ANNUAL REPORT & ACCOUNTS

For the year ended 30 June 2017

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

The period being reported on includes the strategic sale of the call centre operations of the Group which completed on 30 September 2016 (the "Disposal"). As such, the results being reported reflect both discontinued and continuing operations. Since the Disposal, PCI-PAL has focussed exclusively on its suite of secure payment solutions.

Financial Highlights

- Call centre operations[(1)] disposed of for total consideration of £7.123 million payable as follows:
  - Cash of £3.35 million received on completion
  - Loan notes with a face value of £3.35 million of interest free loan notes repayable in annual payments starting October 2017
  - £0.423 million in excess working capital received in December 2016
- Total Group profitability £4,398,000 (2016: £157,000) including £5,443,000 of profit generated from the Disposal
- 70% increase in revenue from continuing operations to £1,879,000 (2016: £1,103,000)
- Recurring revenues increased to £1.228m representing 65% of total turnover (2016: £0.790m, 72%)
- Continuing activities loss of £1,699,000 (2016: £859,000), reflecting scale-up investment in operating expenditure to grow the secure payment solutions business
- Closing cash and cash equivalents balance at 30 June 2017 of £1,958,000 (2016: £895,000)

Operational highlights for continuing operations only:

Since the Disposal the Group has:
- Invested significantly in developing its AWS (Amazon Web Services) cloud platform to enhance support for global clients
- Expanded its sales and marketing and customer service operations
- Fully relocated to new offices nearby in Ipswich, maintaining the sales suite at 1 Cornhill, London
- Concluded major wins including a regional public sector authority, a global utility company, a global heater company, the world's largest logistics firm, a world leader in the automotive repair space and Her Majesty's Immigration Office
- Revealed refreshed corporate branding and a new website at www.pcipal.com, reflecting the new focus and strategy
- Grown employee numbers from 12 at the time of the Disposal to 29 at the year end, with further expansion planned in 2017
- Formed its North American division
- Increased transaction values through PCI-PAL solutions by 81% compared to the previous financial year, reflecting buoyant client activity
- Signed contracts with total estimated contract value of £3.9m over the minimum life of the contract
- Continued strong customer commitment with 100% client retention to date and excellent referrals from the existing client base

[(1)] The call centre operations consisted of IPPlus (UK) Ltd and CallScripter Ltd and their associated subsidiaries

Current Trading Highlights:

- Strong start to the new financial year, with recurring revenue up 38% compared to July 2016
- Post period end new business secured with a global food business and a leading UK stockbroker
- New office opened in Charlotte, North Carolina, with first employees hired
- "PCIPAL" is now a registered trademark as we start to build a recognised international brand within our industry
- New AWS cloud-based platform currently going through final PCI Industry compliance testing ready for its launch. The new platform will provide the business with a scalable, flexible infrastructure from which it can deliver its international expansion plans

William Catchpole, Chief Executive Officer of PCI-PAL, commented:

"We are delighted to report a year of double digit revenue growth for PCI-PAL, with exciting new contract wins and pipeline growth, and imminent migration to a fully cloud-based platform on which to further expand our business globally.

"We are experiencing very high customer retention. One existing client has accelerated its plans and has contracted to roll out to 15 new countries using this platform. The implementation of PCI-PAL solutions is, in most cases, the first time that a client has deployed a PCI DSS Level 1 solution, reflecting the nascent market opportunity and the opportunity for a broad spectrum of PCI-PAL clients to de-risk their operations by adopting proven market leading technology from the outset.

"The Board believes PCI-PAL is well positioned for further significant growth over the coming years, as consumers become more focussed on the security of their data, in particular payment data. Along with new regulations, this is driving companies to utilise PCI-PAL's technology to secure payments across all channels."

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

PCI-PAL PLC has made considerable progress in the transformational year ended 30 June 2017 with substantial growth delivered in the UK.

Our cloud based service removes sensitive personal and payment data from IT environments and contact centres. This helps organisations to reduce the risk of fraud, secure sensitive data and become compliant with the Payment Card Industry Data Security Standards ("PCI DSS") and wider security regulations such as the forthcoming General Data Protection Regulation ("GDPR").

