ANNUAL REPORT & ACCOUNTS

For the year ended 30 June 2019

"PCI Compliance is important for clients of ours who are handling sensitive card payments – by working in partnership with PCI Pal, we help them fully manage and meet the very latest data security standards, backed by PCI Pal's range of solutions and its team of specialists."

RVP of Alliances, North America, NewVoiceMedia, a Vonage Company

"PCI Pal has further enhanced our strong portfolio of PCI solutions by providing a fully assisted service for customers taking telephone payments. PCI Pal's technology is all cloud-based and compatible with the latest advances in VoIP telephony. This enables Pay360 to offer unrivalled choice when it comes to safeguarding our customers' sensitive financial data."

Products Development and Strategy Director, Pay360 part of Capita Software

"As part of our mission to deliver the highest level of security and compliance to our customers we are pleased to extend our partnership with PCI Pal, 8x8 is helping to transform the way the world communicates, and we've worked hard to become the leading choice for businesses looking for powerful, seamless services to meet all of their communications, collaboration and customer experience needs."

Chief Product Officer at 8x8 Inc.

CONTENTS

HIGHLIGHTS
FOR THE YEAR ENDED 30 JUNE 2019

Significant Sales Growth and Channel Partnerships Delivering

PCI-PAL PLC (AIM: PCIP), the customer engagement specialist that secures and protects payment card data for companies handling payments by phone, is pleased to announce full year results for the year ended 30 June 2019 (the "Period").

Financial Highlights

- Revenue increase of 40% to £2.82 million (2018: £2.01 million)
- Gross margin increased to 60.2% (2018: 42.6%) reflecting the transition of our service delivery to AWS
- Substantial increase in sales leading to:
    - Signed Annual Contract Value ("ACV") increasing by 290% to £1.91 million (2018: £0.49 million); and
    - Total Contract Value ("TCV") increasing by 223% to £5.66 million (2018: £1.75 million)
- Total contracted recurring ACV[1] now stands at £4.06 million (2018: £2.17 million)
- Deferred income increased 117% to £2.45 million (2018: £1.13 million) as a result of new business sales growth
- Loss before Tax in line with expectations at £4.50 million (2018: £3.78 million) following significant investment in the North American operations
- Cash balances at year end of £1.49 million (2018: £3.75 million)
- New £2.75 million debt facility entered into in October 2019 to provide additional working capital to support continued growth

Strategic Highlights

- Strong performance against all key metrics across EMEA and North America businesses
- Established as the only partner-first, pureplay organisation operating in the PCI phone payment space with a truly cloud delivery model with availability zones across multiple continents
- Partner-first strategy proven with 84%[2] of all new business sold via partners (2018: 40%)
- Signed and delivered largest contract in Company's history in UK
- Signed second largest contract in Company's history in North America
- Established global, integrated reseller partnerships with two more global leading CCaaS vendors
- Established reseller partnership and delivered first customer with largest telco in Canada
- Services and customers live across five Amazon Web Services ("AWS") regions of the PCI Pal cloud platform globally
- Maintained customer retention at over 95%

Current Trading

- Successful start to FY 2020 with new business sales levels tracking to management expectations
- New business sold through channel partners has continued at a high rate of >85%
- Announced as EMEA Partner of the Year for the Genesys Partner Community, "AppFoundry"
- Total Contracted ACV as at 30 June 2019 providing over 80% revenue visibility against management expectations for FY 2020
- Appointment of US-based software executive, Simon Wilson, to the board in the role of Non-Executive Director, effective from 1st November 2019

[1] Contracted ACV is the total annual recurring revenue of all signed contracts, whether invoiced and included in deferred revenue or still to be deployed and/or not yet invoiced

[2] Percentage of new business by signed ACV

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019

During the last twelve months, PCI Pal has made significant progress against both its strategic and operational goals, while at the same time bringing further clarity and specificity to its operating plans. Our business now has a clearly stated *Vision: To be the preferred solution provider that technology vendors globally turn to for achieving PCI compliance for payments by phone.* We are determined to achieve that Vision through a channel-first approach.

Early and rapid channel success is already becoming evident. For example, 84% of this year's new business bookings were generated through partners and we have created tight-knit, integrated product partnerships with several of the world's leading Cloud Contact Centre-as-a-Service (CCaaS) vendors and other leading technology companies.

The advantages of a channel-first approach and our Cloud-based solutions go beyond just winning new business. Having varying degrees of pre-integration with our contact centre, telephony, and payment gateway partners is now enabling us to deploy and take our customers live in shorter periods of time. The ease of Cloud deployments (compared to on-premise) is also reducing customer delivery challenges that are frequently encountered in our industry. We believe that this is becoming a major source of competitive differentiation for PCI Pal, as well as improving the capital and people efficiency of our business model. We will continue to focus on further improvements in deployment efficiencies going forward, thereby ensuring higher levels of success for both our partners and their customers, as well as our own direct customers.

People

The appointment of James Barham as CEO in October 2018 and his work in building the North American team and operation has marked an acceleration of our plan to expand the operational capability of our business to handle sales and delivery growth in a capital efficient and cost-effective manner, in order to scale the business. Key aspects of the plan include establishing global rather than regional functions to avoid localised-based thinking, duplication and inefficiencies; the creation of a Chief Information Security Officer function to underpin the reliability and safety of our customer services; and the recruitment and development of first class talent.

The ranks of our management team have been expanded to include a new CTO based in the U.K. and a new CRO based in the U.S. Our ability to attract such technically talented and wonderful people in both North America and the U.K. is a testament to both the attractiveness of the market opportunity ahead for PCI Pal as well as the management team's dedication to people development.

In addition, I am very pleased with the appointment of Simon Wilson to the Group board as a non-executive director. Simon's background includes thirty years in international business to business software. He has been a resident of the United States for over twenty five years and past positions include CEO, CFO and corporate development roles as well as independent board director in a range of US and UK companies including SurfControl plc, Endace plc and M86 Security.

The PCI Pal team has grown from 34 to 50 employees over the course of the year and I would like to personally thank all of our employees for their excitement, dedication and hard work in growing PCI Pal and in pursuing our *Mission: safeguarding the reputation and trust of our customers.* I have no doubt that they will all continue to build on their successes during the last twelve months, both as individuals and as globally focused teams.

New debt facility

On 8 October 2019 the Company entered into a new £2.75 million debt facility. In common with many Cloud companies operating a SaaS business model, we have chosen to utilize a layer of debt on top of equity funds raised so as to optimise the growth in shareholder value. The additional capital available under the facility, of which £1.5 million will be drawn immediately, provides the Company with additional working capital as it continues to grow and expand thereby enabling it to continue to capitalise on the Company's excellent growth opportunities. Full disclosure of the terms of the facility has been made in the notes to these accounts and within the Chief Financial Officer's Review.

Shareholder Communications

As a board we set out this year to expand and improve our communications with current and prospective shareholders as we sought to increase transparency and understanding of the global PCI market opportunity ahead for the Group. Examples have included more detailed investor presentations, expanded analysis of results and underlying KPIs, more frequent communications and the judicious use of RNS-Reach, and participation in investor-focused events such as 'tech demo days' and investor group conferences. We look forward to continuing and reinforcing these programmes and events as each year progresses, and I welcome your feedback and suggestions for further improvement.

Corporate Governance

We continue to monitor the business in line with the latest Corporate Governance Code published by the Quoted Company Alliance. In the Corporate Governance section of our Annual Accounts, we outline how we have complied with the Code and where our policies depart from the recommendations made by the Code, and the reasons for doing so, which reflect the current size and scale of our business.

Looking Forward

We are clearly seeing an expansion of the market drivers causing businesses to properly adopt solutions that provide adherence to PCI compliance standards. In addition to the enforcement of the industry standards themselves, the advent of actual legislation such as GDPR and the clear and measurable business risks of reputational damage in the event of customer data loss, are all increasing the logic and value of adopting solutions like PCI Pal's. Increasing demands from consumers for data protection, as well as the rapid adoption of Cloud-technologies, are also accelerating the rate of adoption.

With a clear strategy; experienced management; an attractive business model; a growing global market opportunity and good corporate governance, PCI Pal is well positioned to build on this year's success. As we take our next steps towards achieving additional key milestones on the journey to building shareholder value and profitable growth, I look forward to sharing further progress reports and news during the coming financial year.

Chris Fielding
Non-Executive Chairman
8 October 2019

CHIEF EXECUTIVE'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019

PCI Pal Overview
With this being my first annual report as Chief Executive, I am pleased to report that we have continued our momentum from the half year by showing continued strong growth in all our key metrics. In particular, new business Annual Contract Value ("ACV") increased 290% year on year to £1.91 million (2018: £0.49 million); with new business Total Contract Value ("TCV") increasing 223% year on year to £5.66 million (2018: £1.75 million).

Revenues grew 40% year on year to £2.82 million (2018: £2.01 million), with Contracted ACV[1] at the year-end now standing at £4.06 million (2018: £2.17 million), illustrating the build-up in future revenue visibility that our SaaS licensing model produces as new sales are achieved and revenue eventually recognised. This progress is firmly establishing the building blocks towards future sustainable cash generation and profitability.

We have delivered against our stated strategies for the year: focusing on the accessibility of our virtualised cloud offering hosted on AWS; penetrating the North American market through channel relationships; and growing our capability to attract major global technology partners through our easy-to-integrate, cloud technology. As a result, we have established ourselves as the only channel-first, pureplay organisation operating in the PCI phone payment space with a truly global cloud delivery model with availability zones across multiple continents.

The increase in our North American ACV from £0.10 million to £0.44 million is evidence of this year's success in North America which is substantially the result of our achievements in building channel relationships with 70% of sales for the year coming from channel partners.

We have made substantial progress in our focus of being channel-first by adding reseller partnerships with several leading global technology vendors including 8x8, Talkdesk, and Genesys, as well as partnerships with some of those companies' leading resellers including maintaining our partnership with the largest carrier in Canada. These new partners have chosen to work with PCI Pal because of our pureplay, cloud business model which is in contrast to that of our competitors whose solutions are typically legacy hardware offerings, or privately-hosted cloud solutions.

Through our vision to be the chosen payment security provider to technology vendors globally, we are opening up an area of the market previously untapped. Our easy-to-use, light touch integrations allow our partners to sell our services to not only enterprise, large organisations, but also cost-effectively to the higher volume of small to medium size enterprises. Additionally, we have proven our ability to service all size contact centres from the cloud having this year won, and successfully delivered within six months of signing, the contract to supply one of the largest contact centres in Europe, with over 4,000 agents active on our platform each day for this customer alone.

During the course of the year, we have made significant steps forward as we establish ourselves as a global business engaged with enterprise partners yet still retaining the benefits of being small and agile. We have introduced a clear mission and vision for the business, as well as identifying the core values which represent our business. We have brought our international businesses closer together, ensuring that we maximise our global sales opportunities and partnerships. This has been particularly evident in sales where we created the position of Chief Revenue Officer, responsible for sales globally, bringing the global sales function together to maximise the benefits of all sales activity across all territories. We have also strengthened our Engineering and Professional Services teams, ensuring we can deliver our solutions on-time wherever they are required. All of these actions have helped us win new customers across multiple continents.

[1] Contracted ACV is the total annual recurring revenue of all signed contracts (excludes professional services and setup fees), whether invoiced and included in deferred revenue or still to be deployed and/or not yet invoiced

Market Drivers

As thought leaders in our growing marketplace, we have taken the lead in research in the market carrying out consumer research campaigns across the UK, U.S., Australia, and Canada in our “This is” series. In these market research reports, we have seen strong similarities between these four developed contact centre and payment markets, with consumers becoming increasingly aware of the security of companies from whom they buy products and services. Across our reports more than 33% of consumers in all regions surveyed claim to have been victims of security theft. Additionally, and more specific to our market, we found that between 40% - 55% of consumers were uncomfortable to share their credit and debit card information over the phone.

The market for PCI Pal is any organisation taking payments by phone or within contact centre environments globally, and particularly in our core markets across EMEA and North America. Contact centre markets in both the UK and US represent between 3-4% of the working populations of those countries, so in contact centres alone there is a sizeable market to address.

We access our market through a channel go-to-market sales model, working primarily with technology vendors who are involved in customer interactions for those companies. By majority today these include CCaaS, UCaaS, Carrier, VARs, Payment Service Providers, and consultancies advising these organisations. These partner organisations work with PCI Pal to provide cloud-based, globally accessible payment security solutions to their customers who use their broader customer experience, call handling, and payment solutions. PCI Pal’s position as the only true-cloud, pureplay vendor in the PCI space for contact centres positions us with strength in being selected by these companies as their partner for secure payments.

