PCI-PAL (U.K.) Ltd

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Company registration number: 03960535

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

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

Secretary: T W Good

Bankers: NatWest Bank PLC

Solicitors: Birketts LLP

Auditors: Grant Thornton UK LLP

PCI-PAL (U.K.) Ltd

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Business Summary

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

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

Head count has grown in the financial year from 33 to 37 employees at the year-end. We have continued to invest in the business and as a result we have incurred trading losses of £1.180 million (2018: £1.976 million). We are planning to continue to invest further in the core business and so the directors expect the company to continue to be loss making for the coming financial year. Our expansion is being financed by our parent company, PCI-PAL PLC.

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

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

In addition, the Company is rolling out its technology across the world in partnership with our fellow Group companies. Over the coming financial years we are expecting to generate a significant intercompany royalty stream.

Cyber security and data protection remain high on Boardroom agendas, and with the market fuelled by well-publicised data breaches, companies are looking to find cost effective, technical solutions to protect customer data, and de-risk their business from the threat of data loss. We fully anticipate this focus to continue for years to come, and we are well placed with a strong and diverse client reference base to confirm the appeal of our solutions to prospective customers.

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

Risks

Principal business risks and uncertainties

The Company is exposed to several risks factors that may affect its performance. The Company 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 Company.

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

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

Generation of sales through Channel Partners: While the Board 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 Company's sales bookings and revenues. This could have an impact on the trading and financial position of the Company and the planned future timing of when it is expected to reach break-even. Notwithstanding this, the Board is confident that the Company 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 Company 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.

Staff Retention and Recruitment: The Company 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 Company's growth potential. The Company 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 Company's business. The Company 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 Company 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 Company. The Company invests in and keeps under review formal data security and business continuity policies which are independently audited. The Company'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 Company's primary platform is hosted on AWS which is a PCI compliant hosting environment in its own right. The Company has an established 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 Company 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 demand. The AWS platform is true cloud.

General business risks:

The Company generates most of its cashflow and revenue from the licensing and periodic charges for our solutions. The Company 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 Company'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 Company 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 Company 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 Company'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 Company's products and services in the future.

In addition, the Company'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 Company to ensure that we move with the marketplace, open new opportunities, and keep ahead of the competition with our chosen strategy.

Reputational risk: The Company'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 Company'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 Company, from which financial risk arises, are trade receivables, cash at bank and trade and other payables such as the intercompany debt with the Parent Company. The Board has overall responsibility for the determination of the Company'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 Company's finance function. The overall objective is to set policies that seek to reduce risk as far as possible without unduly affecting the Company'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 Company if a partner or customer or a counter party to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is Company 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.
- **Market risk:** The Directors consider that exposure to market risk, arising from the Company's use of interest-bearing and foreign currency financial instruments, is not significant. This is assessed in note 18.
- **Liquidity risk**: Liquidity risk arises from the Company's management of working capital. It is the risk that the Company 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 parent company of the Company has recently established an on-going term debt facility with a UK Bank to assist in managing its liquidity risk.
- **Taxation risk** – The Company'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 Company 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.
- **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 Company 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 Company could include: (i) significant legal and regulatory uncertainty; (ii) increased compliance and operating costs for the Company; (iii) increased levels of inflation, in the UK and other markets in which the Company operates; (iv) lower levels of demand for the Company's services; and (v) a reduction in the net assets and/or share price of the Company. 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 Company's growth plans, financial position, results of operations and/or prospects.

- **Litigation Risk** – Companies in all sectors, including the sector in which the Company operates, are subject to legal claims, with and without merit. The Company 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 Company's financial position, results of operations and/or prospects.

Change in Accounting Policy

On 1 July 2018 PCI PAL PLC adopted the principles of *IFRS 15: Revenue from Contracts with Customers* as its accounting policy. As a result, the directors of PCI-PAL (U.K.) Ltd have decided to voluntarily adopt IFRS 15 as its policy and as a result it has restated its accounts for the year to 30 June 2018. Full disclosure of the changes has been made in the notes accompanying these accounts.