Contracts are typically multi-year in length and have a high proportion of recurring charges, usually underpinned by minimum commitments.

Strategy

Our strategic objectives for this year and going forward underpin our desire to become a multi-national leader in cloud PCI compliance solutions. They are:

- Expanding our UK and EU footprint to capitalise on our recent successes
- Broadening our channel partnerships
- Continuing to invest in our platform to provide unparalleled resilience and availability, including the launch of a completely cloud based solution via AWS (Amazon Web Services)
- Maximising client value and retention at 100%
- Continuing to evaluate opportunities to expand our business overseas

We have seen significant interest in our services from new international markets. Two of our UK competitors have already opened North American operations and we have embarked post the year end on opening our own office to penetrate this new territory. The US market is estimated to be five times larger than the UK with over 40,000 contact centres and over 3.5 million agent seats, employing 6 million people.

With regulation tightening and the financial impact of data breaches and fraud growing, organisations around the world are increasingly looking for ways to secure themselves and we see that trend only continuing. Information security budgets and remits are broadening and this can only benefit PCI-PAL with our payments proposition enabling companies to remove effectively the risk of data breach from some of the most challenging parts of their businesses.

Operational Review

In the UK, revenue for the continuing business has increased by 70% to £1,879,000 (2016: £1,103,000). We have signed 19 large contracts during the year which should underpin the future growth prospects of the Group.

Partnership channels remain an important route to market for the business and we remain vendor agnostic.

Our new PCI-PAL Cloud environment is currently undergoing final compliance tests and is scheduled to be publicly available later this year. The platform will initially service the EU customers via the AWS hosting infrastructure in London and will service the US customers from the AWS hosting infrastructure on the east coast USA. One of the benefits of the upgraded cloud infrastructure is the ability to rapidly deploy globally into APAC, EMEA, Western United States & Latin America. The new infrastructure is designed to flex as traffic increases, with load balancing across systems, such that the platform capacity can automatically grow with demand.

On the 1 April 2017, we were very pleased to welcome William Good to the role of Chief Financial Officer. William joined PCI-PAL having previously been the Chief Financial Officer of Card Clear plc, Retail Decisions plc, Revenue Assurance Services plc and Managed Support Services plc and in addition to the relevant industry experience has nearly 20 years' total experience of Main Market listed and AIM quoted companies. He joined PCI-PAL from Beck Optronic Solutions Ltd, where he had been Finance Director since 2014.

Dividend

Each year the Board decides whether to declare a dividend, return capital to shareholders or purchase shares in the market to be held as treasury stock. This decision is taken principally in the light of the Group's present and future expected performance; its net cash balance; and its future working capital requirements considering its investment plans for the future development of the Group.

Taking these factors into consideration the Board is not proposing the payment of a dividend in respect of the year ended 30 June 2017.

Following the receipt of the initial consideration in respect of the Disposal, an interim dividend of 3.16 pence per share totaling £1.0m was declared on 9th November 2016 and paid on the 7 December 2016.

People

I would like to thank each of the Directors and employees for all their efforts during the past year. Their commitment, loyalty and support are appreciated in what was a dramatic and transformational year.

Current Trading and Outlook

The strong period of trading seen in the second half of the financial year has continued into the start of the new financial year, with monthly recurring revenues from the existing client base building nicely. This excludes 28 contracts which have been signed before year-end, but have yet to go-live. These contracts will add approximately £70,000 per month in recurring revenues once they are operationally live.

We have an excellent sales pipeline, high revenue visibility from the recurring and other contracted commitments of our client base and, with the trend of high client retention rates, the prospects of the Group remain excellent.

Whilst we expect the strengthening revenue base of UK customers to lead to good organic growth in the year ahead, we also expect to see the US business grow strongly. The US Contact Centre market is several times larger than that of the UK but the implementation of PCI compliant secure payment technologies remains substantially behind that in the UK and Europe.