The UK market is the most advanced globally in terms of adoption of compliance standards, such as PCI compliance, related to payment security. It is our belief that the North American region and mainland Europe are beginning to adopt improved security practices and working towards achievement of PCI compliance across their businesses and as a result we have seen increases in enquiries across these territories. We are seeing organisations worldwide move towards the use of technology to solve complex compliance and security challenges through the use of secure technology like PCI Pal’s. This evolution toward secure operations is not only being driven by the major risks to companies that lose data (including loss of reputation, loss of customers, and reductions in share price or company value) but more recently by regulations being introduced across all territories within which we operate. Chiefly this is led by the General Data Protection Regulations (GDPR) which is law that governs companies handling EU citizen’s data, but also more regional data regulations such as the California Consumer Privacy Act in the U.S. Recent well-publicised data breaches include market leaders in a variety of sectors from airlines, to financial services, to technology.

In terms of the contact centre market itself, there is a significant shift from traditional on-premise technology to cloud environments offering improved customer experience through a growing number of additional digital customer engagement channels, with research forecasting CAGRs of nearly 25% between 2019 – 2024. We believe that this trend will naturally suit our true-cloud, pureplay offering as we can fully integrate our solution seamlessly into our cloud partners offerings in a light-touch fashion that does not interrupt that partners ability to provide their core service offerings.

Cloud

PCI Pal has continued to develop its position as the only true-cloud, globally available, partner-first provider of secure payment solutions to contact centres worldwide. We have extended the accessibility of our platform with availability zones within AWS in the UK, Ireland, Germany, United States, Canada, and Australia with customers live across all regions.

We have proven our ability to move at pace when scaling the platform, activating new availability zones in Germany and Australia to meet partner and customer demand within 2 weeks each. Our ability to react quickly to provide partners who operate globally with service availability anywhere in the world is a significant competitive advantage. In addition, these partners’ customers benefit from localised data sovereignty across our multi-region, cloud platform environment.

In addition to the ability to scale geographically, our AWS-based platform also allows us to scale automatically to meet the demands of customer growth. The ability to scale for greater volume handling is an essential part of the capital efficiency of our model which in turn allows us to offer more competitive pricing to our partners. In addition, we are able to manage our entire global cloud platform from our Network Operations Centre (NOC), located at our UK headquarters.

Channel Partners

Having outlined our commitment to making PCI Pal a channel-first business, I am pleased to report that we finished the period with 84% of sales generated from channel partners, a 110% increase on the prior year (2018: 40%). The channel strategy is essential to maximising our long-term sales growth potential by being able to address all sizes of organisations, to utilise PCI Pal solutions, as well as giving us the ability to scale the business internationally. This strategy is significantly supported by our capabilities in light-touch, easy-to-integrate methodologies that suit the leading cloud technology vendors with whom we work. Channel partners are driving sales pipelines to record levels across both EMEA and North America.

We have three categories of partners:

Integrated Partners - Telephony pre-integration with the PCI Pal environment from CCaaS and UCaaS platforms and Carrier networks creates opportunities for both us and our partners to shorten sales cycles and enable more efficient and faster project delivery. Adding to the integrated partners we worked with going into the year, we were successful in winning global agreements with two well-known global vendors, 8x8 and Talkdesk (both headquartered in the United States), as well as pan-European vendor, Puzzel. In addition, we secured and delivered our first customer through our reseller partnership with the leading carrier in Canada.

Solutions Providers - Reseller relationships in this category are typically Value-added Resellers (VARs) and Systems Integrators focused on selling licences and services around the traditional on-premise contact centre platforms, for example Genesys, Cisco, Mitel and Avaya. Solutions Providers also include payment service providers and payment gateways who resell PCI Pal services to complement their existing portfolio of payment solutions, such as Civica, Paymetric, and Capita Pay 360. Such relationships provide access to the wide installed customer bases of these vendors. In the period we have signed three of the largest North American VARs serving the Genesys contact centre marketplace, some of whom are also focused on newer offerings from the CCaaS providers.

Referral Partners – Our strategy in this category is two-fold. Firstly, we utilise referral arrangements with some major technology vendors with whom reseller arrangements are not immediately available as a first step in working with them towards becoming an Integrated Partner. Secondly, we have targeted relationships with Master Agents in order to capitalise on the rising trend and success in the software marketing world of agent networks, particularly for CCaaS and UCaaS vendors in the United States. Master Agents are highly organised networks of agents specialising in all segments of enterprise class cloud software applications. During the year we signed a global referral agreement with Telarus, the largest Master Agent in North America for contact centre technology.

All of these partners benefit from the PCI Pal partner program which was fully launched during the year. The Partner Program not only oversees the on-boarding of partners from a technical stand-point but ensures that we are engaged at the appropriate level in all relevant areas of the partner’s organisation; with sales enablement, marketing support and collaboration, and co-ordinated service delivery. Our significant focus on speed of partner enablement is illustrated by a number of successful “Fast Start” campaigns with new partners, supporting them in creating real value from reselling our services early in the relationship, and generating early stage pipeline for PCI Pal.

North America

We launched our PCI Pal solution in the US in February 2018 and following a successful first full financial year in North America, we can report TCV sales bookings for the region increased by 328% to £1.50 million (2018: £0.35 million) of which recurring ACV is £0.44 million.

As well as gaining sales momentum, we made progress in our strategy of winning partnerships with major technology vendors in the territory, particularly in the CCaaS, Carrier and Payment markets. These types of partners underpin our ability to sell our solutions in volume and at scale to any size organisation within that partner's customer ecosystem. Whilst this is a globally consistent strategy for us, it is particularly important in the United States where the addressable market is more than five times the size of the UK. I am pleased to report we have made strong progress against this strategy, winning a number of partnerships with well-known technology vendors, one of which resulted in a global contract with a US headquartered, home appliance manufacturer. This was the second largest contract in the Company's history.

We secured global reseller agreements as the sole provider to leading CCaaS and UCaaS vendors 8x8 and Talkdesk. Additionally, we extended our relationship with NewVoiceMedia, following their acquisition by Vonage, into their wider global group which incorporates NewVoiceMedia (CCaaS), Vonage (UCaaS), and Nexmo, (CPaaS - Communications-Platform-as-a-Service). Additionally, we have secured a number of customers through our referral arrangement with NICE inContact and have been recognised with an award for our thought-leadership efforts into their partner programme.

In the carrier space, we signed and delivered our first order through our reseller agreement with the largest carrier in Canada, who is also a major regional distributor of several other contact centre technology partners with whom we have relationships globally. Our cross-pollination of these relationships within our ecosystem is a good example of how we are able to benefit from the progress we have made in being the only channel-focused, pureplay vendor with a growing number of market leading technology partnerships.

As noted above, of the traditional platform providers, we focused the majority of our efforts into our Genesys relationship and have signed three of their major US-based VARs. In addition, since the end of the year we were awarded EMEA AppFoundry Partner of the Year with Genesys (AppFoundry being their technology and partner marketplace). We achieved this award as a result of our work on key customer projects where PCI Pal played a specialist and important role in wider Genesys deals.

Having spent the majority of the year working in the U.S. establishing our business in the region, I am pleased to report that we have put together an excellent team of experienced professionals, the majority of whom have extensive knowledge of the contact centre and unified communications space having worked at successful channel focused businesses. We now have a team spread across all time zones in the United States, with sales, marketing, engineering and delivery resources in country.

With low levels of competition in the North American market, limited primarily to UK-domiciled competitors who deploy a direct sales approach, we believe we are in a strong position from which to expand our pipeline and gain market share through our channel-first approach, as well as our positioning as the go-to provider to the CCaaS / UCaaS market.

During the year our partners have introduced us to a number of customers in the Australia/New Zealand region (ANZ). Due to the time zone overlap, we have been running our early activities from our US-based team, supported by our Engineering and Professional Services teams in the UK.

The majority of our global partners have businesses in Australia covering the ANZ region, and naturally due to the repeatable nature of our integrations, we have felt a pull from these partners towards the territory. We have demonstrated our commitment to these partners by the activation of our Sydney AWS instance, upon which we have a number of live customers. The Australian market is culturally and technologically similar to the UK and US so, as such, we see this as important strategic activity for the future.

EMEA

We have seen a significant step forward for the UK-based EMEA business, with excellent growth across all key metrics including a 180% increase in TCV sales bookings for the year at £3.92m (2018: £1.40m) which incorporated ACV value of £1.41 million (2018: £0.38 million), with 90% of ACV sales coming from channel. Included in channel generated business was the signing and delivery of the Company's largest contract to date, as announced in December 2018, through a major new partner in the payment processing space. In June, we also won a milestone contract with a FTSE 100 company, via our reseller partnership with Genesys.

These results confirm the long term value of our channel strategy.

Our business is more mature in the UK, in a market more advanced in its adoption of security solutions for payments. As such we have been focusing on our relationships with existing channel partners in the region to drive new customer acquisition. These partners include Civica, Capita Pay 360, 8x8, and Vonage.

Outside of the UK, the EMEA market has lower levels of adoption for PCI solutions and, like North America, less competition. As a result, we believe there is an early-stage opportunity to capitalise on what is collectively a large and under-penetrated contact centre market. During the year we have taken initial steps towards finding suitable partners such as our partnership with a French telecoms company, and a Norwegian-based pan-European CCaaS vendor. Additionally, we have signed end-user customers in the Nordics, France, Germany and Spain. Many of our global partners see a similar market opportunity and are hiring extensively in the wider region as contact centres across Europe begin to adopt cloud technologies. In a similar way to what we have seen in ANZ, we are optimistic that our partners will pull us into customer opportunities in the territory over time. Our partnerships, and more importantly technical integrations with these partners, are repeatable globally across their platforms and we are leveraging their business expansion to achieve our own strategic objectives in this regard. As a result of this positive momentum we opened the Frankfurt (Germany) instance of our platform earlier in the year to ensure EU customer data can retain appropriate sovereignty requirements post-Brexit.

Operations

The focus of the business in the previous two years has been to build a team and foundation from which we can scale, in order to benefit from the operational gearing of a true-cloud operation. During the year we have taken further steps to scale the business by focusing increasingly on people, process, and technology to underpin this foundation, namely engineering and operations. As part of this we restructured these departments into three teams: engineering; compliance and IT; and professional services. We created the role of Chief Information Security Officer (CISO) which was taken up by the Group's long standing Chief Technology Officer (CTO), Geoff Forsyth.

Additionally, we hired a new CTO who joined the business in January 2019. Hugh James brought with him a wealth of experience specific to DevOps, telecommunications, and SaaS environments, as well as specific experience of the PCI marketplace. Hugh spent a number of years working in a senior role at one of our key partners, NewVoiceMedia (now Vonage) during their global expansion. Along with this hire, we have added resources into engineering during the year in order to meet the growing demand from our new technology partners. As part of the operational restructuring, we have created a global professional services function that focuses entirely on assisting partner and customer solutions delivery, incorporating both implementation and project management. We have reduced the dependency of professional services on engineering as we continually drive for repeatability in our technical solutions for our partners and customers. We have added resource in the core area of SIP telephony to aid a growing number of implementations and to contribute to further reductions in Time-To-Go-Live (TTGL). In addition, we have enabled more natural collaboration between sales and professional services by assigning global responsibility to the heads of sales, presales, and professional services.

Throughout the year we have achieved solid improvements in project delivery times as a result of changes that have been made with projects now being delivered in 4-7 months compared to our higher historical average of 6-9 months. The changes we are making with people, process, and technology are expected to continue to improve deployment efficiencies that will in turn further reduce TTGL.

The business is now better positioned with a stable operational function upon which to maximise the opportunities presented by our partners as well as strategically important enterprise customers anywhere in the world. This stable foundation will enable PCI Pal to benefit from the advantages of operational gearing as we grow our revenues at a faster rate than our costs.

People
As we state in our Vision, *it is our people, beyond the technology, that underpin our business. Creating an environment within which our employees can succeed ensures the success of the partners that rely on us.* We have built a small, dynamic, and committed team who are experts in their chosen fields, and together they are driving this business forward at pace.

During the year we have placed significant emphasis in developing the business' focus and application of personal development planning and support for all our staff and managers. We created the role of People and Development Manager, which reports directly to me, illustrating the Company's commitment to an improved focus in this key area. Examples of that focus include the implementation of personal and professional development reviews; increasing the availability of both internal and external training courses for key skills; and proactively building a benefits and talent development strategy across the business.

For the forthcoming year we have introduced OKRs (Objectives and Key Results) for every employee in the Company. OKRs create a framework for defining and tracking objectives and their outcomes, providing a top-down view of what is required from individuals within the business in order for them to contribute to the Company's achievement against its corporate goals, mission, and vision.