Key performance indicators

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

	2019	2018
1. Revenue	£2.72 million	£2.01 million
2. Gross Margin	58.9%	42.7%
3. Signed ACV in financial period	£1.41 million	£0.38 million
4. Contracted ACV	£3.47 million	£2.07 million
5. Cash facilities available	£0.15 million	£0.19 million
6. Deferred Income	£1.99 million	£1.06 million
7. Ratio Personnel cost to administrative expenses	80%	77%

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

Employee Relations and Social Responsibilities

The Company continues to advocate a healthy staff policy pursuing a health and well-being policy for encouraging healthy practices. The Company provides chilled water and fresh fruit and continues to encourage car sharing, bus usage and the cycle-to-work initiative.

Outlook

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

James Barham
CEO
11 November 2019

PCI-PAL (U.K.) Ltd

DIRECTORS' REPORT

The directors present their report together with the financial statements of the Company for the year to 30 June 2019.

1. Principal activity

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

2. Results, dividends and future prospects

The trading results of the Company are summarised as follows:

	2019	2018 Restated
	£	£
Turnover	2,721	2,007
Loss on ordinary activities before taxation	(1,183)	(1,981)

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

As detailed in the Strategic Report no dividend was paid during the year (2018: £nil) nor post year end.

3. Directors

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

W A Catchpole (left 8th October 2018)
G Forsyth
J C Barham
S A Ahier
T W Good
D E Swift
C M Fielding (non-executive)
J S Starr (non-executive)

4. **Directors' responsibilities for the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable laws, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors confirm that:

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

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

5. **Qualifying third party indemnity provision**

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

6. **Research and development**

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

7. Employee policy

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

8. Financial risk management

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

9. Going concern

Having reviewed a period of at least 12 months from the approval of the financial statements there are no material uncertainties identified regarding the ability of the company to continue as a going concern.

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

10. Auditors

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

11. Post balance sheet events

There are no post balance sheet events to disclose.

12. Small Companies Note

In preparing this report, the directors have taken advantage of the small companies exemption provided by section 415A of the Companies Act 2006.

7 Gamma Terrace
Ransomes Europark
Ipswich, Suffolk
IP3 9FF

BY ORDER OF THE BOARD

T W Good
Secretary
11 November 2019

Independent auditor's report to the members of PCI-PAL (U.K.) Limited

Opinion

We have audited the financial statements of PCI-PAL (U.K.) Limited (the 'company') for the year ended 30 June 2019, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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.

Opinions on other matters prescribed by the Companies Act 2006

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.

Matter on which we are required to report under the Companies Act 2006

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

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

Grant Thornton UK LLP.

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

PCI-PAL (U.K.) Ltd

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 £000s	2018 Restated £000s
Turnover	8	2,721	2,007
Cost of Sales		(1,120)	(1,151)
Gross profit		**1,601**	**856**
Administrative expenses		(2,781)	(2,832)
Operating loss		**(1,180)**	**(1,976)**
Other interest receivable and similar income	5	-	-
Interest payable and similar charges	6	(3)	(5)
Loss on ordinary activities before taxation	4	**(1,183)**	**(1,981)**
Tax on profit/(loss) on ordinary activities	9	136	-
Loss for the financial year		**(1,047)**	**(1,981)**

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

There was no other comprehensive income for the year (2018: nil) other than that disclosed above.

The accompanying accounting policies and notes from pages 17 to 40 form an integral part of these financial statements.

PCI-PAL (U.K.) Ltd

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 £000s	2018 Restated £000s	2017 Restated £000s
ASSETS				
Non-current assets				
Plant and equipment	11	71	97	99
Intangible assets	10	1,366	936	612
Non-current assets		**1,437**	**1,033**	**711**
Current assets				
Trade and other receivables	12	1,772	763	615
Cash and cash equivalents		147	186	46
Current assets		**1,919**	**949**	**661**
Total assets		**3,356**	**1,982**	**1,372**
LIABILITIES				
Current liabilities				
Trade and other payables	13	(2,815)	(1,698)	(1,338)
Current liabilities		**(2,815)**	**(1,698)**	**(1,338)**
Non-current liabilities				
Intercompany Loan	14	(4,986)	(3,682)	(1,451)
Non-current liabilities		**(4,986)**	**(3,682)**	**(1,451)**
Total liabilities		**(7,801)**	**(5,380)**	**(2,789)**
Net liabilities		**(4,445)**	**(3,398)**	**(1,417)**

PCI-PAL (U.K.) Ltd

STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 30 JUNE 2019

	Note	2019 £000s	2018 Restated £000s	2018 Restated £000s
EQUITY				
Capital and Reserves				
Share capital	17	-	-	
Profit and loss account		(4,445)	(3,398)	(1,417)
Shareholder's funds		**(4,445)**	**(3,398)**	**(1,417)**

The financial statements have been prepared in accordance with the provisions applicable to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A – Small Entities.