We have strengthened our operations team which is now more capable than ever of delivering projects successfully. Improved delivery is, in turn, expected to shorten the elapsed time between contract signature and commencement of recurring and service usage revenues from the point of service 'go-live'.

Our focus on PCI-PAL reflects our ambitious expansion plans for this business. We are targeting substantial growth in both gross revenue and new customer wins, both this year and next, with the objective that the UK operation will deliver an inaugural monthly profit in this coming financial year.

The Board is pleased with the progress to date and is confident that the Group's longer term strategy is appropriate. We believe that PCI-PAL's positioning within the 'Fintech' (Financial Technology) space provides exciting growth prospects.

We look forward to reporting further progress in developing this business.

Chris Fielding
Non-Executive Chairman
8 September 2017

Business Summary

Subsequent to the disposal of IPPlus (UK) Ltd, the Ansaback call centre business, and CallScripter Ltd, the software division on 30 September 2016, PCI-PAL PLC operates solely in the payment card industry (PCI) and associated telephony space. The operating company is PCI-PAL (U.K.) Limited.

PCI-PAL is a hosted telephony 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.

PCI-PAL provides a range of network level interactive call services including non-geographic and free phone telephone facilities. With options for self-sufficiency or fully managed services, the platform gives the user the ability to run a professional call handling operation without the necessity for expensive hardware installation, and on-going maintenance costs. Since the disposal, the focus of the Group has very much been on expanding the PCI-PAL secure payments 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.

Since the Disposal, we have established a new office location and have recruited specialist staff to develop our sales and marketing operations and the development of our new cloud based platform. Head count has grown in the financial year from 12 to 29 employees and because of this investment we have incurred trading losses of £1,699,000 in the on-going business. We are planning to continue to invest further in cloud specialists and the new platform the UK, as well as growing the US business, and so expect to continue to be loss making for the coming financial year. The investments we have made and are planning to make have been underpinned by the cash generated from the sale of the call centre operations in September 2016.

PCI-PAL has had a strong year expanding its client base extensively in the PCI payment market, with extensive contract wins through the provision of its agent-assisted and automated payment products, while also seeing growth in additional revenue streams. The client base, 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. Recurring PCI solutions revenues have grown 55% year on year, with an additional projects pipeline of contracted business yet to go live. We maintain a position as one of Europe's leading providers of contact centre payment security solutions; but with this comes increasing interest in our mature product set from outside of this local region, and this is something we expect to capitalise on in the coming financial year.

Cyber security and data protection remain high on board room agendas, and with the market fueled 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.

The Directors believe that businesses increasingly trust the cloud for their communications and customer care solutions. According to research undertaken by Gartner the worldwide public cloud services market is expected to grow at a compound annual growth rate (CAGR) of 18 per cent from 2015 until 2020.

Information technology (IT) investment decision makers deploy cloud communications for a variety of reasons, including to gain access to advanced features and capabilities. The additional reason for this move to cloud technologies is to supplement limited in-house IT/telecom resources and to eliminate the hassle of integrating multi-vendor products and solutions. Other reasons are ease of use and improved business continuity/disaster recovery capabilities as key factors driving this migration; reduced cost of ownership is a key driver.

Risks

Principal business risks and uncertainties

The PCI-PAL business has a limited operating history as a standalone business. 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. Therefore, the value of an investment in the Company could decline and may result in the total loss of all capital invested.

There can be no assurances that the Group will successfully develop its business or that the resources it has will be suitable for its requirements. The Group may require the injection of further capital.

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

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

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

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

Operational risks: To reduce the operational risks we have multiple Data Centres. These back up facilities have independent telephone lines, phone switch and computer data systems synchronised to the main data centre that can automatically fail-over in the event of a major incident occurring.

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

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

Key personnel: The Group 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 persons could have a material adverse effect on the Group's business. The Group maintains an active policy to identify, hire, train, motivate and retain highly skilled personnel in key functions.

