 2018*
- *Date of go-live of solution with client 1 January 2019*
- *A cloud provision fee of £5,000*
- *Further professional services fees of £30,000 for installation of the service*
- *Annual licences of £75,000 (released pro rata on a monthly basis)*

The total contract value is therefore £260,000. It is expected the contract will auto-renew for several years after the minimum term. The revenue recognition of pre and post IFRS 15 is as follows:

Pre IFRS 15	*YE 30 June 19*	*YE 30 June 20*	*YE 30 June 21*	*YE 30 June 22*	*YE 30 June 23*
	£s	*£s*	*£s*	*£s*	*£s*
Cloud provision fee (1)	*5,000*	*-*	*-*	*-*	*-*
Professional services (2)	*30,000*	*-*	*-*	*-*	*-*
Minimum term Annual Licences	*37,500*	*75,000*	*75000*	*37,500*	*-*
Auto renewal of annual licence				*37,500*	*75,000*
Total Revenue	*72,500*	*75,000*	*75,000*	*75,000*	*75,000*

(1) *Cloud provision fee released on signature of a contract with the customer*
(2) *Professional services fees released at go-live of the client installation*

Post IFRS 15	*YE 30 June 19*	*YE 30 June 20*	*YE 30 June 21*	*YE 30 June 22*	*YE 30 June 23*
	£s	*£s*	*£s*	*£s*	*£s*
Cloud provision fee [3]	*1,250*	*1,250*	*1,250*	*1,250*	*-*
Professional services [4]	*3,750*	*7,500*	*7,500*	*7,500*	*3,750*
Minimum term Annual Licences	*37,500*	*75,000*	*75000*	*37,500*	*-*
Auto renewal of annual licence				*37,500*	*75,000*
Total Revenue	*42,500*	*83,750*	*83,750*	*83,750*	*78,750*

[3] *Under IFRS 15 Cloud provision fee amortised monthly over a four year period from signature of contract*

[4] *Under IFRS 15 Professional services fees amortised monthly over a four year period from the date of go-live of the customer installation*

• Where contract modifications take place, these are currently recognised as revenue at the point the modification is delivered to the client. Under IFRS 15 consideration will need to be given as to whether these are for services that are distinct from the original contract. Where they are treated as a continuation of the original contract, there may be a cumulative adjustment to revenue at the point the modification was delivered to the client with a portion of the modification fees being recognised over the remainder of the contract term.

• Where our contract involves the supply and installation of third party equipment that can be acquired and supplied by other parties to our customers the revenue and costs relating to this will continue to be released in full to the profit and loss at the time the installation is complete. Therefore, IFRS 15 does not impact this revenue. This revenue stream is expected to diminish over time as the Company rolls out its new AWS platform. In the year ending 30 June 2018 the group booked £72,000 (2017: £218,000) in third party equipment sales.

The underlying business model and the market opportunity for PCI Pal is not impacted by IFRS 15 nor is cash generation of the business.

The Company will be adopting IFRS 15 for the year ending 30 June 2019 and will be restating the results for the prior year.

The Company estimates, the impact of adoption of IFRS 15 for the year ended 30 June 2018, would be to defer £685,000 of revenue and £nil costs into future periods. The net impact of this would have been to reduce revenue generated in the 12 months to 30 June 2018 by £100,000 and reduce retained earnings by £585,000 relating to earlier financial years.

Correspondingly deferred liabilities would increase by £685,000 to be released to the profit and loss over the next four years. Of the £685,000: £279,000 will be released to the profit and loss in the financial year ending 30 June 2019; £217,000 will be released in the year to 30 June 2020; and the balance is subsequent years.

The directors will adopt the other standards as they come into effect but have not yet fully assessed the impact each standard may have on the future financial statements of the Group.

4. PRINCIPAL ACCOUNTING POLICIES

a) Basis of preparation

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

a) Basis of preparation (continued)

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

b) Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings (see note 19) drawn up to 30 June 2018. A subsidiary is a company controlled directly by the Group and all of the subsidiaries are 100% owned by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

c) Going concern

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

The Group meets its day-to-day working capital requirements through its cash balances and trading receipts. Cash balances for the group were £3.748 million at the 30 June 2018. It also holds loan notes with a face value of £2.293 million which is being repaid in instalments with the next payment of £0.957 million due on 31 October 2018.

The directors have prepared cash flow forecasts to 30 September 2020. These forecasts make several assumptions relating to predicted revenues and cash receipts, new contracts signed; investment in new territories and new employees. The working cash flow forecast shows that the Group will be able to operate within its existing resources throughout the period up to 30 September 2020 and beyond.

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

d) Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for services provided, excluding VAT and trade discounts.

Transactional revenue is recognised based on billable minutes or transactions incurred in the month, along with standing monthly charges and any specific supplementary monthly service charges.

Licences granting access to our systems are recognised at the point of sale for contracts sold in perpetuity, as it is at this point that the Group has performed all of its obligations.

Revenue from annual software licences and maintenance contracts may be received in a single amount or in monthly instalments but such turnover is recognised evenly over the period to which it relates, reflecting the performance of obligations over time. Amounts invoiced in advance per the customer contracts will be deferred accordingly.