As a business that has grown from 11 to 50 people in under 3 years, we have given considerable attention to our approach to hiring, and I am proud to report that our employee retention remains very high. We are passionate about hiring and bringing great talent into this business, not just in terms of market, technical, human or managerial skills but also in terms of international and cultural understanding, language skills and a desire to have fun. We focus on this in every aspect of our recruitment processes. Technology is a globally competitive market so we have made improvements to our employee benefits packages to continue to attract the best people. These benefits support the broader appeal of working for our dynamic growing business, and are designed to be strongly competitive for the geographic markets in which we hire.

New this year we have introduced quarterly company "all-hands" meetings where the CEO and other contributors from across the business speak to the whole Company simultaneously across all time zones. These sessions provide a company-wide update, including progress against key or high-profile OKRs. These meetings ensure that employees of all levels regularly receive a wider-view of business progress and therefore can better understand the part they play in that journey. Between the quarterly all-hands meetings, we run regular cross departmental social events and encourage departmental team building.

I view talent acquisition, development and retention as one my most important responsibilities as CEO, and I am very pleased with the accelerated progress the Company has made in this area during the year.

New Debt Facility
In September 2016, the Group began a five year journey to fully develop the payment security opportunity offered by the PCI Pal business. We are now three years into the original journey, and I am very pleased with the strong position we have built. We have made significant progress in establishing major partnerships and transitioned our business to a channel-first organisation. We have established our core service offerings across the globe and have built an excellent team upon which we can scale. As a result of this momentum, we are seeing more opportunities from organisations of all sizes, including large enterprise partners and customers.

As we look to continue to grow and capitalise on the excellent market opportunity before us, we have taken the opportunity to strengthen our balance sheet and on 8 October 2019 entered into a £2.75 million debt facility with Shawbrook Bank. We have drawn down £1.5 million of this facility and the balance remains available to be drawn down in the next twelve months. This facility will underpin the Group's working capital requirements for the foreseeable future.

Current Trading and Outlook

Following the strong growth and improvement in the business' key metrics in FY 2019, I can report that the new financial year has started well and in line with management expectations. Our strength as the only partner-first, globally available cloud provider in our space has been underpinned by PCI Pal being awarded "Partner of the Year EMEA" by Genesys, one of our key technology partners, and their partner community, the "AppFoundry". To date in FY 2020 our continued partner-focus has resulted in the proportion of new business sales coming from channel partners being higher than that of the full prior financial year. Additionally, the nature of our SaaS revenue model provides for greater than 80% revenue visibility against management expectations for FY 2020.

I am also very pleased to announce the appointment of Simon Wilson to the Board as Non-Executive Director effective 1st November 2019. Simon has provided valuable consultancy to the Board in helping us create, plan and execute our North American market entry plans. His extensive board-level and international corporate strategy experience is a strong addition to the team.

James Barham
CEO
8 October 2019

Changes in accounting rules
The Company has implemented IFRS 15: *Revenue from Contracts with Customers*, effective from 1 July 2018, on a fully retrospective basis, with the financial statements being presented against restated financial statements for the year ended 30 June 2018. Full disclosure of the changes has been made in the notes to these accounts.

The retrospective impact of adopting IFRS 15 has been limited. PCI Pal's SaaS contracted revenue model is made up of monthly and annual license fees which, both before and following the adoption of IFRS 15, are recognised monthly across the term of the contract. The forward impact for PCI Pal of IFRS 15 is therefore mostly limited to the impact of also spreading implementation professional service fees over the contract periods.

Revenue and gross margin
Group revenue grew by 40% to £2.82 million (2018: £2.01 million) and gross margin improved to 60% (2018: 43%). This shift reflects the higher margin revenue generated by the PCI Pal platform hosted on AWS which has only a limited reliance on third party carriers to receive or deliver calls. Going forward, we expect the gross margin to continue to improve as all new business will be delivered on this platform.

The Group's revenue reflects its SaaS business model. It delivers its services through the partnership channel to contact centres who are charged primarily on a recurring licence basis. The terms of the sales contracts generally allow for automatic renewal of the licences for a further 12 month period at the end of their initial term. Renewal and retention rates are therefore extremely high exceeding 95%. As the business sells and delivers more contracts the visibility of recurring revenue increases. At the year end, the Group had visibility of more than 80% of management's expected revenue for the next financial year.

Administrative expenses
Total administrative expenses were £6.37 million (2018: £4.65 million), an increase of 37%. Of the £1.72 million increase, £1.67 million was driven by the establishment and expansion of our North American operations, following the successful fundraising in January 2018.

Personnel costs charged to the Comprehensive Income Statement (including travel and subsistence expenses) were £4.47 million (2018: £3.30 million), and £0.56 million (2018: £0.46 million) was capitalised as Development costs. These personnel costs make up 70% (2018: 71%) of the administrative costs of the business.

Following the adoption of IFRS 15, commissions of £0.30 million (2018: £0.14 million) payable to the sales team members and directly attributable to new contracts was deferred and will be released over the length of the contract to which they apply.

Exceptional costs
During the year the Group charged an exceptional cost of £0.36 million to the Statement of Comprehensive Income. This cost wholly related to the costs of termination of the employment contract with William Catchpole, the former CEO and board director.

Adjusted operating loss[1]
Adjusted operating loss for the Group changed as follows for the year:

	EMEA	North America	Central	Total
	£000s	£000s	£000s	£000s
2019	(1,138)	(2,489)	(605)	(4,232)
2018	(1,953)	(955)	(790)	(3,698)
Change in year	815	(1,534)	185	(534)

[1] Loss from Operating Activities before exceptional costs and share option charges

The EMEA region's Adjusted Operating Loss improved by £0.82 million in the year. The operations within this region have been established longer than those in North America and include the majority of the Engineering, Information Security and Professional Services people and costs for the Group as a whole. EMEA's Adjusted Operating Loss has started to improve during the period because the rate of expansion of headcount and operating costs is slowing at the same time as revenues and gross margin are increasing.

Following the fundraising in January 2018 PCI Pal fully launched its cloud services in North America. James Barham, originally in his capacity as COO prior to becoming group CEO, was seconded to the region and was living and working there for most of the period. During this time, we fully established the North American office in Charlotte, NC, the operational team and our channel-centric route-to-market strategy. As of the year end the team had 10 employees. The Operating Losses incurred in the region therefore reflect the build out of the team in the region. As sales and subsequent customer deployments in North America continue to grow, we expect Operating Losses in the future to start to decrease when the rate of revenue growth exceeds the rate of growth in operating costs.

Costs for our Central operations relating to PLC activities decreased in the period as for a portion of the year, the costs of the CEO were charged to the North American operations.

Further divisional information is shown in Note 9.

Key financial performance indicators

The directors use several Key Financial Performance Indicators (KPIs) to monitor the performance of the Group, its subsidiaries and targets. The principal KPIs are as follows:

	2019	2018
1. Revenue	£2.82 million	£2.01 million
2. Gross Margin	60.2%	42.6%
3. Signed ACV in financial period	£1.91 million	£0.49 million
4. Contracted ACV	£4.06 million	£2.17 million
5. Cash facilities available*	£1.49 million	£6.05 million
6. Deferred Income	£2.45 million	£1.13 million
7. Ratio Personnel cost to administrative expenses	70%	71%

* Cash balance plus Loan notes receivable plus undrawn debt facilities

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

Capital expenditure

As required by IAS 38, we have capitalised a further £0.56 million (2018: £0.46 million) in development expenditure as we continue to invest in the AWS platform.

As a business we are not hindered by having to commit significant amounts upfront in capital to deploy new instances of our AWS platform globally, nor to extend its load-capacity handling. Our AWS platform is paid for on a monthly basis and charged as an administrative expense. In total we spent £0.03 million on new computer equipment in the year.

Deferred income

Deferred income increased to £2.45 million (2018: £1.13 million) mostly reflecting the significant growth in new business sales and the consequent increase in invoices raised in advance, per our contract terms and revenue model.

Contracted ACV

Total Contracted ACV[2] at the end of the financial year was £4.06 million (2018: £2.17 million). This is a new metric that we have started tracking in the period and is a key indicator of our ability to reach first cash flow and then profit break-even. Growing levels of Contracted ACV[2] produces increasing levels of future revenue visibility, an attractive aspect of the Group's business model.

Trade receivables

Trade receivables grew to £1.057 million (2018: £0.475 million). The level of receivables reflects both significant growth in new business sales overall during the period, as well as the typical year end boost in sales levels. This balance should be converted into cash in the first half of FY 2020.

Taxation

During the year the UK entity received £0.14 million as a R & D tax credit from HMRC relating to the financial year ending 30 June 2017. An application has been made for an additional credit of £0.22 million related to the financial year ending 30 June 2018, which has been received post the year end, but has not been recognised in the accounts.

Cashflow and liquidity

Net cash as at 30 June 2019 was £1.49 million (2018: £3.75 million), net cash decreased by £2.26 million in the year. During the year we received the final loan repayment from the sale of the contact centre business of £2.30 million. Adjusting for this loan repayment the Group invested £4.56 million in cash in the period reflecting the expansion of operations and the consequent loss made for the financial year.

Post the close of the financial year, the Group has entered into a £2.75 million loan facility with Shawbrook Bank. The principal terms are as follows:

Term	36 months with three month capital repayment holiday
Interest rate	9.3% over LIBOR paid monthly
Arrangement Fee	1.4% of loan facility
Non utilisation fee	0.6% of unutilised amount
Exit fee	cash amount calculated on the shares equivalent of 7.5% of the facility payable on takeover of Group or refinance of the loan
Security	Fixed and Floating debenture over the assets of the Group.

The loan balance can be drawn in two tranches with a minimum of £1.0 million within five business days of the signing of the agreement and the remaining balance within twelve months. The Company will initially be drawing down £1.5 million of this new facility. The facility is being used to support the working capital requirements of the Group as it continues to grow – see Note 28 for full disclosure of terms.

This debt facility will support our working capital needs created by rapid growth and the expansion of our Sterling-exposure to multiple currencies. In common with many Cloud companies operating a SaaS business model, we have chosen to utilise this layer of debt on top of equity funds raised to fund the journey to becoming a cash generative business. This mixed financing structure is intended to optimise the growth in shareholder value over time.

Dividend

The Board is not recommending a dividend for the financial year (2018: £nil).

William Good
Chief Financial Officer8 October 2019

[2] Contracted ACV is the total annual recurring revenue of all signed contracts, whether invoiced and included in deferred revenue or still to be deployed and/or not yet invoiced

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MITIGATION

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 under the PCI Pal brand, having launched it's true-cloud offering on AWS in only October 2017, and its North American business shortly after in February 2018. It therefore does not have an extensive track record to call on. The Group has brought in people with extensive experience of our market and new geographies, including advisors with specific experience of international, scale-up software companies. The Group is therefore still subject to some of the risks and uncertainties associated with new business enterprise trading for under 3 years.

There can be no assurances that the Group 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 Group therefore may require the injection of further capital in the future.

Generation of sales through Channel Partners: While the Board continues to be confident that the use of international channel partners (including but not limited to CCaaS vendors, VARs, carriers, and payment service providers) is the most appropriate route to market to scale the business, delays could arise in the expected timetable of engagement and enablement of those partners. Such delays could slow the rate of growth in the Group's sales bookings and revenues. This could have an impact on the trading and financial position of the Group and the planned future timing of when it is expected to reach break-even. Notwithstanding this, the Board is confident that the Group has hired the right people, adding to the already experienced team, to capitalise on existing channel partnerships whilst growing new channel routes-to-market. It is our focus on hiring of people, refinement of process, and suitability of our technology to our business model that gives the Board the belief that these risks are therefore manageable.

Growth plans may change: The PCI compliance and personal data security market place is rapidly evolving and growing. PCI Pal's focus today is in the PCI compliance for telephone payments, primarily in the UK and North America, managing payments made in contact centre environments. Given the pace at which the global markets are moving, the Group may choose to explore additional strategic growth options utilising our existing global cloud platform. 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.

Staff Retention and Recruitment: The Group has built a strong, core team to deliver its on-going strategy. However, additional staff may be required to scale the business. Failure to recruit the individuals required would significantly restrict the Group'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. As detailed in the CEO's review, the Group has an active policy to identify, hire, train, motivate and retain highly skilled personnel in key functions.

Loss or infringement of Intellectual property rights ("IPR"): The Group is in part reliant on its own IPR embedded in its proprietary software and as a result has a number of patents in pending status across the territories within which it operates. In order to counteract the risk of third parties infringing PCI Pal's own intellectual property rights, or claim that PCI Pal has infringed their rights, the company regularly reviews its proprietary software and development activities with its IPR lawyers. As such the Directors do not envisage the risk of loss or infringement to be significant.

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 store details of its clients' payment data or that of their end customers as such significantly reducing any potential exposure in the event of a data security incident.