Financial risk management objectives and policies

The principal financial instruments used by the Group, from which financial risk arises, are trade receivables, cash at bank and trade and other payables. The Group has no significant net foreign currency monetary assets or liabilities nor any hedged transactions or positions. The Board has overall responsibility for the determination of the Group's financial risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing, operating and reporting thereof to the Group's finance function. The overall objective is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

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

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

Market risk: The Directors consider that exposure to market risk, arising from the Group's use of interest-bearing and foreign currency financial instruments, is not significant. This is assessed in note 21 to these financial statements.

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.

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:

- Recurring revenues
- Monthly transactions volumes and values.
- Signed contracts awaiting to go-live with PCI PAL
- Monthly sales pipeline of potential new contracts
- Monthly sales and profit and loss results against budget
- Daily and monthly cash balances

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.

The Company employees support a designated charity each year.

Summary and Outlook

This current year marks the beginning of our next phase of growth and is a very exciting time for the business. The opportunities to grow our secure payments operations on a global basis are without doubt considerable. We have an excellent team in place with which to pursue our ambitious strategy.

William A Catchpole
8 September 2017

REMUNERATION COMMITTEE REPORT

FOR THE YEAR ENDED 30 JUNE 2017

Remuneration Committee

The Remuneration Committee consists of non-executive directors Jason Starr (Committee Chairman) and Chris Fielding.

Remuneration Policy

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

Annual Performance Bonus

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

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

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

Executive Directors' remuneration

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

Basic salary

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

Additional benefits

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

Long Term Incentive Plan

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

- The Group will review its medium and long term strategy on an annual basis, towards the end of each financial year. The output of this annual review will be an updated set of actions to implement or modify existing or new strategic imperatives, and an updated financial plan rolling forward three years, with the upcoming financial year as Year 1.
- Designated executives and employees will participate in the Plan. At the start of each financial year the Remuneration Committee will agree the participants for the upcoming cycle. Using the rolling three-year plan as input, the Remuneration Committee will grant share options to participants which will vest after the end of the third year, depending on whether the options have met the performance criteria set.
- The performance criteria set will be specifically designed to align shareholder and executive's interests, such as retaining key personnel for a minimum period or delivering growth in the Company's share price.

Shareholders have authorised the Board to issue share options under the Plan to a maximum of 20% of the Group's equity at the time of issue, but the Board has agreed it will not issue options over shares beyond a voluntary 15% limit.

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

Executive Directors	**Date of appointment**	**Notice period**
W A Catchpole	27 October 1999	12 months
T W Good	1 April 2017	12 months
G Forsyth	27 November 1999	12 months
J C Barham	1 October 2106	12 months
Non-Executive Directors		
C M Fielding	1 September 2014	Annual Service Contract
J S Starr	1 January 2015	Annual Service Contract

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

Jason S Starr
Chair, Remuneration Committee
8 September 2017

DIRECTORS and ADVISERS

Company registration number:	03869545
Registered office:	7 Gamma Terrace Ransomes Europark Ipswich Suffolk IP3 9FF
Telephone:	+44 (0)330 131 0330
Directors:	Christopher Michael Fielding Jason Stuart Starr William Alexander Catchpole Geoffrey Forsyth James Christopher Barham (appointed 30 September 2016) Thomas William Good (appointed 1 April 2017) Robert Stuart McWhinnie Gordon (resigned 30 September 2016) Andrew Kevin Francombe (appointed 30 September 2016 and resigned 31 March 2017)
Secretary:	Thomas William Good BA (Hons) ACMA CGMA
Bankers:	National Westminster Bank PLC Silicon Valley Bank Barclays Bank PLC
Auditors:	Grant Thornton UK LLP
Nominated Adviser and Broker:	N+1 Singer
Registrars: Telephone:	Capita 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 2017.

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:

	2017	2016
	£000s	£000s
Revenue	1,879	1,103
Loss before taxation	(1,699)	(859)

The directors are not recommending a payment of a final dividend (2016: nil pence per share).

3. Directors

The membership of the Board is set out on page 13.