Revenue relating to the delivery of professional services undertaking the installation of our services with the customer are billed per the contract but will only be recognised in the statement of comprehensive income once the services have been completed and the customer has gone live. Amounts invoiced in advance per the customer contracts will be deferred accordingly. Please see Note 3 for the estimated impact of the changes due under the adoption of IFRS 15.

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

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

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%

f) Land, building, plant and equipment

Land, buildings, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Leased plant is included in plant and equipment only where it is held under a finance lease.

Disposal of assets

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

Depreciation

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

- Land — not depreciated
- Buildings — 2%
- Fixtures and fittings — 20% to 50%
- Plant — 20% to 50%
- Computer equipment — 33%

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

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

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

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

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

h) Leased assets

In accordance with IAS 17, 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.

i) Equity-based and share-based payment transactions

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

j) Taxation

Current tax is the tax payable based on the profit for the year, accounted for at the rates enacted at 30 June 2018.

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

Deferred tax liabilities are provided in full, accounted for at the rates enacted at 30 June 2018, 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.

k) Dividends

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

l) Financial assets and liabilities

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

Provision against trade receivables is made when there is objective evidence that the Group 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 cashflows.

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

m) 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.

n) Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares. The shares have attached to them voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.
- "Share premium" represents the difference between the nominal and issued share price after accounting for the costs of issuing the shares
- "Other reserves" represents the net amortisation charge for the Company's share options scheme
- "Profit and loss account" represents retained profits or losses
- "Treasury shares" represents ordinary shares owned by the company and the cost of treasury shares are deducted from the profit and loss account in reserves.

o) Contribution to defined contribution pension schemes

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

p) 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.

q) Significant judgements and estimates

The Group makes estimates concerning the future in assessing the carrying amounts of capitalised development costs. To substantiate the carrying amount the directors have applied the criteria of IAS 38 and considered the future economic benefit likely as a result of the investment.

Careful judgement by the directors is applied when deciding whether the recognition requirements for development costs have been met. 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.

The calculation of the deferred tax asset involved the estimation of future taxable profits. In the year ended 30 June 2018, 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.

5. LOSS BEFORE TAXATION

The loss on ordinary activities is stated after:

	2018 £000s	2017 £000s
Disclosure of the audit and non-audit fees		
Fees payable to the Group's auditors for:		
The audit of Company's accounts	15	12
The audit of the Company's subsidiaries pursuant to legislation	17	11
Fees payable to the Group's auditors for other services		
Audit related assurance services	-	2
Tax – compliance services	6	6
Tax – advisory services	24	22
Services relating to Corporate Finance activities	-	41
Depreciation and amortisation – charged in administrative expenses		
Buildings	-	-
Plant and equipment – owned	44	23
Plant and equipment – leased	-	-
Rents payable	133	72
Amortisation of share-based payments	95	4
Foreign exchange gain	22	-
Amortisation of research and development	107	-

6. FINANCE INCOME

	2018 £000s	2017 £000s
Unwind of loan note receivable discount	25	-
Bank interest receivable	3	-
	28	-

7. FINANCE EXPENDITURE

	2018 £000s	2017 £000s
Interest on bank borrowings	-	-
Other	10	-
	10	-

8. DIRECTORS AND EMPLOYEES

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

	2018 £000s	2017 £000s
Wages and salaries	2,401	1,316
Social security costs	302	157
Other pension costs	55	17
	2,758	1,490

	2018 Heads	2017 Heads
Average number of employees during the year	37	19

Remuneration in respect of directors was as follows:

	2018 £000s	2017 £000s
Emoluments	592	598
Bonus	90	11
Pension contributions to money purchase pension schemes	23	23
Employer's National insurance and US Federal Taxes	92	84
	797	716

During the year 3 (2017: 3) directors participated in money purchase pension schemes.

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

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

	2018 £000s	2017 £000s
Emoluments	183	182
Bonus	28	-
Pension contributions to money purchase pension schemes	-	-

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

9. SEGMENTAL INFORMATION

PCI-PAL PLC operates one business sector: the service of providing data secure payment card authorisations for call centre operations, the previous divisions of Ansaback and CallScripter, which were sold on 30 September 2016 make up the discontinued activity. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets comprise items such as cash and cash equivalents, taxation and borrowings. All liabilities, other than the bank loan, are unallocated. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

	PCI Pal	Central	Continuing Activities	Discontinued Activities	Total
	£000s	£000s	£000s	£000s	£000s
2018					
Revenue	2,136	-	2,136	-	2,136
Segment result	(2,878)	(884)	(3,762)	-	(3,762)
Finance income	-	28	28	-	28
Finance costs	(9)	(1)	(10)	-	(10)
Loss before tax	(2,887)	(857)	(3,744)	-	(3,744)
Segment assets	3,003	4,508	7,511	-	7,511
Segment liabilities	(1,085)	(43)	(1,128)	-	(1,128)
Other segment items:					
Capital Expenditure - Computer Equipment & Fixtures and fittings	43	-	43	-	43
Capital Expenditure - Capitalised Development	456	-	456	-	456
Depreciation - Computer Equipment & Fixtures and fittings	45	-	45	-	45
Depreciation - Capitalised Development	107	-	107	-	107