The accompanying accounting policies and notes from pages 17 to 40 form an integral part of these financial statements.

The Board of Directors approved and authorised the issue of the financial statements on 11 November 2019.

J Barham **Director**

T W Good **Director**

Company Registration Number: 03960535

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Share capital £000s	Profit and loss account £000s	Total Equity £000s
Balance at 1 July 2017	-	**(872)**	**(872)**
Adjustments from the adoption of IFRS 15	-	(545)	**(545)**
Adjusted balance as at 1 July 2017	-	**(1,417)**	**(1,417)**
Dividend paid	-	-	-
Transactions with owners	-	-	-
Loss for the year	-	(1,981)	**(1,981)**
Balance at 30 June 2018	-	**(3,398)**	**(3,398)**
Dividend paid	-	-	-
Transactions with owners	-	-	-
Loss for the year	-	(1,047)	**(1,047)**
Balance at 30 June 2019	-	**(4,445)**	**(4,445)**

The accompanying accounting policies and notes from pages 17 to 40 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. AUTHORISATION OF FINANCIAL STATEMENTS

The Company's financial statements (the "financial statements") for the year ended 30 June 2019 were authorised for issue by the Board of Directors on 11 November 2019 and the CEO, James Barham, and the Chief Financial Officer, William Good, signed the Statement of Financial Position.

2. NATURE OF OPERATIONS AND GENERAL INFORMATION

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

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

3. PRINCIPAL ACCOUNTING POLICIES

a. Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 – Section 1A, The Financial Reporting Standard applicable in the UK and the Republic of Ireland for smaller entities and the Companies Act 2006. As noted in note 3c below the Company has adopted the principles of IFRS 15 in relation to revenue and has restated the comparative figures accordingly.

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

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

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

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

This information is included in the consolidated financial statements of the Company's parent, PCI-PAL PLC, as at 30 June 2019 and these financial statements may be obtained from Companies House.

b. Going concern

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

The Company meets its day-to-day working capital requirements through trading receipts and loans made by its parent company.

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

c. Revenue

The Company has voluntarily adopted the principles of IFRS 15: *Revenue from contracts with customers* which 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 Company and excluding value added tax or overseas sales taxes. The following summarises the method of recognising revenue for the solutions and products delivered by the Company.

(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.

d. 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.

e. Intangible assets

Research and development

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

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

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

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

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

- Development costs 20% to 33%

Intangible assets acquired on acquisition

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

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

When identifying whether cash inflows from a CGU are largely independent, the directors consider various factors: including how the business monitors the entity's operations or how management makes decisions about continuing or disposing of the entity's assets or operations.
If a separate identifiable intangible asset is identified the fair value will be recorded in the balance sheet and the directors will decide on the appropriate amortisation period for the asset. The value of the asset will be tested for impairment annually.

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%

f. Land, building, plant and equipment

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

Disposal of assets

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

Depreciation

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

- Fixtures and fittings 20% to 50%
- Computer equipment 33%

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

g. Impairment testing of goodwill, 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.

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

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

h. Leased assets

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

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

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

i. Taxation

Current tax is the tax payable based on the loss 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 Company are assessed for recognition as deferred tax assets.

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

j. Dividends

Dividend distributions payable to equity shareholders are recognised when paid.

k. Financial assets and liabilities

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

l. 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.

m. Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares. The shares have attached to them voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.
- "Profit and loss account" represents retained profits or losses of the Company

n. 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.

o. Foreign currencies

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

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

p. Significant judgements and estimates

The Company 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 Section 18 of FRS 102 and considered the future economic benefit likely as a result of the investment.

Careful judgement by the directors is applied when deciding whether the recognition requirements for development costs have been met. Judgement factors include: 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 Company 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 3c 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.