The beneficial and other interests of the directors and their families in the shares of the Company at 30 June 2017 and 1 July 2016 were as follows:

	30 June 2017 Ordinary shares of 1p each	1 July 2016 Ordinary shares of 1p each
W A Catchpole	2,928,697	2,742,884
G Forsyth	1,215,772	1,077,098
J Barham	52,203	-
T W Good	50,000	-
C M Fielding (non-executive)	-	-
J S Starr (non-executive)	-	-
R S M Gordon	1,045,688	1,045,688
A K Francombe	-	-

The above interests of W A Catchpole include 55,108 (2016: 33,220) ordinary shares held by his wife.

The directors' remuneration for the year was as follows:

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

2015/16	Salary £	Bonus £	Benefits £	Total £	Pension £
W A Catchpole	173,881	-	5,605	179,486	7,552
R S M Gordon	124,297	-	3,258	127,555	11,507
G Forsyth	111,568	-	3,537	115,105	10,196
C M Fielding (non-executive)	35,000	-	-	35,000	-
J S Starr (non-executive)	25,000	-	-	25,000	-

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

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

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

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

4. Share price and substantial shareholdings

During the year, the share price fluctuated between 49 pence and 12.5 pence and closed at 41.5 pence on 30 June 2017.

The beneficial and other interests of other substantial shareholders and their families in the shares of the Company at 30 June 2017 and 1 July 2016 were as follows:

	30 June 2017 Ordinary shares of 1p each	**1 July 2016** Ordinary shares of 1p each
P Wildey	4,926,000	5,500,000
A Catchpole	2,635,000	2,860,000
P M Brown	1,601,000	1,601,000
R Clement	1,930,435	1,930,435
D Hamilton	1,814,000	975,000

5. Directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and have elected to prepare Company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit and loss of the Company and the Group for that period. In preparing these financial statements, the directors are required to:

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

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

The directors confirm that:

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

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

6. Qualifying third party indemnity provision

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

7. Research and development

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

8. Employee policy

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

9. Corporate governance

The Group recognises the requirement for high standards of corporate governance but is restricted by having a small board of directors, one third of whom are non-executive directors.

As an AIM quoted company, we do are not obligated to comply with the UK Corporate Governance Code, but we do acknowledge the overall importance of the guidelines and apply as many of the principles therein as appropriate to a Group of our size and nature.

Internal financial control

The board is responsible for establishing and maintaining the Group's system of internal control and reviewing its effectiveness. Internal control systems are designed to meet the needs of the Group and the risks to which it is exposed and by their nature can provide reasonable, but not absolute, assurance against misstatement or loss. The directors confirm that they have established such procedures as necessary to implement the Group's internal controls.

The full board meets on at least six occasions each year to review trading performance and discuss strategy and policy issues. Budgets are approved annually and management accounts are produced and considered monthly. All directors review these accounts. The executive board meets on a regular basis to discuss the Group's performance, inviting input from the non-executive directors as appropriate. The Group reports to shareholders twice a year. The board considers that a separate internal audit function is not justified having regard to the size of the Group.

The Chairman, who carries out his duties on a part-time basis, is primarily responsible for running the Board. The Chief Executive is responsible for the day-to-day running of the Group and for implementing Group strategy.

All directors are aware of their right to seek independent professional advice at the Company's expense to assist them in their duties and to have access to the services of the Company Secretary.

Audit Committee

Whilst the Audit Committee formally consists of Chris Fielding and Jason Starr, due to the size of the Group, any business relating to the audit has normally been considered by the full board.

Our auditors can however raise any issues and request a meeting of the Committee if it is felt that any governance or other issues need to be discussed without the executive directors' attendance.

Remuneration Committee

The Remuneration Committee consists of Jason Starr and Chris Fielding.

The Committee is responsible for setting the terms and conditions of employment for the executive directors and meet on two occasions during the year. The current policy is to set remuneration in accordance with market conditions in order to attract, retain and motivate the executive board. The Committee reviews the Group performance and, arising from those reviews, may determine performance related bonuses.

The fees for non-executive directors are set at smaller turnover AIM quoted market rates to attract individuals with the necessary experience and ability to make a substantial contribution to the Group's affairs and its continued development.