9. SEGMENTAL INFORMATION (continued)

	PCI Pal £000s	Central £000s	Continuing Activities £000s	Discontinued Activities £000s	Total £000s
2017					
Revenue	1,879	-	1,879	-	1,879
Segment result	(922)	(777)	(1,699)	6,097	4,398
Finance income	-	-	-	-	-
Finance costs	-	-	-	-	-
(Loss)/profit before tax	(922)	(777)	(1,699)	6,097	4,398
Segment assets	1,215	5,092	6,307	-	6,307
Segment liabilities	(753)	(130)	(883)	-	(883)
Other segment items:					
Capital Expenditure - Computer Equipment & Fixtures and fittings	108	-	108	-	108
Capital Expenditure - Capitalised Development	495	-	495	-	495
Depreciation - Computer Equipment & Fixtures and Fittings	22	-	22	-	22
Depreciation - Capitalised Development	-	-	-	-	-

Revenue can be split by location of customers as follows:

	2018 £000s	2017 £000s
Continuing activities		
PCI – PAL division		
United Kingdom and European Union	2,007	1,802
North America	29	-
Middle East	100	77
Continuing Operations	2,136	1,879
Discontinued Operations	-	1,845

All non-current assets are located in the United Kingdom.

10. EARNINGS PER SHARE

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

	12 months ended 30 June 2018	12 months ended 30 June 2017
(Loss)/profit after taxation added to reserves	(£3,744,000)	£4,398,000
Basic weighted average number of ordinary shares in issue during the period	36,137,282	31,553,949
Diluted weighted average number of ordinary shares in issue during the period	39,355,616	31,809,366
Basic earnings per share	(10.36) p	13.94 p
Diluted earnings per share	(9.51) p	13.83 p
Loss after taxation added to reserves from Continuing Operations	(£3,744,000)	(£1,699,000)
Basic earnings per share from Continuing Operations	(10.36) p	(5.38) p
Diluted earnings per share from Continuing Operations	(9.51) p	(5.34) p
Discontinued Operations		
Basic earnings per share from Discontinued Operations	- p	19.32 p
Diluted earnings per share from Discontinued Operations	- p	19.17 p

11. TAXATION

	2018 £000s	2017 £000s
Analysis of charge in the year		
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 19% (2017: 20%)	-	(33)
Adjustments in respect of prior periods	-	-
Total current tax (charged)/credited	-	(33)
Movement on recognition of tax losses	-	-
Total deferred tax charged	-	-
(Charge)/credit	-	(33)

11. TAXATION (continued)

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year was lower than the standard rate of corporation tax in the UK of 19% (2016: 20%).

	2018 £000s	2017 £000s
(Loss)/Profit on ordinary activities before tax	(3,744)	4,431
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	(711)	886
Disposal of Subsidiaries not liable to tax	-	(1,343)
Expenses not deductible for tax purposes	1	49
Depreciation (less than)/in excess of capital allowances for the year	11	(18)
Utilisation of tax losses	-	-
Unrelieved tax losses	711	341
Other	(12)	85
Tax on sale and leaseback of freehold property	-	(33)
Movement on deferred tax timing differences	-	-
Prior year adjustment	-	-
Total tax (charged)/credited for the year	-	(33)

The Group has unrecognised tax losses carried forward of £5.56 million (2017: £2.03 million).

12. INTANGIBLE ASSETS

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

2018 Cost	Capitalised development costs £000s	Total £000s
PCI PAL development	495	495
Cost at 1 July 2017	495	495
PCI PAL development	495	495
Additions	456	456
PCI PAL development	456	456
Cost at 30 June 2018	951	951

2018	Capitalised development Costs £000s	Total £000s
Amortisation and impairment (included within administrative expenses):		
PCI PAL development	-	-
Amortisation at 1 July 2017	-	-
PCI PAL development	-	-
Charge in year	107	107
PCI PAL development	107	107
Amortisation at 30 June 2018	**107**	**107**
Net book amount		
PCI PAL development	844	844
Net book amount at 30 June 2018	844	844

12. INTANGIBLE ASSETS (continued)

2017 **Cost**	**Capitalised development costs £000s**	**Total £000s**
PCI PAL development	-	-
CallScripter internal salaries	1,084	1,084
Cost at 1 July 2016	1,084	1,084
PCI PAL development	495	495
CallScripter internal salaries	-	-
Additions	495	495
PCI PAL development	-	-
CallScripter internal salaries	(1,084)	(1,084)
Discontinued Operations Sale	(1,084)	(1,084)
PCI PAL development	495	495
CallScripter internal salaries	-	-
Cost at 30 June 2017	495	495

12. INTANGIBLE ASSETS (continued)

2017	**Capitalised development Costs £000s**	**Total £000s**
Amortisation and impairment (included within administrative expenses):		
PCI PAL development	-	-
CallScripter internal salaries	1,084	1,084
Amortisation at 1 July 2016	1,084	1,084
PCI PAL development	-	-
CallScripter internal salaries	-	-
Charge in year	-	-
PCI PAL development	-	-
CallScripter internal salaries	(1,084)	(1,084)
Discontinued Operations Sale	(1,084)	(1,084)
PCI PAL development	-	-
CallScripter internal salaries	-	-
Amortisation at 30 June 2017	**-**	**-**
Net book amount		
PCI PAL development	495	495
CallScripter internal salaries	-	-
Net book amount at 30 June 2017	495	495