4. 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 auditors for:		
The audit of the Company's accounts	12	17
Fees payable to the auditors for other services		
Tax – compliance services	-	-
Tax – advisory services	-	-
Charged in administrative expenses		
Rents payable	41	32
Depreciation of plant and equipment	53	45
Amortisation of purchased goodwill	27	24
Amortisation of other intangible items	191	107
Foreign exchange loss/ (gain)	13	(5)

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £000s	2018 £000s
Bank interest receivable	[illegible]	-

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £000s	2018 £000s
Interest on bank borrowings	-	-
Other	3	5
	3	5

7. DIRECTORS AND EMPLOYEES

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

	2019 £000s	2018 £000s
Wages and salaries	2,083	1,434
Social security costs	303	166
Other pension costs	60	48
	2,446	1,648

	2019 Heads	2018 Heads
Average number of employees during the year	35	31

Remuneration in respect of directors was as follows:

	2019 £000s	2018 £000s
Emoluments	299	341
Bonus	50	71
Pension contributions to money purchase pension schemes	25	33
	374	445

During the year 3 (2018: 4) directors participated in money purchase pension schemes.

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

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

	2019 £000s	2018 £000s
Emoluments	137	112
Bonus	-	18
Pension contributions to money purchase pension schemes	14	10

8. SEGMENTAL INFORMATION

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

Revenue can be split by location of customers as follows:

	2019 £000s	2018 Restated £000s
Continuing activities		
PCI – PAL division		
United Kingdom and European Union	2,610	1,911
Middle East	111	96
Continuing Operations	2,721	2,007

9. TAXATION

	2019 £000s	2018 Restated £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%)	-	-
Adjustments in respect of prior periods	136	-
Total current tax (charged)/credited	136	-
Movement on recognition of tax losses	-	-
Total deferred tax charged	-	-
(Charge)/credit	136	-

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year was lower than the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £000s	2018 Restated £000s
Loss on ordinary activities before tax	(1,183)	(1,981)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(225)	(376)
Expenses not deductible for tax purposes	1	1
Depreciation (less than)/in excess of capital allowances for the year	28	10
Utilisation of tax losses	-	-
Unrelieved tax losses	196	366
R&D Tax Credit received	136	-
Other	-	(1)
Movement on deferred tax timing differences	-	-
Total tax credited/(charged) for the year	136	-

The Company has unrecognised tax losses carried forward of £3.825 million (2018: £2.795 million).

10. INTANGIBLE ASSET

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

2019 Cost	Customer Contracts £000s	Other Intangible Assets £000s	SIP, RTP and SBC licences £000s	Capitalised development costs £000s	Total £000s
Cost at 1 July 2018	90	27	-	950	1,067
Additions	-	-	83	565	648
Cost at 30 June 2019	90	27	83	1,515	1,715
Amortisation and impairment (included within administrative expenses):					
Amortisation at 1 July 2018	18	6	-	107	131
Charge in year	18	9	8	183	218
Amortisation at 30 June 2019	36	15	8	290	349
Net book amount					
Net book amount at 30 June 2019	54	12	75	1,225	1,366
Net book amount at 30 June 2018	72	21	-	843	936

INTANGIBLE ASSET *(continued)*

2018 Cost	Customer Contracts £000s	Other Intangible Assets £000s	SIP, RTP and SBC licences £000s	Capitalised development costs £000s	Total £000s
Cost at 1 July 2017	90	27	-	495	612
Additions	-	-	-	455	455
Cost at 30 June 2018	90	27	-	950	1,067
Amortisation and impairment (included within administrative expenses):					
Amortisation at 1 July 2017	-	-	-	-	-
Charge in year	18	6	-	107	131
Amortisation at 30 June 2018	18	6	-	107	131
Net book amount					
Net book amount at 30 June 2018	72	21	-	843	936
Net book amount at 30 June 2017	90	27	-	495	612

11. PLANT AND EQUIPMENT

2019	Fixtures and Fittings £000s	Computer Equipment £000s	Total £000s
Cost:			
At 1 July 2018	22	199	221
Additions	-	27	27
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
At 30 June 2019	10	167	177
Net book amount at 30 June 2019	12	59	71
Net book amount at 30 June 2018	16	81	97

PLANT AND EQUIPMENT (continued)

2018	Fixtures and Fittings £000s	Computer Equipment £000s	Total £000s
Cost:			
At 1 July 2017	20	159	179
Additions	3	40	43
Disposals	(1)	-	(1)
At 30 June 2018	22	199	221
Depreciation (included within administrative expenses):			
At 1 July 2017	3	77	80
Charge for the year	3	41	44
At 30 June 2018	6	118	124
Net book amount at 30 June 2018	16	81	97
Net book amount at 30 June 2017	17	82	99