10. Financial Risk Management Objectives

The principal financial instruments used by the Group, from which financial risk arises, are trade receivables, cash at bank and trade and other payables. The Group has no significant net foreign currency monetary assets or liabilities nor any hedged transactions or positions. The Board has overall responsibility for the determination of the Group's financial risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing, operating and reporting thereof to the Group's finance function. The overall objective is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

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

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

Market risk: The directors consider that exposure to market risk, arising from the Group's use of interest-bearing and foreign currency financial instruments, is not significant. This is assessed in note 21 to these financial statements.

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. The directors review an annual twelve-month cash flow projection as well as information regarding cash balances monthly.

Operational risks: To reduce the operational risks the Group has installed its solutions in multiple Data Centres. These back up facilities have independent telephone lines, phone switch and computer data systems synchronised to the main data centre that can automatically fail-over in the event of a major incident occurring.

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

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 19 October 2017.

BY ORDER OF THE BOARD

7 Gamma Terrace
Ransomes Europark
Ipswich, Suffolk
IP3 9FF

T W Good
Secretary
8 September 2017

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 2017 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 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

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

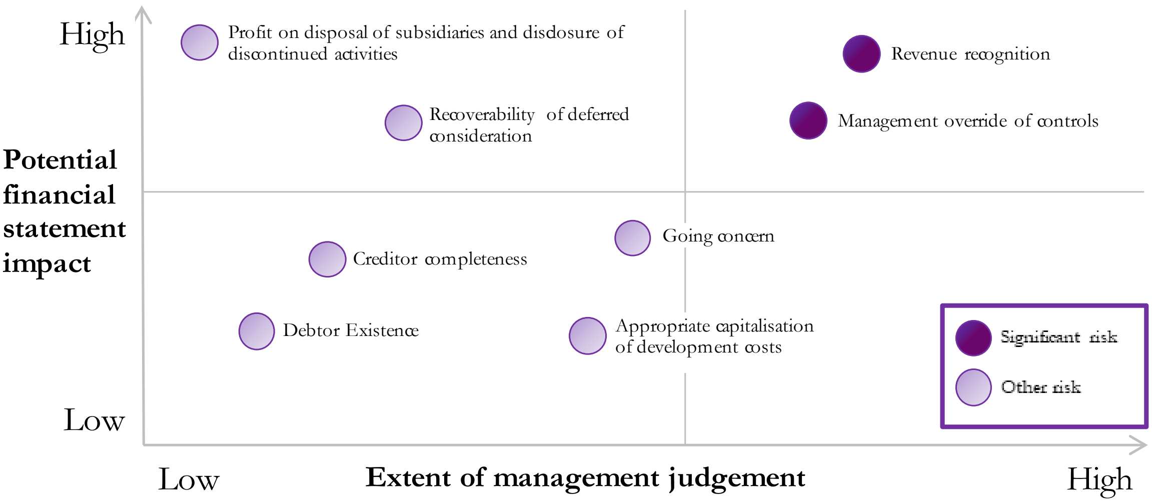
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's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

Overview of our audit approach

- Overall materiality: £85,000, which represents 5% of the group's loss before taxation;
- Key audit matters were identified as revenue recognition, going concern and disposal of subsidiaries;
- We performed full scope audit procedures for both PCI-PAL PLC and its subsidiary PCI-PAL (U.K.) Limited.

Key audit matters

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



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

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Revenue Recognition During 2017 the Group generated £1.88m (2016: £1.10m) of continuing revenue and £1.85m (2016: £7.16m) of discontinued revenue. The Group's revenue is generated from providing contractual services to customers. Revenue should be recognised in the financial statements in a manner that is consistent with contractual terms and in accordance with the Group's accounting policy. Under ISA (UK) 240 there is a presumed risk of fraud in revenue recognition. We therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Determining that the stated accounting policy was in accordance with International Accounting Standard (IAS) 18: Revenue for the current and prior period; • Testing the existence, validity and appropriate recognition of the 9 largest contracts; • Testing the existence, validity and appropriate recognition for a statistical sample of remaining revenue; • Testing the appropriateness of revenue recognised and revenue deferred for a sample of contracts costs; and • Testing the existence of a sample of debtor invoices outstanding at year end. The Group's accounting policy on revenue is shown in note 4(d) and related disclosures are included in note 9. **Key observations** Based on our audit work, our assessment is that estimates applied in determining the level of revenues resulted in a consistent level of revenue recognised in the Consolidated Statement of Comprehensive Income and deferred revenue within the Consolidated Statement of Financial Position.