Our core PCI platforms are audited annually to enable us to maintain our PCI DSS accreditations. These audits include independent monthly firewall scanning, six monthly penetration testing by 'white hat hackers' and annual validation, document review and reporting by a PCI SSC certified security assessor. The Group's primary platform is hosted on AWS which is a PCI compliant hosting environment in its own right. The Group has an established an Information Security team, headed by our Chief Information Security Officer (CISO), who focus on ensuring the highest standards of data security and compliance are maintained. Additionally, the CISO is a board member.

Operational risks:
To reduce the operational risks for the legacy 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 primary AWS platform is hosted across multiple AWS regions, and within those regions retains resilience through a minimum of two independent availability zones. Load balancers and auto-scaling groups running within each availability zone constantly monitor the health and capacity of the network and automatically take action, launching new server instances in the event of high load or server The PCI Pal platform is true cloud, with all data centres maintained by AWS globally.

General business risks:
The Group has expanded into new regions and this has naturally created general business risks, for example 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 cashflow and revenue from the licensing and periodic charges for our solutions. The Group invoices its customers both initially on the signature of its contracts and then at set times during the term of the contract. The timing of some of these periodic charges may be linked to contract delivery milestones related to solution implementation. Unexpected or extended delays to the implementation process may therefore impact the timing of our ability to charge and receive payment for our services, which may have a serious, detrimental impact on the Group's financial position. The Board has created KPIs specifically related to project delivery and implementations and management reviews these on a day to day basis. The Board believes the Group has employed the right people to oversee these risks and has established good systems and processes to ensure we can manage the risk as best as possible.

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 the Boards' expectations. It is also possible that competitors will develop similar or better products; the Group's technology may become obsolete or less effective if left without product development or evolution; or that consumers use alternative channels of communications or methods of payment, which may reduce demand for the Group's products and services in the future.

In addition, the Group's success may depend in part upon its ability to develop new and enhanced existing software solutions, on a timely and cost-effective basis, that meet changing customer requirements and incorporate technological advancements. The Directors review market movements, customer and partner requirements and competitors' products regularly, and in depth. This focus allows the Directors to make product driven decisions for the Group to ensure that we move with the marketplace, open new opportunities, and keep ahead of the competition with our chosen strategy.

Reputational risk: The Group's reputation may be damaged by a range of events, such as poor solution implementation, servicing of product partners, product performance or data security incidents. The Group's reputation underpins its service offerings and so any damage to our reputation may damage our prospects. The Board believes that the steps taken in establishing strong people, process, and technology ensure that this risk is significantly reduced.

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 and, created post year-end, the new bank debt facility. 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 partner or customer or a counter party to a financial instrument 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 and partners before entering new contracts and it has a frequent and proactive collections process. The concentration of credit risk is limited as the credit given is spread across all clients and partners. Under the terms of our contracts many services are charged for in advance of delivery, thus mitigating the risk further. 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 banks.
- **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 20.
- **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. The Group has recently established an on-going term debt facility with a UK Bank to assist in managing its liquidity risk.
- **Currency risk –** As a consequence of the increasingly international nature of its business, the Group has become more exposed to risks associated with changes in foreign currency exchange rates. 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 but increasingly it is envisaged that the revenues will be generated in foreign currency, particularly the US dollar and the Canadian dollar. The Group also has substantial contractual obligations (primarily employment contracts) that are denominated in U.S. Dollars. The Group has no currency hedging arrangements in place at present and notwithstanding any future currency hedging arrangements that the Group may put in place, the Group will have exposure to translation effects arising from movements in the relevant currency exchange rates against sterling. Therefore, there can be no assurance that its future results or resources will not be significantly affected by fluctuations in exchange rates.
- **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"), the subsequent initiation of the withdrawal procedure in March 2017 when the UK Government triggered article 50 of the Treaty on European Union and the

recent parliamentary events and postponement of Article 50, 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; (iv) 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.

CORPORATE RESPONSIBILITIES

Mission, Vision and Values

Our mission is to safeguard reputation and trust. We provide organisations that engage with customers by phone with globally accessible cloud solutions ensuring their conversations are PCI compliant and personal data is protected. Safeguarding reputation and trust.

At PCI Pal, our vision is to be the preferred solution provider that technology vendors globally turn to for achieving PCI compliance for payments by phone. By dedicating ourselves to the focused pursuit of easy to integrate and simple to deploy technology, we will provide the most compelling value proposition for our partners to solve their customers' challenges in achieving compliance and safeguarding reputations. It is our people beyond the technology, who underpin our business and support our partners.

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

The PCI Pal CSR policy compliments our business mission, vision and values, reflecting the way we work and the services we deliver by focusing on three components:

Customer Engagement and Business Growth

"developing our business based on highly professional and ethical standards"

We build strong relationships with our customers and stakeholders by ensuring we fully understand their objectives and needs. By being honest, open and transparent in our dealings we aim to have the highest professional and ethical standards. Working in partnership with our stakeholders we create tailored, high quality and fair value solutions. We engage with our customer base to address both opportunities and issues and have procedures in place to deal effectively with both complaint escalations and compliments.

Employee engagement, retention and development:

"recruiting and developing employees to ensure PCI Pal services are led and delivered by a well-motivated, educated and engaged workforce"

Supported by a thorough onboarding programme that starts from the point of employment acceptance, PCI Pal welcomes our new people to the business in a friendly and professional manner. Tailored induction timetables give new starters the chance to engage with key players within the business to help them quickly establish working relationships and begin building their network. Training doesn't stop after onboarding finishes, with a host of tailored management initiatives, technical courses and development opportunities. Our people development framework encourages feedback and open discussions around performance, objectives and achievements. The diversity of our workforce reflects both the customers and communities we work with. We expect our employees to act with integrity towards both one another, and partners, customers and suppliers, with diversity, fairness and equal opportunity policies laid out in our online employee handbook.

Our employee turnover is low, but when people do decide to move on, we take the opportunity to interview and document their reasons for leaving to allow us to make improvements wherever possible.

The welfare of our people is underpinned by our Health and Safety and Wellbeing policies. These ensure our people are both educated and supported with issues they may have both within and outside the workplace.

Community Impact

"appreciating and improving the communities we work within"

We recognise the importance of the local and global communities within which we operate. We aim to enhance our contribution to the community by being sensitive to the needs of local people and groups, and by promoting ethical and socially responsible trading.

Our environmental policy ensures we are aware of the environmental impact our business has, and the steps we take to reduce this. We seek to reduce waste by exploiting systems to remove the need for paperwork and have recycling bins throughout the offices. Video and conference facilities are used as a first option for meetings.

The Strategic Report for the Group was reviewed and approved by the Board of Directors on 8 October 2019

Signed by Order of the Board

J C Barham
CEO
8 October 2019

PCI-PAL PLC
BOARD OF DIRECTORS

Chris Fielding – Non-Executive Chairman

Appointed to Board on 1st September 2014

Chairman of the Audit Committee and member of the Remuneration Committee

Chris is Managing Director and COO of Commercial & Investment Banking at WH Ireland and has over 30 years of corporate and finance experience. Previous to his current role, Chris worked at Arden Partners and spent 11 years prior to that at Hoare Govett, where he was the 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.

James Barham – Chief Executive Officer

Appointed to the Board on 30th September 2016

A founder of PCI Pal, James was instrumental in establishing and leading the business' sales, marketing, and operations prior to relocating to the US to set up the company's North American operation. In October 2018, James took up the position of group CEO. He was part of the team that saw the business through its first round of external fundraising and has been influential in the evolution of the PCI Pal product suite following a career spent entirely in the contact centre technology space.

William Good – Chief Financial Officer

Appointed to the Board on 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.

Geoff Forsyth – Chief Information Security Officer

Appointed to the Board on 27th October 1999

Geoff is responsible for the overall information security and regulatory compliance of the organisation's global services, including legal compliance, IT systems risk analysis, incident response planning and business continuity management. As a Fellow of the British Computer Society, Geoff has spent over 25 years working with internet and telecommunications services.

Jason Starr – Independent Non-Executive Director and Senior Independent Director

Appointed to the Board on 1st January 2015

Jason is a 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.

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.

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 three executive directors each with their own areas of expertise, together with two non-executive directors, including myself.

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 has been the adoption of IFRS 15: Revenue from Contracts with Customers which was adopted by the Group on the 1st July 2018. The Committee is informed by the work of the external 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. It is also responsible for the approval of the Group's various share options schemes. In considering its responsibilities it also takes input from the Group Chief Executive Officer where appropriate.

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

Chris Fielding
Non-Executive Chairman
8 October 2019

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 Group 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 50 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 33.

Leadership
The Board is collectively responsible for the long-term success of the Group and provides effective leadership by setting the strategic aim of the Group 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, CISO and one other independent Non-Executive Director. Details of the Board's experience are shown on page 23 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 four to six times per year to discuss the strategy, direction and financial performance of the company. Other additional Board meetings occur as required. The Directors review a management pack each month and a more detailed Board pack on a quarterly basis, which enables them to fulfil all of their duties of stewardship. This Board 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 2018/19

	Board Scheduled	Board Short Notice	Audit Scheduled	Audit Short Notice	Rem Com Scheduled	Rem Com Short Notice
Executive Directors						
James Barham	5/5	3/3	1*	-	-	1*
William Good	5/5	3/3	1*	-	-	1*
Geoff Forsyth	4/5	3/3	1*	-	-	1*
Non-executive directors						
Chris Fielding	5/5	3/3	1	-	-	1/1
Jason Starr	5/5	3/3	1	-	-	1/1

* = 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 Group 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 35 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 Group's position and prospects.
2. Pages 4 to 21 of these accounts reports on the business model and explains how the Group generates and preserves value over the longer term and also reports on the strategy for delivering the objectives of the Group.
3. Page 37 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 28.

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 17 to 20.

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.
4. Private investor roadshows and presentations at investor conferences.

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 2019.

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.

Changes in accounting policies

During the financial year the Group has adopted IFRS 15: Revenue from Contracts with Customers and has worked with the Group Auditors to ensure that all the required information has been correctly implemented and disclosed. As a result, the prior year financial results have been restated.

The retrospective impact of adopting IFRS 15 has been limited. PCI Pal's operating model is to provide a SaaS solution to its end customers via a Cloud platform service. Our partner and customer contracts are therefore structured primarily as annual recurring license fees, revenue from which is recognised rateably over time. The forward impact for PCI Pal of IFRS 15 is therefore mostly limited to the impact of also spreading implementation professional service fees over the contract periods.

The Group has also adopted IFRS 9: Financial Instruments. As the Group does not enter into forward contracts to hedge forecast transactions there has not been any restatement to the accounts.

In the next financial year, the Group will be adopting IFRS 16: Leases. However, the Group does not expect this adoption to have a material impact on its results.

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 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

8 October 2019

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 executive 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 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.

Payments made to the former Chief Executive Officer
In October 2018 the Group terminated the employment of William Catchpole, the Chief Executive. The Group reached a settlement with him and the remuneration committee sanctioned the following amounts as a termination payment: A payment in lieu of notice of £161,000; compensation for loss of office of £100,000; settlement of outstanding pension obligations of £11,000 and settlement of outstanding benefit obligations of £8,000. The Group also contributed towards his legal fees.

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 reviews 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.
- During each financial year the Remuneration Committee will agree participants for participation in the plan as recommended by the CEO. The Committee will grant share options to participants which will vest during/over a minimum three year period, depending on whether the options have met the performance criteria set. The vesting rules reflect the generally accepted employment practices for each region the participant is employed in.
- 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 in issue.

Note 19 of these accounts details the number of share options that have been issued by the Group.

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

Executive Directors	Date of appointment	Notice period
J C Barham	1 October 2016	12 months
T W Good	1 April 2017	12 months
G Forsyth	27 November 1999	12 months

The Non-Executive Directors have letters of appointment, setting out the terms and conditions of their appointment and their expected time commitment, and they are also subject to re-election by rotation by shareholders at least once every three years. The current Non-Executive Directors’ initial appointments commenced on the following dates:

Non-Executive Director	Date of appointment
C M Fielding	24 August 2014
J S Starr	20 November 2014

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
8 October 2019

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 James Christopher Barham Geoffrey Forsyth Thomas William Good
Secretary:	Thomas William Good BA (Hons) ACMA CGMA
Bankers:	National Westminster Bank PLC Silicon Valley Bank
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 2019.

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:

	2019	2018 Restated
	£000s	£000s
Revenue	2,817	2,007
Loss before taxation	(4,502)	(3,775)

The directors are not recommending a payment of a final dividend (2018: nil pence per share).

3. Directors

The membership of the Board is set out on page 23.