12. TRADE AND OTHER RECEIVABLES

	2019 £000s	2018 Restated £000s
Trade receivables	1,051	460
Accrued income	35	-
Other receivables	445	129
Prepayments and accrued income	241	174
Trade and other receivables due within one year	1,772	763

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

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

	2019 £000s	2018 £000s
Opening provision as at 1 July	8	15
Provision taken on acquisition	-	-
Charged to statement of comprehensive 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	126	63
30-60 days past due	20	6
Over 60 days past due	127	60
	273	129

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.

13. CURRENT LIABILITIES

	2019 £000s	2018 Restated £000s
Trade payables	(485)	(403)
Social security and other taxes	(110)	(111)
Deferred Income	(1,990)	(1,055)
Accruals	(230)	(129)
Trade and other payables	(2,815)	(1,698)

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

14. NON-CURRENT LIABILITIES

	2019 £000s	2018 £000s
Intercompany loan	(4,986)	(3,682)
Non-current liabilities	(4,986)	(3,682)

15. DEFERRED TAXATION

Deferred taxation is calculated at a rate of 17% (2018: 17%)

	Tax losses £000s	Total £000s
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 Restated £000s
Unprovided deferred tax assets		
Accelerated capital allowances	-	-
Trading losses	650	524
	650	524

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

16. SUBSIDIARY UNDERTAKINGS

At 30 June 2019:

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

17. SHARE CAPITAL

Company	2019 Number	2019 £	2018 Number	2018 £
Authorised:				
Ordinary shares of £1.00 each	1,000	1,000	1,000	1,000
Allotted called up and fully paid:				
Ordinary shares of £1.00 each	2	2	2	2

18. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

Capital Management

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

At 30 June 2019, the Company had closing cash balance of £147,000 (2018: £186,000).

Financial risk management and objectives

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

The Company relies on loans to be made to it by its parent company, PCI-PAL PLC, whose directors have indicated that they intend to support the Company for a minimum of the coming financial year.

Interest rate risk

The total loan balance at 30 June 2019 is £nil (2018: £nil).

The Company does not use external loan or lease finance and so there is no interest rate risk. No interest is charged by the parent company on the inter-company loan.

Credit risk

The Company's principal financial assets are cash and trade receivables, with the principal credit risk arising from trade receivables. In order to manage credit risks the Company conducts third party credit reviews on all new clients, takes deposits where this is deemed necessary and collects payment by direct debit, limiting the exposure to a build-up of a large outstanding debt. Concentration of credit risk with respect to trade receivables are limited due to the wide nature of the Company's customer base: no one customer accounts for more than 10% of revenues. In some cases, licences fees are paid for annually in advance.

Liquidity risk

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

Foreign currencies

During the year exchange losses of £13,183 (2018: gain of £4,415) have arisen and at the year end £19,620 (2018: £2,049) was held in foreign currency bank accounts.

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction and monetary assets and liabilities in foreign currencies are translated at the rates ruling at the year end. At present foreign exchange is minimal and hedging and risk management is not deemed necessary as the company trades and spends in the various currencies.

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

Financial assets

	Note	2019	2018
Current financial assets			
		£000s	£000s
Cash at bank		147	186
Trade receivables – current	12	1,051	460
Accrued income	12	35	-
		1,233	**646**

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	13	485	403
Accruals	13	230	129
Total current financial liabilities		715	532
Non-current financial liabilities			
Inter- company loans	14	4,986	3,682
Total non-current financial liabilities		4,986	3,682
Total financial liabilities		5,701	4,214

The above analysis for 2018 has been amended from equivalent disclosures in the prior year statutory financial statements to recognise intercompany loans as a financial liability.

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

19. CAPITAL COMMITMENTS

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

20. CONTINGENT ASSETS

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

21. CONTINGENT LIABILITIES

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

22. OPERATING LEASE COMMITMENTS

	2019	2018
	£000s	£000s
Total future lease payments:		
Less than one year	45	45
After one and within two years	23	45
After two and within five years	-	68
	68	158

Operating lease commitments relate to the following buildings:

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

23. TRANSACTIONS WITH DIRECTORS

There were no transactions with directors in the year to 30 June 2019 or 30 June 2018.