13. PLANT AND EQUIPMENT

2018	Plant £000s	Motor Vehicles £000s	Fixtures and Fittings £000s	Computer Equipment £000s	Total £000s
Cost:					
At 1 July 2017	-	-	20	159	179
Additions	-	-	3	40	43
Disposals	-	-	(1)	-	(1)
At 30 June 2018	-	-	22	199	221
Depreciation (included within administrative expenses):					
At 1 July 2017	-	-	3	77	80
Charge for the year	-	-	3	41	44
Disposals	-	-	-	-	-
At 30 June 2018	-	-	6	118	124
Net book amount at 30 June 2018	-	-	16	81	97

2017	Plant £000s	Motor Vehicles £000s	Fixtures and Fittings £000s	Computer Equipment £000s	Total £000s
At 1 July 2016	25	59	410	611	1,105
Additions	-	-	20	88	108
Disposals	-	-	-	-	-
Discontinued Operations Sale	(25)	(59)	(410)	(540)	(1034)
At 30 June 2017	-	-	20	159	179
Depreciation (included within administrative expenses):					
At 1 July 2016	14	52	371	417	854
Charge for the year	-	-	3	20	23
Disposals	-	-	-	-	-
Discontinued Operations Sale	(14)	(52)	(371)	(360)	(854)
At 30 June 2017	-	-	3	77	80
Net book amount at 30 June 2017	-	-	17	82	99

There are no assets held as finance leases.

14. LAND AND BUILDINGS

2018	**Land £000s**	**Buildings £000s**	**Total £000s**
Cost:			
At 1 July 2017	-	-	-
Additions	-	-	-
Disposals	-	-	-
At 30 June 2018	**-**	**-**	**-**
Depreciation (Included within administrative expenses):			
At 1 July 2017	-	-	-
Charge for the year	-	-	-
Disposals	-	-	-
At 30 June 2018	**-**	**-**	**-**
Net book amount at 30 June 2018	**-**	**-**	**-**

2017	**Land £000s**	**Buildings £000s**	**Total £000s**
Cost:			
At 1 July 2016	428	1,251	1,679
Additions	-	-	-
Disposals	-	-	-
Discontinued Operations Sale	(428)	(1,251)	(1,679)
At 30 June 2017	**-**	**-**	**-**
Depreciation (Included within administrative expenses):			
At 1 July 2016	-	78	78
Charge for the year	-	-	-
Disposals	-	-	-
Discontinued Operations Sale	-	(78)	(78)
At 30 June 2017	**-**	**-**	**-**
Net book amount at 30 June 2017	**-**	**-**	**-**

15. TRADE AND OTHER RECEIVABLES

	2018 £000s	2017 £000s
Trade receivables	475	488
Other receivables	17	38
Loan notes receivable within one year	908	945
Prepayments and accrued income	216	82
Trade and other receivables due within one year	1,616	1,553
Loan notes receivable in more than one year	1,206	2,202
Trade and other receivables	2,822	3,755

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:

	2018 £000s	2017 £000s
Opening provision	15	23
Discontinued Operation release	-	(15)
Charged to income	(7)	7
Closing provision at 30 June	8	15

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:

	2018 £000s	2017 £000s
0-30 days past due	61	25
30-60 days past due	6	42
Over 60 days past due	52	30
	119	97

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

15. Trade and receivables (continued)

Loan notes receivable

The loan notes receivable will be repaid to the Company as follows: Two annual payments of £957,000 starting on 31st October 2018 and a final payment of £379,000 on 31st March 2020.

The loan notes do not carry a rate of interest and so have been discounted at a rate of 4% per annum as required by the accounting standards. As at the 30th June 2018 the values recorded in the balance sheet of the company is as follows:

Loan notes receivable within one year	£908,000
Loan notes receivable after one year	£1,206,000

As the discounting unwinds, the difference between the initial carrying value and the total amount receivable will be credited to the statement of consolidated income over the period of the loan notes.

The obligations of the loan notes are secured by a charge over 94.87% of the shares of the Direct Response Contact Centre Group Ltd being the holding company that acquired the call centre division on the 30 September 2016.

16. CURRENT LIABILITIES

	2018 £000s	2017 £000s
Trade payables	447	441
Social security and other taxes	111	71
Deferred Income	417	135
Other payables	153	236
Trade and other payables	1,128	883
Bank loans (note 17)	-	-
Amounts due under finance leases (note 17)	-	-
Current portion of long-term borrowings	-	-
	1,128	883

Amounts due under finance leases are secured on the related assets.