The beneficial and other interests of the directors and their families in the shares of the Company at 30 June 2019 and 1 July 2018 were as follows:

	30 June 2019 Ordinary shares of 1p each	1 July 2018 Ordinary shares of 1p each
G Forsyth	1,311,719	1,225,039
J Barham	121,942	52,203
T W Good	140,000	125,000
C M Fielding (non-executive)	35,590	-
J S Starr (non-executive)	-	-

The directors' remuneration for the year was as follows:

2018/19	Salary £	Bonus £	Benefits £	Payments relating to overseas posting £	Total £	Pension £
G Forsyth	137,100	-	5,005	-	142,105	14,150
J Barham	157,058	24,498	394	64,838	246,788	13,513
T W Good	139,800	-	-	-	139,800	-
C M Fielding (non-executive)	35,000	-	-	-	35,000	674
J S Starr (non-executive)	25,000	-	-	-	25,000	425
W A Catchpole (to 8th October 2018)	43,856	-	-	-	43,856	-
Total	537,814	24,498	5,399	64,838	632,549	28,762

2017/18	Salary £	Bonus £	Benefits £	Payments relating to overseas posting £	Total £	Pension £
G Forsyth	111,600	17,500	4,885	-	133,985	10,200
J Barham	118,002	34,500	2,347	24,455	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
W A Catchpole	175,700	27,500	7,700	-	210,900	-
Total	592,370	89,500	14,932	24,455	721,257	23,069

In April 2018, James Barham was relocated to the United States of America as part of the Group's expansion into that region. In October 2018, James Barham was appointed CEO of the Group and as a result, in April 2019, he relocated back to the UK. The Group agreed to meet certain costs relating to these relocation and postings which totalled £64,838 (2018: £24,455)

£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 8th October 2018 the Group terminated the employment of William Catchpole the Chief Executive. The Group reached a settlement with him and the remuneration committee sanctioned the following amounts as a termination payment: A payment in lieu of notice of £161,000; compensation for loss of office of £100,000; settlement of outstanding pension obligations of £11,000 and settlement of outstanding benefit obligations of £8,000. The Group also contributed £8,250 towards his legal fees.

In the year to 30 June 2018, C M Fielding received an additional payment of £10,000 relating to addition time spend advising the Board during the equity fund raising, which completed in January 2018.

Directors' interests in Long Term Incentive plans

The Directors' interests in share options to subscribe for ordinary shares in the Company are as follows:

	Note	At 1 July 2018 (number)	Granted in year (number)	Lapsed in year (number)	Exercised in year (number)	At 30 June 2019 (number	Exercise Price (pence)	Earliest exercise date	Last exercise date
James Barham	1	300,000	-	(300,000)	-	-	33.0	26th May 2020	24th May 2027
	2	-	550,000	(550,000)	-	-	28.5	26th May 2020	24th May 2027
	4	-	525,000	-	-	525,000	28.5	26th May 2020	24th May 2027
Geoff Forsyth	1	325,000	-	-	-	325,000	33.0	26th May 2020	24th May 2027
William Good	1	300,000	-	-	-	300,000	33.0	26th May 2020	24th May 2027
	3	-	100,000	-	-	100,000	26.5	13th Nov 2021	11th Nov 2028
Total		925,000	1,175,000	(850,000)	-	1,250,000			

Note 1: Option grant on the 25th May 2017
Note 2: Option grant on the 12th July 2018
Note 3: Option grant on the 12th November 2018
Note 4: Option grant on 13th June 2019

4. Share price and substantial shareholdings

During the year, the share price fluctuated between 39.5 pence and 17.5 pence and closed at 30.98 pence on 30 June 2019.

The beneficial and other interests of other substantial shareholders and their families in the shares of the Company at 30 June 2019 and 1 July 2018 were as follows:

Ordinary Shares of 1 p each	**30 June 2019**	**1 July 2018**
P Wildey	4,529,665	4,650,000
D Hamilton	1,814,000	1,814,000
W A Catchpole	2,943,697	2,943,697
Unicorn AIM VCT LLP	2,000,000	2,000,000
Octopus Investments Nominees	2,666,667	2,666,667
Livingbridge VCT LLP	2,000,000	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 at the balance sheet date and of the profit and loss of the Group for the period ended. 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions, disclose with reasonable accuracy at any time the financial position of the Group 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 Group 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 Group'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 Group'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 continuing to invest in its new fully-cloud based, PCI DSS level 1 compliant secure platform hosted on the AWS cloud infrastructure for its services. The new platform is operational but further functionality and product offerings are planned to be added over the coming years. The expenditure now meets the guidelines laid down by IAS 38 and have therefore capitalised the direct 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 24 to 27 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 17 to 20 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 21 November 2019.

7 Gamma Terrace
Ransomes Europark
Ipswich, Suffolk
IP3 9FF

BY ORDER OF THE BOARD

T W Good
Secretary
8 October 2019

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 2019, 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 2019 and of the group's loss for the year then ended; 30 June 2019
- 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.

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: £110,000.
- Key audit matter was identified as 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

Key audit matters are those matters that, in our professional judgement, 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
Risk– Revenue Recognition **During the year, the Group generated £2,817,000 (2018: £2,007,000) of revenue, which after costs generated a loss for the year of £4,366,000 (2018: £3,775,000).** The Group's revenue is generated from providing contractual services to customers. As a result management could manipulate the timing of revenue recognition to meet performance targets. Therefore, 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 Financial Reporting Standard (IFRS) 15: 'Revenue' for the current and prior period and that revenue has been recognised in line with the revenue recognition policy; • For contract revenue, testing the existence, validity and appropriate recognition of a sample of contracts by agreeing to signed contracts and confirming revenue recognition points; • Testing the existence, validity and appropriate recognition for a statistical sample for remaining revenue streams by agreeing amounts to third party reports; • Testing the cut off of sales by checking, for a sample of contracts at the year end, the appropriateness of revenue recognised and revenue deferred with reference to confirmation of works. ; The group's accounting policy on revenue recognition is shown in note 4d to the financial statements and related disclosures are included in note 9. **Key observations** Based on our audit work, we did not note any material misstatement in the revenue recognition as per accounting policy which was identified to be in accordance with IFRS 15.

There are no key audit matters in relation to the parent entity.

Our application of materiality

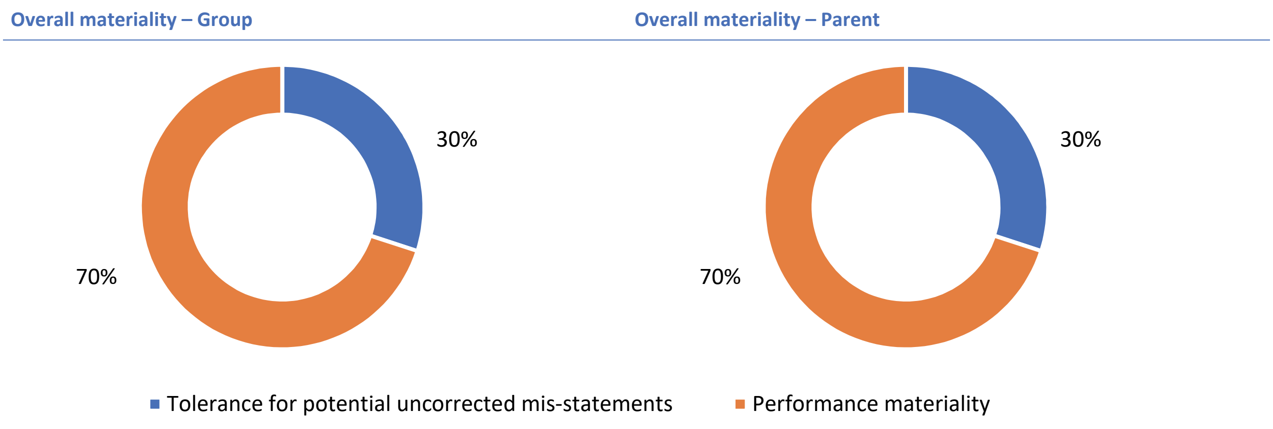
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating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

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£110,000 - Our determination of materiality was based on consideration of a number of benchmarks which we believe to be of importance to the users of the financial statements, most notably, total revenues and the loss before tax. These benchmarks were considered particularly important due to the significant level of user focus on these figures in assessing the Group's future prospects and in assessing the controllable aspects of the Group's performance during the year. The level of materiality was not determined by the application of a specific measurement percentage to	£99,000 - Similar to our determination of materiality for the group financial statements, given the parent company is non-trading, our determination of materiality was based on consideration of a number of benchmarks which we believe to be of importance to the users of the financial statements. We considered total assets and net assets as appropriate benchmarks which we believed to be of importance to the users of the financial statements. The level of materiality was not determined by the application of a specific measurement percentage to any single particular benchmark we considered; rather the

Materiality measure	Group	Parent
	any single particular benchmark we considered; rather the appropriate amount of materiality was determined to be £110,000 based on a review of the financial statements and this amount was evaluated for appropriateness by reference to a range of benchmarks.	appropriate amount of materiality was determined to be £99,000 based on a review of the financial statements and the interaction of materiality with the group financial statements and this amount was evaluated for appropriateness by reference to a range of benchmarks.
Performance materiality used to drive the extent of our testing	70% of financial statement materiality.	70% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as, directors' remuneration and related party transactions.	We 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	£6,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£5,000 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:

- PCI-PAL Plc has centralised processes 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 the required focus of our work and;
- We performed full scope audits of the financial statements of the parent company PCI-PAL PLC and PCI-PAL (U.K.) Limited based on their materiality to the Group. 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 consideration of a greater risk over revenue recognition as a result of the introduction of IFRS 15.
- We performed analytical procedures on the US subsidiary, 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
- Full scope and targeted procedures were performed over 100% of revenue and total assets within the group. We performed the audit during our visit in July 2019.

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 35, 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.

Use of our report

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

Christopher Frostwick
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Chelmsford
8 October 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 £000s	2018 £000s Restated
Revenue		**2,817**	**2,007**
Cost of sales		(1,119)	(1,151)
Gross profit		1,698	856
Administrative expenses		(6,373)	(4,649)
Loss from Operating Activities		(4,675)	(3,793)
Adjusted Operating Loss		(4,232)	(3,698)
Exceptional costs		(361)	-
Expenses relating to Share Options		(82)	(95)
Loss from Operating Activities		(4,675)	(3,793)
Finance income	6	181	28
Finance expenditure	7	(8)	(10)
Loss before taxation	5	(4,502)	(3,775)
Taxation	11	136	-
Loss for the year		**(4,366)**	**(3,775)**
Other comprehensive expense: Items that will be reclassified subsequently to profit or loss			
Foreign exchange translation differences		(107)	(31)
Total other comprehensive expense		**(107)**	**(31)**
Total comprehensive loss attributable to equity holders for the period		**(4,473)**	**(3,806)**
Basic and diluted earnings per share	10	(10.30) p	(10.45) p

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 £000s	2018 £000s Restated	2017 £000s Restated
ASSETS				
Non-current assets				
Plant and equipment	13	71	97	99
Intangible assets	12	1,300	844	495
Deferred taxation	17	-	-	-
Loan note receivable	14	-	1,206	2,202
Non-current assets		1,371	2,147	2,796
Current assets				
Trade and other receivables	14	1,999	846	648
Loan note receivable	14	-	908	945
Cash and cash equivalents		1,492	3,748	1,958
Current assets		3,491	5,502	3,551
Total assets		4,862	7,649	6,347
LIABILITIES				
Current liabilities				
Trade and other payables	15	(3,447)	(1,842)	(1,468)
Current portion of long-term borrowings	15	-	-	-
Current liabilities		(3,447)	(1,842)	(1,468)
Non-current liabilities				
Long term borrowings	16	-	-	-
Non-current liabilities		-	-	-
Total liabilities		(3,447)	(1,842)	(1,468)
Net assets		**1,415**	**5,807**	**4,879**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 30 JUNE 2019

	Note	2019 £000s	2018 £000s Restated	2017 £000s Restated
EQUITY				
Equity attributable to equity holders of the parent				
Share capital	19	427	427	317
Share premium		4,618	4,618	89
Other reserves		181	99	4
Currency reserves		(138)	(31)	-
Profit and loss account		(3,673)	694	4,469
Total equity		**1,415**	**5,807**	**4,879**

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 8 October 2019.