24. DIVIDENDS

The directors have proposed a dividend of nil pence per share (2018: nil pence per share).

25. CHANGE IN ACCOUNTING POLICY

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.

To align its accounting policy for revenue with its parent company, PCI-PAL PLC, the Company has adopted the principles of IFRS 15 *Revenue from Contracts with Customers* 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:

Statement of comprehensive income for the twelve months to 30 June 2018	As originally presented £'000	Adjustment IFRS 15 £'000	Restated twelve months ended 30 June 2018 £'000
Continuing operations			
Revenue	2,107	(100)	2,007
Cost of sales	(1,151)	-	(1,151)
Gross profit	956	(100)	856
Administrative expenses	(2,921)	89	(2,832)
Loss from operating activities	(1,965)	(11)	(1,976)
Interest payable	(5)	-	(5)
Finance income	-	-	-
Interest receivable	-	-	-
Loss before taxation	(1,970)	(11)	(1,981)
Taxation	-	-	-
Loss for period from continuing activities	(1,970)	(11)	(1,981)
Profit for period from discontinued activities	-	-	-
Total comprehensive (loss)/income for the period	(1,970)	(11)	(1,981)

Statement of financial position as at 30 June 2017	As originally presented	Adjustment IFRS 15	Restated as at 30 June 2017
	£'000	£'000	£'000
Assets			
Non-current assets			
Plant & Equipment	99	-	99
Intangible assets	612	-	612
Non-current assets	711	-	711
Current assets			
Trade and other receivables	575	40	615
Cash and cash equivalents	46	-	46
Current assets	621	40	661
Total assets	1,332	40	1,372
Liabilities			
Current liabilities			
Trade and other payables	(753)	(585)	(1,338)
Other interest-bearing loans and borrowings	-	-	-
Current liabilities	(753)	(585)	(1,338)
Non-current liabilities			
Intercompany Loan	(1,451)	-	(1,451)
Non-current liabilities	(1,451)	-	(1,451)
Total liabilities	(2,204)	(585)	(2,789)
Net liabilities	(872)	(545)	(1,417)
Shareholders' equity			
Share capital	-	-	-
Profit & loss account	(872)	(545)	(1,417)
Total shareholders' equity	(872)	(545)	(1,417)

PCI-PAL (U.K.) Limited

Statement of financial position as at 30 June 2018	As originally presented	Adjustment IFRS 15	Restated as at 30 June 2018
	£'000	£'000	£'000
Assets			
Non-current assets			
Plant & Equipment	97	-	97
Intangible assets	936	-	936
Non-current assets	1,033	-	1,033
Current assets			
Trade and other receivables	634	129	763
Cash and cash equivalents	186	-	186
Current assets	820	129	949
Total assets	1,853	129	1,982
Liabilities			
Current liabilities			
Trade and other payables	(1,013)	(685)	(1,698)
Other interest-bearing loans and borrowings	-	-	-
Current liabilities	(1,013)	(685)	(1,698)
Non-current liabilities			
Intercompany Loan	(3,682)	-	(3,682)
Non-current liabilities	(3,682)	-	(3,682)
Total liabilities	(4,695)	(685)	(5,380)
Net liabilities	(2,842)	(556)	(3,398)
Shareholders' equity			
Share capital	-	-	-
Profit & loss account	(2,842)	(556)	(3,398)
Total shareholders' equity	(2,842)	(556)	(3,398)

Reconciliation of contract revenue balances under IFRS 15

	2019	2018
	£000s	£000s
b/fwd deferred revenue	(685)	(585)
Amounts invoiced and deferred in year	(615)	(348)
Amounts released as revenue in year	355	248
c/fwd deferred revenue	(945)	(685)

Reconciliation of contract cost balances under IFRS 15

	2019	2018
	£000s	£000s
b/fwd deferred cost balance	129	40
Amounts of costs deferred in year	432	128
Amounts of costs released in year	(116)	(39)
c/fwd deferred cost balance	445	129

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

The Company 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 2017).

(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 £0.100 million for the 12 month period to 30 June 2018.

The total deferred liability restated at 30 June 2018 is £0.685 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 Company.

(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.

26. SUBSEQUENT EVENTS

There are no subsequent events that need disclosing.

27. ULTIMATE PARENT COMPANY

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