17. NON-CURRENT LIABILITIES

	2018 £000s	2017 £000s
Bank loans	-	-
Amounts due under finance leases	-	-
Long term borrowings	-	-

Borrowings

Bank loans are repayable as follows:

	2018 £000s	2017 £000s
Within one year	-	-
After one year and within two years	-	-
After two years and within five years	-	-
Over five years	-	-
	-	-

18. DEFERRED TAXATION

Deferred taxation is calculated at a rate of 17% (2017: 17%)

	Tax losses £000s	Total £000s
Opening balance at 1 July 2016	-	-
(Charged)/credited through the statement of comprehensive income in the year	-	-
At 30 June 2017	-	-
Charged through the statement of comprehensive income in the year	-	-
At 30 June 2018	-	-

	2018 £000s	2017 £000s
Unprovided deferred tax assets		
Accelerated capital allowances	-	-
Trading losses	1,057	341
	1,057	341

The unprovided deferred tax assets are calculated at a rate of 17% (2017: 17%).

19. GROUP UNDERTAKINGS

At 30 June 2018, the Group included the following subsidiary undertakings, which are included in the consolidated accounts:

Name	Country of Incorporation	Class of share capital held	Proportion held	Nature of business
PCI-PAL (U.K.) Limited	England	Ordinary	100%	Payment Card Industry software services provider
IP3 Telecom Limited	England	Ordinary	100%	Dormant
The Number Experts Limited	England	Ordinary	100%	Dormant
PCI PAL (US) Inc	United States of America	Ordinary	100%	Payment Card Industry software services provider

20. SHARE CAPITAL

Group	2018 Number	2018 £000s	2017 Number	2017 £000s
Authorised:				
Ordinary shares of 1p each	100,000,000	1,000	100,000,000	1,000
Allotted called up and fully paid:				
Ordinary shares of 1p each	42,721,178	427	31,721,178	317

On 30 January 2018 the company placed 11,000,000 ordinary shares of 1 pence with various institutional investors, priced at 45 pence per share. The placing raised a gross amount of £4.95 million before expenses. The new shares represent approximately 25.8% of the Company's enlarged issued ordinary share capital (excluding those held as treasury shares).

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

During the year, the share price fluctuated between 78.25 pence and 31.30 pence and closed at 31.875 pence on 30 June 2018.

Share Option schemes

The Company operates an Employee Share Option Scheme. The share options granted under the scheme are subject to performance criteria and generally have a life of 10 years.

The following options grants have been made.

Grant One on 25 May 2017.

The grant was for 3,065,000 options at an exercise price of 33 pence each. Of the 3,065,000 options issued 925,000 were issued to various directors of the Company and these are reported as part of the remuneration committee report. The performance criteria of this grant are as follows: 50% of the options will vest if the share price of the Company as measured on the London Stock Exchange trades above 44p, being the share price at the date of grant, for a continuous 30 day period; 25% if the share price of the Company trade above 66p for a continuous 30 day period; and 25% will vest if the share price of the Company trades above 88 pence for a continuous 30 day period. The options cannot be exercised for three years from the date of grant and will lapse after a ten-year period if they have not been exercised.

The options have been valued using a Monte Carlo Pricing model with the following assumptions:

Spot price	£0.44
Strike price	£0.33
Estimated Time to Maturity	5 years
Volatility	20%
Risk Free rate	0.57%
Dividend yield	0.00%
No of Steps	10
No of simulations	100,000

The fair value of the options has been calculated at 14.1 pence and £91,116 has been charged to the statement of comprehensive income account for this financial year.

Grant Two on 30 June 2017

The grant was for 150,000 options at an exercise price of 41.5 pence each being the share price the date of issue. The vesting criteria of this grant is as follows: 37,500 Option Shares shall vest and become exercisable on 5 July 2018. Of the remaining 112,500 options these will vest in equal tranches over the period of 36 months starting 5 August 2018. The options will lapse if they have not been exercises within a ten-year period from the date of grant.

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

Spot price	£0.415
Strike price	£0.415
Estimated Time to Maturity	5 years
Volatility	20%
Risk Free rate	0.57%
Dividend yield	0.00%

The fair value of the options has been calculated at 7.8 pence and £2,401 has been charged to the statement of comprehensive income account for this financial year.

Grant Three on 4 October 2017

The grant was for 150,000 options at an exercise price of 44.5 pence each being the share price the date of issue. The vesting criteria of this grant is as follows: 37,500 Option Shares shall vest and become exercisable on 5 October 2018. Of the remaining 112,500 options these will vest in equal tranches over the period of 36 months starting 5 November 2018. The options will lapse if they have not been exercises within a ten-year period from the date of grant.

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

Spot price	£0.445
Strike price	£0.445
Estimated Time to Maturity	5 years
Volatility	20%
Risk Free rate	0.57%
Dividend yield	0.00%

The fair value of the options has been calculated at 8.4 pence and £1,860 has been charged to the statement of comprehensive income account for this financial year.

An analysis of the Group and Company options as at 30th June 2018 is as follows:

	Exercise Price	Options Outstanding	Options exercisable	Weighted average life in years	Fair Value of options at date of grant
Grant One	33 Pence	2,955,000	-	3.92	14.1 pence
Grant Two	41.5 Pence	150,000	-	4.00	7.8 pence
Grant Three	44.5 Pence	150,000	-	4.75	8.4 pence

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

	2018 Weighted Average exercise price £	Number of Options	2017 Weighted Average exercise price £	Number of Options
Options outstanding at start of year	0.330	3,215,000		-
Options granted during the year	0.445	150,000	0.330	3,215,000
Options exercised during the year		-		-
Options lapsed during the year	0.330	(110,000)		-
Options outstanding at end of year	0.339	3,255,000	0.330	3,215,000
Options exercisable at the end of year		-		-

21. FINANCIAL INSTRUMENTS

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

Capital Management

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

At 30 June 2018, the Group had a closing cash balance of £3,748,000 (2017: £1,958,116) and no borrowings.