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 determine as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	£85,000 which is 5% of the group's loss before taxation. This benchmark is considered the most appropriate because the trading result is a key performance measured by the Board of Directors to report to investors on the financial performance of the Group. Materiality for the current year is higher than the level that we determined for the year ended 30	£76,000 which is 2% of the company's total assets, capped at 90% of group materiality. This benchmark is considered the most appropriate because PCI-PAL PLC as an entity does not trade and therefore in our view, is the most appropriate benchmark. Materiality for the current year is higher than the level that we determined for the year ended 30 June 2016 to reflect the uplift in

	June 2016 to reflect the higher adjusted loss before taxation for the year.	total assets as a result of the deferred consideration.
Performance materiality used to drive the extent of our testing	60% of financial statement materiality	60% of financial statement materiality
Communication of misstatements to the audit committee	£4,250 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£3,800 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 based on a thorough understanding of the group's business and is risk based. We take into account the size and risk profile of each entity, any changes in the business and other factors when determining the level of work to be performed at each entity, which in particular included the following considerations:

- PCI-PAL PLC has centralised processes and controls over the key areas of our audit focus. Group management are responsible for all judgemental processes and significant risk areas. All accounting is centralised and we have tailored our audit response accordingly with all audit work being undertaken by the group audit team. In assessing the risk of material misstatement to the Group financial statements we considered the transactions undertaken by each entity and therefore 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 completed focused on the risk areas for these entities.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 2 to 19, 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 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

David Newstead
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Ipswich
8 September 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 £000s	2016 £000s
Continuing Operations			
Revenue		**1,879**	**1,103**
Cost of sales		(1,068)	(534)
Gross profit		811	569
Administrative expenses		(2,510)	(1,431)
Operating loss		(1,699)	(862)
Finance income	6	-	33
Finance expenditure	7	-	(30)
Loss before taxation from continuing activities	5	(1,699)	(859)
Taxation	11	-	-
Loss for year from continuing activities		**(1,699)**	**(859)**
Profit for the period from discontinued activities	28	6,097	1,016
Profit and total comprehensive income attributable to equity holders of the parent company		**4,398**	**157**
Basic earnings per share	10	13.94 p	0.50 p
Diluted earnings per share	10	13.83 p	0.50 p
Continuing Operations			
Basic earnings per share	10	(5.38) p	(2.72) p
Diluted earnings per share	10	(5.34) p	(2.70) p

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 £000s	2016 £000s
ASSETS			
Non-current assets			
Land and buildings	14	-	1,601
Plant and equipment	13	99	252
Intangible assets	12	495	-
Deferred taxation	18	-	-
Loan note receivable	15	2,202	-
Non-current assets		2,796	1,853
Current assets			
Trade and other receivables	15	608	1,483
Loan note receivable	15	945	-
Cash and cash equivalents		1,958	895
Current assets		3,511	2,378
Total assets		6,307	4,231
LIABILITIES			
Current liabilities			
Trade and other payables	16	(883)	(1,000)
Current portion of long-term borrowings	16	-	(62)
Current liabilities		(883)	(1,062)
Non-current liabilities			
Long term borrowings	17	-	(1,147)
Non-current liabilities		-	(1,147)
Total liabilities		(883)	(2,209)
Net assets		**5,424**	**2,022**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 30 JUNE 2017

	Note	2017 £000s	2016 £000s
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	20	317	317
Share premium		89	89
Other reserves		4	19
Profit and loss account		5,014	1,597
Total equity		**5,424**	**2,022**

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 September 2017.