J Barham **Director**

T W Good **Director**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Share capital £000s	Share premium £000s	Other reserves £000s	Profit and loss account £000s	Currency Reserves £000s	Total Equity £000s
Balance at 1 July 2017	**317**	**89**	**4**	**5,014**	-	**5,424**
Adjustments from the adoption of IFRS 15	-	-	-	(545)	-	**(545)**
Adjusted Balance as at 1 July 2017	**317**	**89**	**4**	**4.469**	-	**4,879**
Share Option amortisation charge	-	-	95	-	-	**95**
New shares issued net of costs	110	4,529	-	-	-	**4,639**
Dividend paid	-	-	-	-	-	**-**
Transactions with owners	**110**	**4,529**	**95**	**-**	**-**	**4,734**
Retranslation of currency reserve	-	-	-	-	(31)	**(31)**
Loss for the year	-	-	-	(3,775)	-	**(3,775)**
Total comprehensive loss	**-**	**-**	**-**	**(3,775)**	**(31)**	**(3,806)**
Balance at 30 June 2018	**427**	**4,618**	**99**	**694**	**(31)**	**5,807**
Share Option amortisation charge	-	-	82	-	-	**82**
Dividend paid	-	-	-	-	-	**-**
Transactions with owners	**-**	**-**	**82**	**-**	**-**	**82**
Retranslation of currency reserve	-	-	-	-	(107)	**(107)**
Loss for the year	-	-	-	(4,367)	-	**(4,367)**
Total comprehensive loss	**-**	**-**	**-**	**(4,367)**	**(107)**	**(4,474)**
Balance at 30 June 2019	**427**	**4,618**	**181**	**(3,673)**	**(138)**	**1,415**

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 2019

	2018 £000s	2017 £000s Restated
Cash flows from operating activities		
Loss after taxation	(4,366)	(3,775)
Adjustments for:		
Depreciation	53	44
Amortisation of capitalised development	191	107
Interest income	(181)	(28)
Interest expense	-	-
Exchange differences	(107)	(31)
Income taxes	(136)	-
Deferred tax write off	-	-
Share based payments	82	95
Increase in trade and other receivables	(1,154)	(197)
Increase in trade and other payables	1,605	375
Cash used in operating activities	**(4,013)**	**(3,410)**
Dividend paid	-	-
Income taxes received	136	-
Interest element of finance leases	-	-
Interest paid	-	-
Net cash used in operating activities	**(3,877)**	**(3,410)**
Cash flows from investing activities		
Purchase of land, buildings, plant and Equipment	(110)	(43)
Proceeds from sale of assets	-	1
Development expenditure capitalised	(564)	(456)
Repayment of loan note receivable	2,114	1,032
Interest received	181	28
Net cash generated in investing activities	**1,621**	**562**

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 30 JUNE 2019

	2019 £000s	2018 £000s Restated
Cash flows from financing activities		
Issue of shares – net of cost of issue	-	4,638
Repayment of borrowings	-	-
Capital element of finance lease rentals	-	-
Net cash used in financing activities	**-**	**4,638**
Net (decrease)/increase in cash	**(2,256)**	**1,790**

Cash and cash equivalents at beginning of year	**3,748**	**1,958**
Net (decrease)/increase in cash	(2,256)	1,790
Cash and cash equivalents at end of year	**1,492**	**3,748**

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 2019 were authorised for issue by the Board of Directors on 8 October 2019 and the Chief Executive, James Barham, and the Chief Financial Officer, William Good, signed the balance sheet.

2. NATURE OF OPERATIONS AND GENERAL INFORMATION

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

The 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 consolidated 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 2019 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 2020
- IFRS 16 Leases: the impact of adopting this IFRS is detailed below
- 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

IFRS 16: Leases – effect for the year ending 30 June 2020

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 16 "Leases" was issued in January 2016. It requires the lessee to recognise most leases on the balance sheet as the distinction between operating leases and finance leases is removed. Currently operating leases are not recognised on the balance sheet. The only exceptions are for short term leases and leases of low value.

As at 30 June 2019 the Group has one non-cancellable lease relating to its premises in Ipswich with a lease commitment of £68,000 (Note 25: Operating Leases). As at 1 July 2019 for the remaining lease commitment the Group expects to recognise £52,000 as a right-to-use asset and lease liabilities of £52,000. It is expected after adoption in 2019 that the operating loss of the company will improve by £9,000 but there will be no overall effect to the loss before tax figure.

The Group will adopt IFRS 16 on the 1 July 2019.

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").

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 18) drawn up to 30 June 2019. 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 £1.492 million at the 30 June 2019. Post the financial year end the Group has arranged a £2.75 million, 36 month term loan with Shawbrook Bank to assist with the working capital requirements of the Group.

The directors have prepared and reviewed cash flow forecasts to December 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 this period 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 Group is able to meet its day-to- day financial working capital needs.

d) Revenue

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

(i) PCI compliance solutions and hosted telephony services
Revenue for set-up and cloud provision fee 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, starting the month following from the date of signature of the underlying contract.

The payment profile for such contracts typically include payment for set-up fees at the point of signature of the contract, but for revenue recognition purposes, this is deemed to be an integral part of the wider contract rather than a separate performance obligation.

Revenue for all other professional services and installation fees 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, starting in the month following the hand over to the client for user acceptance testing.

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

e) Deferred Costs

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

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

Costs relating to commission costs paid to employees for winning the contract will be capitalised as 'direct costs to fulfil a contract' at the date the commissions payments become due and will be released in monthly increments over the minimum contract term starting the month following the date the cost is capitalised.

f) Intangible assets

Research and development

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

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

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

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

The Directors have reviewed the development costs relating to the new AWS platform and are satisfied that the costs identified meet the tests identified by IAS 38 detailed above. Specifically, the initial platform was launched in October 2017 and has been successfully sold in Europe, North America and Australia, with further sales expected, as detailed in the Chief Executives' statement. The directors expect that the AWS platform will continue to be developed, as more functionality is added, and as a result the it is expecting to continue to capitalise the development costs (which are primarily labour costs) into the future.

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%

Software licences

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

- Software licences 20% to 30%

g) Land, building, plant and equipment

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

Disposal of assets

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

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all 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.

h) 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.

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 are expected to 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 2019.

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 2019, 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.

Trade receivables are reviewed at inception under an expected credit loss model, and then subsequently for further indicators of impairment, and a provision, if required, is determined as the difference between the assets’ carrying amount and the present value of estimated future cash flows.

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

- “currency reserves” represents exchange differences arising from the translation of assets and liabilities of foreign operations

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

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group’s presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the currency reserve.

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. Judgement factors include: current sales of the new AWS platform; future demand; and the resource necessary to finalise the development over the next few years. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the directors.

The Group has adopted IFRS 15. A key related judgement is whether fees relating to the establishment of a contract constitute a separate performance obligation (see Note 4d above). Having determined that such fees are not a separate performance obligation, a key estimate is the period over which such fees are recognised as revenue. The directors have judged that such revenue will be deferred into deferred revenue and held in the Statement of Financial Position and will be released to the Statement of Comprehensive Income over the estimated term of the contract.

That term is estimated as:
- for contracts with defined termination dates, revenue will be recognised over the period to the termination date
- for rolling contracts with renewal clauses, revenue will be recognised over the maximum of 4 years, representing the directors' current best estimate of a minimum contract term.

Associated direct costs will be assessed and will also be deferred over the same period. Commission costs directly attributable to the sale will be deferred but over the minimum contract length of the contract it relates to.

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:

	2019 £000s	2018 £000s
Disclosure of the audit and non-audit fees		
Fees payable to the Group's auditors for:		
The audit of Company's accounts	20	15
The audit of the Company's subsidiaries pursuant to legislation	12	17
Fees payable to the Group's auditors for other services		
Audit related assurance services	-	-
Tax – compliance services	6	6
Tax – advisory services	12	24
Depreciation and amortisation – charged in administrative expenses		
Plant and equipment	53	44
Intangible assets	191	107
Rents payable	148	133
Amortisation of share-based payments	82	95
Foreign exchange gain	89	22

6. FINANCE INCOME

	2019 £000s	2018 £000s
Unwind of loan note receivable discount	181	25
Bank interest receivable	0	3
	181	28

7. FINANCE EXPENDITURE

	2019 £000s	2018 £000s
Interest on bank borrowings	-	-
Other	8	10
	8	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.

	2019	2018
	£000s	£000s
Wages and salaries	3,381	2,401
Social security costs	425	302
Other pension costs	74	55
	3,880	2,758

	2019	2018
	Heads	Heads
Average number of employees during the year	45	37

Remuneration in respect of directors was as follows:

	2019	2018
	£000s	£000s
Emoluments	543	592
Bonus	24	90
Pension contributions to money purchase pension schemes	29	23
Employer's National insurance and US Federal Taxes	65	92
	661	797

During the year 4 (2017: 5) directors participated in money purchase pension schemes.

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

In October 2018 the Group terminated the employment of its Chief Executive. The Group reached a settlement with him and paid him the following amounts as a termination payment:

	£000s
Payment in Lieu of Notice	161
Bonus	-
Compensation for loss of office	100
Settlement of pension obligations	11
Settlement of benefit obligations	8
	280
Employer's National insurance	22
	302

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

	2019	2018
	£000s	£000s
Emoluments	157	183
Bonus	24	28
Pension contributions to money purchase pension schemes	14	-

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 and this is delivered on a regional basis. The Group manages its operations by reference to geographic segments, which are reported on below:

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. 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.

2019	PCI Pal EMEA £000s	PCI Pal North America £000s	Central £000s	Total £000s
Revenue	2,721	96	-	2,817
Cost of Sales	(1,119)	-	-	(1,119)
Gross Profit	1,602	96	-	1,698
	59%	100%		60%
Administration Expenses	(2,754)	(2,680)	(939)	(6,373)
Loss from Operating Activities	(1,152)	(2,584)	(939)	(4,675)
Finance income	-	-	181	181
Finance costs	(3)	(5)	-	(8)
Loss before tax	(1,155)	(2,589)	(758)	(4,502)
Segment assets	3,142	537	1,183	4,862
Segment liabilities	(2,779)	(566)	(115)	(3,447)
Other segment items:				
Capital Expenditure - Equipment, Fixtures & Licences	27	-	-	27
Capital Expenditure - Capitalised Development	647	-	-	647
Depreciation - Equipment, Fixtures & Licences	53	-	-	53
Depreciation - Capitalised Development	191	-	-	191

9. SEGMENTAL INFORMATION (continued)

2018 Restated	PCI Pal EMEA £000s	PCI Pal North America £000s	Central £000s	Total £000s
Revenue	2,007	-	-	2,007
Cost of Sales	(1,151)	-	-	(1,151)
Gross Profit	856	-	-	856
	43%	-%		43%
Administration Expenses	(2,809)	(955)	(885)	(4,649)
Loss from Operating Activities	(1,953)	(955)	(885)	(3,793)
Finance income	-	-	28	28
Finance costs	(6)	(3)	(1)	(10)
Loss before tax	(1,959)	(958)	(858)	(3,775)
Segment assets	1,889	1,252	4,508	7,649
Segment liabilities	(1,697)	(102)	(43)	(1,842)
Other segment items:				
Capital Expenditure - Equipment, Fixtures & Licences	43	-	-	43
Capital Expenditure - Capitalised Development	456	-	-	456
Depreciation - Equipment, Fixtures & Licences	45	-	-	45
Depreciation - Capitalised Development	107	-	-	107

Revenue can be split by location of customers as follows:

Continuing activities	2019 £000s	2018 £000s Restated
PCI – PAL division		
United Kingdom and European Union	2,610	1,907
North America	90	-
Asia Pacific	6	-
Middle East	111	100
Continuing Operations	2,817	2,007

All non-current assets are located in the United Kingdom and no customer accounted for more than 10% of the revenue of the Group

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 19.

	12 months ended 30 June 2019	12 months ended 30 June 2018 Restated
(Loss)/profit after taxation added to reserves	(£4,366,000)	(£3,775,000)
Basic weighted average number of ordinary shares in issue during the period	42,386,720	36,137,282
Diluted weighted average number of ordinary shares in issue during the period	47,083,804	39,355,616
Basic and diluted earnings per share	(10.30) p	(10.45) p

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

11. TAXATION

	2019 £000s	2018 £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% (2018: 19%)	-	-
R & D Tax credit received	136	-
Total current tax (charged)/credited	136	-
Movement on recognition of tax losses	-	-
Total deferred tax charged	-	-
(Charge)/credit	136	-

11. TAXATION (continued)

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year was lower than the standard rate of corporation tax in the UK of 19% (2018: 19%) and in the United States of 21% (2018: 21%)

	2019 £000s	2018 £000s Restated
Loss on ordinary activities before tax	(4,502)	(3,775)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK & US of 20.14% (2017: 20%)	(907)	(717)
Expenses not deductible for tax purposes	1	1
Depreciation (less than)/in excess of capital allowances for the year	28	11
Utilisation of tax losses	-	-
Unrelieved tax losses	883	717
Other	(5)	(12)
Movement on deferred tax timing differences	-	-
R&D Tax Credit received	136	
Prior year adjustment	-	-
Total tax credited for the year	136	-

The Group has unrecognised tax losses carried forward of £9.42 million (2018: £5.23 million).