Financial risk management and objectives

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

Interest rate risk

The Group does not use loan or lease finance and so there is no interest rate risk.

Credit risk

The Group's principal financial assets are cash and trade receivables, with the principal credit risk arising from trade receivables. In order to manage credit risks the Group conducts third party credit reviews on 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.

Liquidity risk

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

Trade payables and loans fall due as follows:

2018	Less than one year £000s	One to two Years £000s	Two to five years £000s	Over five years £000s	Total £000s
Trade payables	447	-	-	-	447
Other payables	570	-	-	-	570
At 30 June 2018	1,017	-	-	-	1,017

21. FINANCIAL INSTRUMENTS (continued)

2017	Less than one year £000s	One to two Years £000s	Two to five years £000s	Over five years £000s	Total £000s
Trade payables	441	-	-	-	441
Other payables	371	-	-	-	371
At 30 June 2017	812	-	-	-	812

Foreign currencies

During the year exchange gains of £21,600 (2017: £93) have arisen and at the year-end. As at the 30 June 2018 the Group held the following foreign currency cash balances:

US Dollar:	$109,684	Sterling equivalent: £83,246	(2017: £655)
Canadian Dollar:	$nil	Sterling equivalent: £nil	
Australian Dollar:	$nil	Sterling equivalent: £nil	
Total		Sterling equivalent: £83,246	(2017: £655)

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.

Financial assets by category

2018	Loans and receivables £000s	Non financial assets £000s	Total £000s
Cash at bank	3,748	-	3,748
Trade receivables – current	475	-	475
Other receivables	17	-	17
Loan notes receivable	2,114	-	2,114
Prepayments and accrued income	-	216	216
	6,354	216	6,570

2017	Loans and Receivables £000s	Non financial assets £000s	Total £000s
Cash at bank	1,958	-	1,958
Trade receivables – current	488	-	488
Other receivables	38	-	38
Loan notes receivable	3,146	-	3,146
Prepayments and accrued income	-	82	82
	5,630	82	5,712

21. FINANCIAL INSTRUMENTS (continued)

The fair values of loans and receivables are considered to be approximately equal to the carrying values.

Financial liabilities by category

	Financial liabilities measured at amortised cost £000s	Non financial liabilities £000s	Total £000s
2018			
Trade payables	447	-	447
Accruals	153	-	153
Deferred Income	417	-	417
VAT and tax payable	-	111	111
Loans	-	-	-
Leases	-	-	-
	1,017	111	1,128

	Financial liabilities measured at Amortised Cost £000s	Non Financial Liabilities £000s	Total £000s
2017			
Trade payables	441	-	441
Accruals	236	-	236
Deferred Income	135	-	135
VAT and tax payable	-	71	71
Loans	-	-	-
Leases	-	-	-
	812	71	883

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

22. CAPITAL COMMITMENTS

The Group has no capital commitments at 30 June 2018 or 30 June 2017.

23. CONTINGENT ASSETS

The Group has no contingent assets at 30 June 2018 or 30 June 2017.

24. CONTINGENT LIABILITIES

The Group has no contingent liabilities at 30 June 2018 or 30 June 2017.

25. OPERATING LEASE COMMITMENTS

	2018 £000s	2017 £000s
Total future lease payments:		
Less than one year	109	98
After one and within two years	45	79
After two and within five years	68	38
	222	215

Operating lease commitments relate to the following buildings:

London	expires March 2019
Ipswich Nos 5,6 & 7 Gamma Terrace	expires December 2021, with optional break clause for September 2019

26. TRANSACTIONS WITH DIRECTORS

There were no transactions with directors in the year to June 2018 or June 2017 other than the dividends noted below.

27. DIVIDENDS

The directors have proposed a dividend of nil pence per share (2017: nil pence per share) post year end (subject to shareholder approval).

An interim dividend of 3.16 pence per share was declared on 9th November 2016 and paid on the 7 December 2016 (2015: nil pence per share).

The following directors received dividend payments during the year to 30 June 2018 as follows:

	Dividend Paid 2018 £000s	Dividend Paid 2017 £000s
W A Catchpole	-	85
G Forsyth	-	35
R S M Gordon	-	33

28. DISPOSAL OF THE CALL CENTRE DIVISION

On 30 September 2016, the Group disposed of its call centre division, consisting of IPPlus (UK) Ltd, its Ansaback contact centre, and CallScripter Ltd, its call centre software businesses, for an initial consideration of £6.70 million plus any working capital adjustments. The initial consideration was paid as £3.35m cash and a loan note of £3.35m (discounted to £3.15m in the balance sheet) secured over the shareholding of the purchasing directors.

Prior to the disposal, the Group reorganised its assets. The trading division of PCI PAL was sold by IPPlus (UK) Ltd to a separate subsidiary and excluded from the disposal. The consideration for the PCI PAL division was £300,000.