12. INTANGIBLE ASSETS

2019	SIP, RTP and SBC licences £000s	Capitalised Development £000s	Total £000s
Cost:			
At 1 July 2018	-	951	951
Additions	83	564	647
Disposals	-	-	-
At 30 June 2019	83	1,515	1,598
Depreciation (included within administrative expenses):			
At 1 July 2018	-	107	107
Charge for the year	8	183	191
Disposals	-	-	-
At 30 June 2019	8	290	298
Net book amount at 30 June 2019	75	1,225	1,300

2018	SIP, RTP and SBC licences £000s	Capitalised Development £000s	Total £000s
At 1 July 2017	-	495	495
Additions	-	456	456
Disposals	-	-	-
At 30 June 2018	-	951	951
Depreciation (included within administrative expenses):			
At 1 July 2017	-	-	-
Charge for the year	-	107	107
Disposals	-	-	-
At 30 June 2018	-	107	107
Net book amount at 30 June 2018	-	844	844

13. PLANT AND EQUIPMENT

2019	Fixtures and Fittings £000s	Computer Equipment £000s	Total £000s
Cost:			
At 1 July 2018	22	199	221
Additions	-	27	27
Disposals	-	-	-
At 30 June 2019	22	226	248
Depreciation (included within administrative expenses):			
At 1 July 2018	6	118	124
Charge for the year	4	49	53
Disposals	-	-	-
At 30 June 2019	10	167	177
Net book amount at 30 June 2019	12	59	71

2018	Fixtures and Fittings £000s	Computer Equipment £000s	Total £000s
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

There are no assets held as finance leases.

14. TRADE AND OTHER RECEIVABLES

	2019 £000s	2018 £000s Restated
Trade receivables	1,057	475
Accrued income	35	-
Other receivables	605	155
Loan notes receivable within one year	-	908
Prepayments and accrued income	302	216
Trade and other receivables due within one year	1,999	1,754
Loan notes receivable in more than one year	-	1,206
Trade and other receivables	1,999	2,960

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

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

	2019 £000s	2018 £000s
Opening provision	8	15
Charged to income	-	(7)
Closing provision at 30 June	8	8

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:

	2019 £000s	2018 £000s
0-30 days past due	118	61
30-60 days past due	19	6
Over 60 days past due	140	52
	277	119

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.

Loan notes receivable

The loan notes receivable outstanding as at 30 June 2018 were fully repaid in the period.

15. CURRENT LIABILITIES

	2019 £000s	2018 £000s Restated
Trade payables	491	447
Social security and other taxes	97	111
Deferred Income	2,453	1,131
Accruals	406	153
Trade and other payables	3,447	1,842
Bank loans (note 16)	-	-
Amounts due under finance leases (note 16)	-	-
Current portion of long-term borrowings	-	-
	3,447	1,842

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

16. NON-CURRENT LIABILITIES

	2019 £000s	2018 £000s
Bank loans	-	-
Amounts due under finance leases	-	-
Long term borrowings	-	-

Borrowings

Bank loans are repayable as follows:

	2019 £000s	2018 £000s
Within one year	-	-
After one year and within two years	-	-
After two years and within five years	-	-
Over five years	-	-
	-	-

17. DEFERRED TAXATION

Deferred taxation is calculated at a rate of 19% (2018: 19%) in the UK and 21% (2018: 19%) in the US

	Tax losses £000s	Total £000s Restated
Opening balance at 1 July 2017	-	-
(Charged)/credited through the statement of comprehensive income in the year	-	-
At 30 June 2018	-	-
Charged through the statement of comprehensive income in the year	-	-
At 30 June 2019	-	-

	2019 £000s	2018 £000s Restated
Unprovided deferred tax assets		
Accelerated capital allowances	-	-
Trading losses	1,602	1,060
	1,602	1,060

The unprovided deferred tax assets are calculated at a rate of 17% (2018: 17%).

18. GROUP UNDERTAKINGS

At 30 June 2019, 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

19. SHARE CAPITAL

Group	2019 Number	2019 £000s	2018 Number	2018 £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	42,721,178	427

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 39.5 pence and 17.5 pence and closed at 30.98 pence on 30 June 2019.

Share Option schemes

The Company operates an Employee Share Option Scheme. The share options granted under the scheme are subject to performance criteria and generally have a life of 10 years. The grant price is taken with reference to the closing quotation price as derived from the Daily Official List of the London Stock Exchange.

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

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

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

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

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

Date of Grant	25 May 17	12 July 18	12 Nov 18	02 Jan 19	27 Feb 19	10 May 19	13 Jun 19	Total
Exercise Price	33.0 pence	28.5 pence	26.5 pence	19.0 pence	23.0 pence	22.0 pence	28.5 pence	N/A
Price at date of grant	44.0 pence	28.5 pence	26.5 pence	19.0 pence	23.0 pence	22.0 pence	28.5 pence	N/A
Estimated time to Maturity	5 years	5 years	5 years	5 years	5 years	5 years	5 years	N/A
Expected Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	N/A
Risk Free Rate	0.57%	0.996%	0.996%	0.839%	0.961%	0.870%	0.622%	N/A
No Steps used in calculation	10	10	10	10	10	10	10	N/A
No of simulations used in calculation	100,000	100,000	100,000	100,000	100,000	100,000	100,000	N/A
Fair value of Option	14.11 pence	14.18 pence	14.23 pence	14.25 pence	14.21 pence	14.23 pence	14.30 pence	N/A
Weighted average life in years	2.90 years	4.03 years	4.36 years	4.50 years	4.66 years	4.85 years	4.95 years	
# option shares issued at grant	3,065,000	565,000	225,000	320,000	105,000	145,000	525,000	4,950,000
# option shares lapsed	(580,000)	(350,000)	(10,000)	0	0	0	0	(940,000)
# option shares outstanding as at 30 June 2019	2,485,000	215,000	215,000	320,000	105,000	145,000	525,000	4,010,000
# option shares exercisable as at 30 June 2019	0	0	0	0	0	0	0	0
Total charge for year	£52,002	£5,915	£3,875	£4,500	£1,014	£588	£741	£68,635
Total cumulative charge as at 30 June 2019	£147,118	£5,915	£3,875	£4,500	£1,014	£588	£741	£163,751

The fair value of these options has been calculated on an issue by issue basis and £68,635 (2018: £91,116) has been charged to the statement of comprehensive income account for this financial year.

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

Date of Grant	28 Jun 17	04 Oct 17	12 Jul 18	12 Jul 18	12 Nov 18	12 Nov 18	07 Jan 19	27 Feb 19	Total
Exercise Price	41.5 pence	44.5 pence	28.5 pence	28.5 pence	26.5 pence	26.0 pence	18.4 pence	23.0 pence	
Price at date of grant	41.5 pence	44.5 pence	28.5 pence	28.5 pence	26.0 pence	26.0 pence	18.4 pence	23.0 pence	
Estimated time to Maturity	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	
Expected Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Risk Free Rate	0.57%	0.57%	0.996%	0.996%	1.03%	1.03%	0.89%	0.96%	
Volatility	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	
Fair value of Option	7.8 pence	8.4 pence	5.6 pence	5.6 pence	5.0 pence	5.2 pence	3.6 pence	4.5 pence	
Weighted average life in years	3.0 years	3.26 years	4.03 years	4.03 years	4.36 years	4.36 years	4.52 years	4.66 years	
# option shares issued at grant	150,000	150,000	415,000	641,667	150,000	60,000	15,000	100,000	1,681,667
# option shares lapsed	0	0	(25,000)	(550,000)	0	0	0	0	(575,000)
# option shares outstanding at 30 June 2019	150,000	150,000	390,000	91,667	150,000	60,000	15,000	100,000	1,106,667
# option shares exercisable as at 30 June 2019	71,875	59,375	0	0	0	0	0	0	131,250
Total charge for year	£2,346	£2,524	£4,271	£1,004	£941	£393	£52	£308	£11,839
Total cumulative charge as at 30 June 2019	£4,937	£4,384	£4,271	£1,004	£941	£393	£52	£308	£16,290

The fair value of these options has been calculated on an issue by issue basis and £11,839 (2018: £2,401) has been charged to the statement of comprehensive income account for this financial year.

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

	2019 Weighted Average exercise Price £	Number of Options	2018 Weighted Average exercise price £	Number of Options
Options outstanding at start of year	0.339	3,255,000	0.330	3,215,000
Options granted during the year	0.266	3,266,667	0.445	150,000
Options exercised during the year		-		-
Options lapsed during the year	0.300	(1,405,000)	0.330	(110,000)
Options outstanding at end of year	0.303	5,116,667	0.339	3,255,000
Options exercisable at the end of year		131,250		-

20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Capital Management

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

At 30 June 2018, the Group had a closing cash balance of £1,492,000 (2018: £3,748,000) 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.

In October 2019, after the close of the financial year, the Group agreed a £2.75 million, 36 month term loan facility with Shawbrook Bank secured over the assets of the business to assist with the working capital requirements of the Group

Interest rate risk

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

Post the balance sheet date the Group has entered a term loan agreement with Shawbrook Bank, details of which are disclosed in Note 28: *Subsequent Events*

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. Concentration of credit risk with respect to trade receivables are limited due to the wide nature of the Group's customer base: no one customer accounts for more than 10% of revenues. In some cases, licences fees are paid for annually in advance.

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.

Foreign currencies and foreign currency risk

During the year exchange gains of £89,400 (2018: £21,600) have arisen and at the year-end. As at the 30 June 2019 the Group held the following foreign currency cash balances:

US Dollar:	$97,406	Sterling equivalent: £77,111	(2018: £83,246)
Canadian Dollar:	$8	Sterling equivalent: £5	(2018: £nil)
Australian Dollar:	$11,273	Sterling equivalent: £6,130	(2018: £nil)
Total		Sterling equivalent: £83,246	(2018: £83,246)

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.

The Group's principal exposure to exchange rate fluctuations arise on the translation of overseas net assets, profits and losses into Sterling, for presentational purposes. The risk is managed by taking the differences that arise on the retranslation of the net overseas investments to the currency reserve. Foreign currency risk on cash balances is monitored through regular forecasting and the Group tries to maintain a minimum level of currency in the accounts so as to meet the short term working capital requirements.

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

Financial assets

	Note	**2019**	**2018**
Current financial assets			
		£000s	**£000s**
Cash at bank		1,492	3,748
Trade receivables – current	14	1,057	475
Accrued income	14	35	-
Loan notes receivable	14	-	2,114
		2,584	6,337

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

Financial liabilities

	Note	**2019**	**2018**
Current financial liabilities			
		£000s	**£000s**
Trade payables	15	491	447
Accruals	15	406	153
		897	600

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

21. CAPITAL COMMITMENTS

The Group has no capital commitments at 30 June 2019 or 30 June 2018.

22. CONTINGENT ASSETS

The Group has no contingent assets at 30 June 2019 or 30 June 2018.

23. CONTINGENT LIABILITIES

The Group has no contingent liabilities at 30 June 2019 or 30 June 2018.

24. CHANGES IN ACCOUNTING POLICIES

Impact on the financial statements
As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated.

IFRS 9 *Financial Instruments* was implemented without restating comparative information, on the grounds of materiality.

IFRS 15 *Revenue from Contracts with Customers* was adopted and the prior year financial statements have been restated. The tables below show the adjustments recognised for each individual line item for the period ending 30 June 2018.

The adjustments for the twelve months to 30 June 2018 are as follows:

Consolidated statement of comprehensive income for the twelve months to 30 June 2018	As originally presented	Adjustment IFRS 15	Restated twelve months ended 30 June 2018
	£'000	£'000	£'000
Continuing operations			
Revenue	2,136	(129)	2,007
Cost of sales	(1,151)	-	(1,151)
Gross profit	985	(129)	856
Administrative expenses	(4,747)	98	(4,649)
Loss from operating activities	(3,762)	(31)	(3,793)
Interest payable	(10)	-	(10)
Finance income	28	-	28
Interest receivable	-	-	-
Loss before taxation	(3,744)	(31)	(3,775)
Taxation	-	-	-
Loss for period from continuing activities	(3,744)	(31)	(3,775)
Profit for period from discontinued activities	-	-	-
Total comprehensive (loss)/income for the period	(3,744)	(31)	(3,775)
Profit / (loss) per share expressed in pence			
Basic and diluted	(10.36)	(0.09)	(10.45)

Consolidated statement of financial position as at 30 June 2017	As originally presented £'000	Adjustment IFRS 15 £'000	Restated twelve months ended 30 June 2017 £'000
Assets			
Non-current assets			
Plant & Equipment	99	-	99
Intangible assets	495	-	495
Loan note receivable	2,202	-	2,202
Non-current assets	2,796	-	2,796
Current assets			
Trade and other receivables	608	40	648
Loan note receivable	945	-	945
Cash and cash equivalents	1,958	-	1,958
Current assets	3,511	40	3,551
Total assets	6,307	40	6,347
Liabilities			
Current liabilities			
Trade and other payables	(883)	(585)	(1,468)
Other interest-bearing loans and borrowings	-	-	-
Current liabilities	(883)	(585)	(1,468)
Non-current liabilities			
Long term borrowings	-	-	-
Non-current liabilities	-	-	-
Total liabilities	(883)	(585)	(1,468)
Net assets	5,424	(545)	4,879
Shareholders' equity			
Share capital	317	-	317
Share premium	89	-	89
Other reserve	4	-	4
Currency reserve	-	-	-
Profit & loss account	5,014	(545)	4,469
Total shareholders' equity	5,424	(545)	4,879

Consolidated statement of financial position as at 30 June 2018	As originally presented £'000	Adjustment IFRS 15 £'000	Restated twelve months ended 30 June 2018 £'000
Assets			
Non-current assets			
Plant & Equipment	97	-	97
Intangible assets	844	-	844
Loan note receivable	1,206	-	1,206
Non-current assets	2,147	-	2,147
Current assets			
Trade and other receivables	708	138	846
Loan note receivable	908	-	908
Cash and cash equivalents	3,748	-	3,748
Current assets	5,364	138	5,502
Total assets	7,511	138	7,649
Liabilities			
Current liabilities			
Trade and other payables	(1,128)	(714)	(1,842)
Other interest-bearing loans and borrowings	-	-	-
Current liabilities	(1,128)	(714)	(1,842)
Non-current liabilities			
Long term borrowings	-	-	-
Non-current liabilities	-	-	-
Total liabilities	(1,128)	(714)	(1,842)
Net assets	6,383	(576)	5,807
Shareholders' equity			
Share capital	427	-	427
Share premium	4,618	-	4,618
Other reserve	99	-	99
Currency reserve	(31)	-	(31)
Profit & loss account	1,270	(576)	694
Total shareholders' equity	6,383	(576)	5,807

Reconciliation of contract revenue balances under IFRS 15

	2019	**2018**
	£000s	£000s
b/fwd deferred revenue	(714)	(585)
Amounts invoiced and deferred in year	(821)	(379)
Amounts released as revenue in year	398	250
c/fwd deferred revenue	(1,137)	(714)

Reconciliation of contract cost balances under IFRS 15

	2019	2018
	£000s	£000s
b/fwd deferred cost balance	138	40
Amounts of costs deferred in year	605	138
Amounts of costs released in year	(138)	(40)
c/fwd deferred cost balance	605	138

IFRS 15 - *Revenue from Contracts with Customers* - Impact of adoption

The Group has adopted IFRS 15 from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the group has adopted the new rules retrospectively and has restated comparatives both for the 2018 financial year and the opening balance sheet at 1 July 2017. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 July 2018).

(i) Revenue

From 1 July 2017 all set-up, professional service and installation fees for our PCI compliance solutions and our hosted telephony services previously recognised in revenue during the implementation phase of the client projects have been restated under IFRS 15. These fees will now be deferred into deferred revenue and held in the balance sheet and will be released to the statement of comprehensive income over the estimated term of the contract up to a maximum of four years.

In addition, the opening balance sheet at 1 July 2017 has been restated for contracts where fees have been recognised in revenue prior to 1 July 2017.

The net impact of this restatement is a reduction in previously reported revenue of £0.129 million for the 12 month period to 30 June 2018.

The total deferred liability restated at 30 June 2018 is £0.714 million.

There have been no adjustments made to revenue for the sale of third-party equipment.

(ii) Commission costs (administrative expenses)

Commission paid to members of the sale team for the signing of specific contracts is deferred onto the balance sheet and held in other current assets and is matched to the revenue over the minimum period of the contract term.

In addition, the opening balance sheet at 1 July 2017 has been restated for contracts where commission has been charged as an administrative expense prior to 1 July 2017.

Net commission costs of £0.089 million for the 12 month period to 30 June 2018 have been capitalised into other current assets.

IFRS 15 - *Revenue from Contracts with Customers - Accounting policies*

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

(i) PCI compliance solutions and hosted telephony services
Revenue for set-up and cloud provision fee 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, starting the month following from the date of signature of the underlying contract.

The payment profile for such contracts typically include payment for set-up fees at the point of signature of the contract, but for revenue recognition purposes, this is deemed to be an integral part of the wider contract rather than a separate performance obligation.

Revenue for all other professional services and installation fees 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, starting in the month following the hand over to the client for user acceptance testing.

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

Costs relating to commission costs paid to employees for winning the contract will be capitalised as 'costs to fulfil a contract' at the date the commissions payments become due and will be released in monthly increments over the minimum contract term starting the month following the date the cost is capitalised.

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

IFRS 9 - Financial Instruments - Accounting policies

The Group does not enter into forward contracts to hedge forecast transactions and so there is no requirement to restate the previous financial statements.

25. OPERATING LEASE COMMITMENTS

	2019	**2018**
	£000s	**£000s**
Total future lease payments:		
Less than one year	45	109
After one and within two years	23	45
After two and within five years	-	68
	68	222

Operating lease commitments relate to the following buildings:

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

The Company operates from a serviced office facility at 30 Moorgate London that is cancellable at short notice.

The Company operates from a serviced office facility at 101 N Tryon St, Charlotte that is cancellable at short notice.

26. TRANSACTIONS WITH DIRECTORS

There were no transactions with directors in the year to June 2019 or June 2018.

27. DIVIDENDS

The directors have proposed a dividend of nil pence per share (2018: nil pence per share) post year end (subject to shareholder approval).

28. SUBSEQUENT EVENTS

Post the close of the financial year the Group has entered into a £2.75 million loan facility with Shawbrook Bank. The principal terms are as follows:

Term	36 months with three month capital repayment holiday
Interest rate	9.3% over LIBOR paid monthly
Arrangement Fee	1.4% of loan facility
Non utilisation fee	0.6% of unutilised amount
Exit fee	shares equivalent of 7.5% of the facility payable as detailed below
Security	Fixed and Floating debenture over the assets of the Group.

The loan balance can be drawn in two tranches with a minimum of £1.0 million within five business days of the signing of the agreement and the remaining balance within twelve months. The company will initially be drawing down £1.5 million of this new facility. The facility is being used to support the working capital requirements of the Group as it continues to grow.

Shawbrook Bank will be entitled to receive a cash based exit payment calculated on the value generated, over a 10 year period, on the equivalent of £206,250 of phantom shares (being 7.5% of the facility) if there is a takeover of the Group or a debt refinancing of the Shawbrook debt.

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

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

and where:

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

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

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

An Exit Fee Event is where there is:

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

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

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

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

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

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 £000s	2018 £000s
ASSETS			
Non current assets			
Investments in Subsidiaries	5	-	-
Loan Note Receivable	6	-	1,206
		-	1,206
Current assets			
Debtors	6	8,568	6,769
Cash at bank and in hand		1,160	2,357
		9,728	9,126
Creditors: amounts falling due within one year	7	(115)	(43)
Net current assets		9,613	9,083
Total assets less current liabilities		**9,613**	**10,289**
Creditors: amounts falling due after more than one year		-	-
Net assets		**9,613**	**10,289**
Capital and reserves			
Called up share capital	8	427	427
Share premium account		4,618	4,618
Other reserves		181	99
Profit and loss account		4,387	5,145
Shareholders' Funds		**9,613**	**10,289**

The loss for the Company for the year was £757,700 (2018: £857,500)

The financial statements were approved by the directors and were authorised for issue on 8 October 2019.

J Barham **Director**

T W Good **Director**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Share capital £000s	**Share premium £000s**	**Other reserves £000s**	**Profit and loss account £000s**	**Total equity £000s**
Balance at 1 July 2017	**317**	**89**	**4**	**6,003**	**6,413**
Dividend paid	-	-	-	-	**-**
Equity issued in period	110	4,529	-	-	**4,639**
Share Option amortisation charge	-	-	95	-	**95**
Transactions with owners	**110**	**4,529**	**95**	**-**	**4,734**
Loss for the year	-	-	-	(858)	**(858)**
Total comprehensive loss	**-**	**-**	**-**	**(858)**	**(858)**
Balance at 30 June 2018	**427**	**4,618**	**99**	**5,145**	**10,289**
Dividend paid	-	-	-	-	**-**
Equity issued in period	-	-	-	-	**-**
Share Option amortisation charge	-	-	82	-	**82**
Transactions with owners	**-**	**-**	**82**	**-**	**82**
Loss for the year	-	-	-	(758)	**(758)**
Total comprehensive loss	**-**	**-**	**-**	**(758)**	**(758)**
Balance at 30 June 2019	**427**	**4,618**	**181**	**4,387**	**9,613**

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 2019

	2019 £000s	2018 £000s
Cash flows from operating activities		
Loss after taxation	(758)	(858)
Adjustments for:		
Depreciation	-	-
Interest income	(181)	(28)
Share based payments	82	95
Profit on sale of call centre division	-	-
Increase in trade and other receivables	(2,707)	(4,377)
Increase/(decrease) in trade and other payables	72	(86)
Cash used in continuing operations	**(3,492)**	**(5,254)**
Dividend paid	-	-
Net cash used in operating activities	**(3,492)**	**(5,254)**
Cash flows from investing activities		
Cash received for sale of call centre operation	-	-
Repayment of loan note receivable	2,114	1,033
Dividend received	-	-
Interest received	181	28
Net cash generated from investing activities	**2,295**	**1,061**
Cash flows from financing activities		
Issue of shares	-	4,638
Repayment of borrowings	**-**	**-**
Net cash used in financing activities	**-**	**4,638**
Net (decrease)/increase in cash	**(1,197)**	**445**
Cash and cash equivalents at beginning of year	**2,357**	**1,912**
Net (decrease)/increase in cash	**(1,197)**	**445**
Cash and cash equivalents at end of year	**1,160**	**2,357**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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. This includes the recognition and measurement principles of IAS 39, whilst the Group accounts apply IFRS 9.

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.

Intercompany balances

Intercompany balances represent amounts lent to subsidiary companies for working capital purposes. The loans are repayable on demand and interest is not charged on the balances outstanding.

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” represent retained profits

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 £757,700 (2018: £857,500).

3. PERSONNEL REMUNERATION

During the period the Company had three employees James Barham, William Good and William Catchpole 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 £1,000 (2018: £3,000). The Company also recognised £180,000 (2018: £25,000) from the unwinding of the Loan notes receivable discount.

The Company does not charge interest on its intercompany balances.

5. FIXED ASSETS INVESTMENTS

	Subsidiary undertakings £000s	Total £000s
Cost at 1 July 2017	-	-
Disposals	-	-
Additions	-	-
Cost at 30 June 2018	-	-
Additions	-	-
Disposals	-	-
Cost at 30 June 2019	-	-

6. TRADE AND OTHER RECEIVABLES

	2019 £000s	2018 £000s
Amounts due within one year		
Loan notes receivable	-	908
Amount owed by Group undertaking	8,534	5,824
VAT recoverable	13	17
Prepayments	21	20
	8,568	6,769
Amounts due after one year		
Loan notes receivable	-	1,206
	8,568	7,975

Amounts owed by Group undertakings are repayable on demand and there is no interest charged

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £000s	2018 £000s
Trade creditors	27	23
Accruals	88	20
	115	43

8. SHARE CAPITAL

Company	2019 Number	2019 £000s	2018 Number	2018 £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	42,721,178	427

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 2019 (2018: nil pence per share).

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 2019, the Company had a closing cash balance of £1,160,000 (2018: £2,356,600).

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 and intercompany receivables.

The main credit risk arises from the intercompany receivables. 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.

Financial assets

Current financial assets	Note	2019	2018
		£000s	**£000s**
Cash at bank		1,160	2,357
Intercompany receivables		8,534	5,824
Loan notes receivable		-	2,114
		9,694	10,295

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

Financial liabilities

Current financial liabilities	Note	2019	2018
		£000s	**£000s**
Trade payables		27	23
Accruals		88	20
		115	43

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

“Talkdesk understands the changing needs of today’s innovative enterprises and prides itself on creating contact center solutions that continuously improve the customer experience, and result in increased productivity, customer satisfaction and higher cost savings. It is important to us that we also ensure the highest levels of security and compliance for our customers, and PCI Pal allows us to do that.”

SVP of Product and Product Marketing, Talkdesk

“The PCI Pal team are very proactive and easy to get hold of. They’ve always gone out of their way to adapt their solutions as our business needs have evolved. We would certainly recommend PCI Pal, not only are they digital, safe and secure, but they’re also very forward-thinking, so great for any retail e-commerce business.”

Brand Experience Director, AllSaints