In addition, the Group sold and leased back its freehold property at Melford Court. The consideration was £1,950,000 plus VAT and the group recorded a profit of £360,000 on this transaction. The Melford Court lease was disposed of with the disposal of the Ansaback and CallScripter businesses.

Prior to the disposal IPPlus (UK) Ltd, the owner of the Ansaback and CallScripter businesses, paid a dividend of £909,000 to PCI-PAL PLC.

Revenues and expenses, gains and losses relating to the discontinuance of this division have been eliminated from the loss from the Group's continuing operations and are shown as a single line item on the face of the Consolidated Statement of Comprehensive Income.

Operating profit until the date of disposal is summarised below:

	2017 £000s
Revenue	1,845
Cost of sales	(1,414)
Gross profit	431
Administrative expenses	(98)
Trading profit	333
Profit on sale of property	361
Operating profit	694
Interest expense	(7)
Profit before taxation	687
Taxation	(33)
Profit for the year from discontinued operations	654
Profit on disposal	5,443
Total Profit for period from discontinued activities	6,097

28. DISPOSAL OF THE CALL CENTRE DIVISION (continued)

The calculation of the profit on disposal is shown below:

	2017
	£000s
Tangible Assets	216
Current Assets	
Trade Debtors	999
Other debtors and prepayments	307
Cash at Bank	914
	2,220
Current Liabilities	
Trade Creditors	(116)
VAT and Tax Payable	(832)
Other Payables	(393)
	(1,341)
Net Assets disposed	1,095
Proceeds of sale	
Cash received on signature	3,350
Cash received from final working capital calculation	423
Loan Notes receivable	3,146
Total consideration	6,919
Less: Fees paid	(243)
Less: redundancy paid on completion	(138)
Net Consideration received	6,538
Profit on disposal	5,443

Cash flow information for the call centre division prior to its disposal:

	2017
	£000s
Net cash outflow from operating activities	(177)
Net cash generated from investing activities	2,239
Net cash used in financing activities	(1,102)
Net Cash used by disposed operation	(858)

29. SUBSEQUENT EVENTS

There are no subsequent events that need disclosing.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	2018 £000s	2017 £000s
ASSETS			
Non current assets			
Investments in Subsidiaries	5	-	-
Loan Note Receivable	6	1,206	2,202
		1,206	2,202
Current assets			
Debtors	6	6,769	2,429
Cash at bank and in hand		2,357	1,912
		9,126	4,341
Creditors: amounts falling due within one year	7	(43)	(130)
Net current assets		9,083	4,211
Total assets less current liabilities		**10,289**	**6,413**
Creditors: amounts falling due after more than one year		-	-
Net assets		**10,289**	**6,413**
Capital and reserves			
Called up share capital	8	427	317
Share premium account		4,618	89
Other reserves		99	4
Profit and loss account		5,145	6,003
Shareholders' Funds		**10,289**	**6,413**

The loss for the Company for the year was £857,500 (2017: Profit £6,630,000)

The financial statements were approved by the directors and were authorised for issue on 4 September 2018.

W A Catchpole **Director**

T W Good **Director**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Share capital £000s	Share premium £000s	Other reserves £000s	Profit and loss account £000s	Total equity £000s
Balance at 1 July 2016	**317**	**89**	**-**	**374**	**780**
Dividend paid	-	-	-	(997)	**(997)**
Transactions with owners	-	-	-	(997)	**(997)**
Share Option amortisation charge	-	-	4	(4)	**-**
Profit and total recognised income and expense for the year	-	-	-	6,630	**6,630**
Balance at 30 June 2017	**317**	**89**	**4**	**6,003**	**6,413**
Dividend paid	-	-	-	-	**-**
Transactions with owners	-	-	-	-	**-**
Equity issued in period	110	4,529	-	-	**4,639**
Share Option amortisation charge	-	-	95	-	**95**
Loss and total recognised income and expense for the year	-	-	-	(858)	**(858)**
Balance at 30 June 2018	**427**	**4,618**	**99**	**5,145**	**10,289**

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

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	£000s	**£000s**
Cash flows from operating activities		
(loss)/profit after taxation	(858)	6,630
Adjustments for:		
Depreciation	-	-
Interest income	(28)	(5)
Share based payments	95	-
Profit on sale of call centre division	-	(6,337)
(increase) in trade and other receivables	(4,377)	(1,788)
(decrease)/Increase in trade and other payables	(86)	71
Cash (used)/generated from/in continuing operations	**(5,254)**	**(1,429)**
Dividend paid	-	(997)
Net cash used in operating activities	**(5,254)**	**(2,426)**
Cash flows from investing activities		
Cash received for sale of call centre operation	-	3,392
Repayment of loan note receivable	1,033	-
Dividend received	-	909
Interest received	28	5
Net generated from investing activities	**1,061**	**4,306**
Cash flows from financing activities		
Issue of shares	4,638	-
Repayment of borrowings	-	-
Net cash used in financing activities	**-**	**-**
Net increase in cash	**445**	**1,880**
Cash and cash equivalents at beginning of year	**1,912**	**32**
Net increase in cash	**445**	**1,880**
Cash and cash equivalents at end of year	**2,357**	**1,912**

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Company have been prepared in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and the Companies Act 2006.

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

Deferred taxation

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

Investments

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

Land and buildings

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

Related Party Transactions

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

Financial assets and liabilities

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

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

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

Cash and cash equivalents

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

Equity

Equity comprises the following:

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

Contribution to defined contribution pension schemes

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

Foreign currencies

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

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

2. LOSS FOR THE FINANCIAL YEAR

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own the statement of comprehensive income in these financial statements. The loss for the Company for the year was £857,500 (2017: Profit £6,630,000).

3. PERSONNEL REMUNERATION

The Company has two employees William Catchpole and William Good and also pays the service fees of the two non-executive directors. Their salaries and benefits are disclosed in the Directors Report above.

4. INTEREST INCOME

The Company received interest from bank deposits of £3,000 (2017: £4,750). The Company also received £25,000 (2017: £nil) from the unwinding of the Loan notes receivable discount.

5. FIXED ASSETS

INVESTMENTS

	Subsidiary undertakings £000s	Total £000s
Cost at 1 July 2017	202	202
Disposals	(202)	(202)
Additions	-	-
Cost at 30 June 2017	-	-
Additions	-	-
Disposals	-	-
Cost at 30 June 2018	-	-

The disposal relates to the sale of IPPlus (UK) Ltd and Call Scripter Ltd on 30 September 2016.

6. TRADE AND OTHER RECEIVABLES

	2018 £000s	2017 £000s
Amounts due within one year		
Loan notes receivable	908	945
Amount owed by Group undertaking	5,824	1,451
VAT recoverable	17	14
Prepayments	20	19
	6,769	2,429
Amounts due after one year		
Loan notes receivable	1,206	2,202
	7,975	4,631

Full details of the loan notes receivable are disclosed in Note 15 of the main accounts

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000s	2017 £000s
Trade creditors	23	55
Accruals	20	75
	43	130

8. SHARE CAPITAL

Company	2018 Number	2018 £000s	2017 Number	2017 £000s
Authorised:				
Ordinary shares of 1p each	100,000,000	1,000	100,000,000	1,000
Allotted called up and fully paid:				
Ordinary shares of 1p each	42,721,178	427	31,721,178	317

On 30 January 2018 the company placed 11,000,000 ordinary shares of 1 pence with various institutional investors, priced at 45 pence per share. The placing raised a gross amount of £4.95 million before expenses. The new shares represent approximately 25.8% of the Company's enlarged issued ordinary share capital (excluding those held as treasury shares).

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

9. DIVIDENDS

The directors have proposed no final dividend of in respect of the year ended 30 June 2018 (2017: nil pence per share).

A special interim dividend of 3.16 pence per share declared on 9 November 2016 and paid on the 7 December 2016 (2016: nil pence per share).

The following directors received dividend payments as follows:

	Dividend 2018 £000s	Dividend 2017 £000s
W A Catchpole	-	85
G Forsyth	-	35
R S M Gordon	-	33

10. FINANCIAL ASSETS AND LIABILITIES

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

Capital Management

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

At 30 June 2018, the Company had a closing cash balance of £2,356,600 (2017: £1,912,000).

10. FINANCIAL INSTRUMENTS (continued)

Financial risk management and objectives

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

Credit risk

The Company's principal financial assets are cash, loan note receivable and intercompany receivables. The principal credit risk is arising from the loan note receivables. In order to manage the risk the Company has taken security over the shareholding of the principle directors of the Direct Response Group, the acquirer of the call centre business.

The directors monitor the trading of its subsidiaries closely to ensure they are performing in line with expectations.

Liquidity risk

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

Trade payables and loans fall due as follows:

2018	Less than one year £000s	One to two years £000s	Two to five years £000s	Over five Years £000s	Total £000s
Trade payables	23	-	-	-	23
Other payables	20	-	-	-	20
At 30 June 2018	43	-	-	-	43

2017	Less than one year £000s	One to two years £000s	Two to five years £000s	Over five Years £000s	Total £000s
Trade payables	55	-	-	-	55
Other payables	75	-	-	-	75
At 30 June 2017	130	-	-	-	130

10. FINANCIAL INSTRUMENTS (continued)

Financial assets by category

	Loans and receivables £000s	Non financial assets £000s	Total £000s
2018			
Cash at bank	2,357	-	2,357
Inter Company receivables	5,824	-	5,824
Other receivables	17	-	17
Loan notes receivable	2,114	-	2,114
Prepayments and accrued income	-	20	20
	10,312	20	10,332

	Loans and Receivables £000s	Non financial assets £000s	Total £000s
2017			
Cash at bank	1,912	-	1,912
Inter Company receivables	1,451	-	1,451
Other receivables	14	-	14
Loan notes receivable	3,146	-	3,146
Prepayments and accrued income	-	19	19
	6,523	19	6,542

Financial liabilities by category

	Financial liabilities measured at cost £000s	Non financial liabilities £000s	Total £000s
2018			
Trade payables	23	-	23
Accruals	20	-	20
	43	-	43

	£000s	£000s	£000s
2017			
Trade payables	55	-	55
Accruals	75	-	75
	130	-	130

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