W A Catchpole	**Director**
T W Good	**Director**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Share capital £000s	Share premium £000s	Other reserves £000s	Profit and loss account £000s	Total Equity £000s
Balance at 1 July 2015	**317**	**89**	**19**	**1,487**	**1,912**
Dividend paid	-	-	-	(47)	**(47)**
Transactions with owners	-	-	-	(47)	**(47)**
Loss and total comprehensive loss for the year	-	-	-	157	**157**
Balance at 30 June 2016	**317**	**89**	**19**	**1,597**	**2,022**
Dividend paid	-	-	-	(996)	**(996)**
Transactions with owners	-	-	-	(996)	**(996)**
Written off on disposal of asset	-	-	(19)	19	**-**
Share Option amortisation charge			4	(4)	**-**
Profit and total comprehensive income for the year	-	-	-	4,398	**4,398**
Balance at 30 June 2017	**317**	**89**	**4**	**5,014**	**5,424**

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 2017

	2017 £000s	2016 £000s
Cash flows from operating activities		
Profit/(loss) after taxation	4,398	157
Adjustments for:		
Depreciation	23	207
Interest income	-	(3)
Interest expense	-	29
Interest element of finance leases	-	4
Other interest	-	-
Income taxes	-	-
Deferred tax write off	-	-
Profit on sale and leaseback of freehold property	(361)	-
Profit on sale of call centre division	(5,443)	-
(Increase) in trade and other receivables	(437)	(294)
Increase/(decrease) in trade and other payables	874	(28)
Cash used in operating activities	**(946)**	**72**
Dividend paid	(997)	(47)
Income taxes received	-	99
Interest element of finance leases	-	(4)
Interest paid	(7)	(29)
Net cash used in operating activities	**(1,950)**	**91**
Cash flows from investing activities		
Purchase of land, buildings, plant and equipment	(108)	(182)
Development expenditure capitalised	(495)	-
Net cash received on disposal of call centre operations	2,478	-
Net cash received on sale and leaseback of freehold property	2,240	-
Interest received	-	3
Net cash generated/(used) in investing activities	**4,115**	**(179)**

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 30 JUNE 2017

	2017 £000s	2016 £000s
Cash flows from financing activities		
Repayment of borrowings	(1,102)	(22)
Capital element of finance lease rentals	-	(36)
Net cash used in financing activities	**(1,102)**	**(58)**
Net increase/(decrease) in cash	**1,063**	**(146)**

Cash and cash equivalents at beginning of year	**895**	**1,041**
Net increase/(decrease) in cash	1,063	(146)
Cash and cash equivalents at end of year	**1,958**	**895**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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 2017 were authorised for issue by the Board of Directors on 8 September 2017 and the Chief Executive, William Catchpole, and the Chief Financial Officer, William Good, signed the balance sheet.

2. NATURE OF OPERATIONS AND GENERAL INFORMATION

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

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

3. STATEMENT OF COMPLIANCE WITH IFRS

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

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

Standards and interpretations in issue, not yet effective

New standards and interpretations currently in issue but not yet effective for accounting periods commencing on 1 July 2016 are:

- IFRS 9 Financial Instruments (effective date 1 January 2018).
- IFRS15 Revenue from Contracts with Customers (effective date 1 January 2018).
- IFRS16 Leases (effective date 1 January 2019).

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

4. PRINCIPAL ACCOUNTING POLICIES

a) Basis of preparation

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

a) Basis of preparation (continued)

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

b) Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings (see note 19) drawn up to 30 June 2017. 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 £1.9 million at the 30 June 2017. It also holds loan notes with a face value of £3.35m which will start repaying in October 2017.

The directors have prepared cash flow forecasts to 30 September 2018. These forecasts make several assumptions relating to predicted revenues and cash receipts, new contracts signed; investment in new territories and new employees. The working cash flow forecast shows that the Group will be able to operate within its existing resources throughout the period up to 30 September 2018 and beyond.

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

d) Revenue

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

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

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

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

Revenue relating to the delivery of professional services undertaking the installation of our services with the customer are billed per the contract but will only be recognised in the statement of comprehensive income once the services have been completed and the customer has gone live. Amounts invoiced in advance per the customer contracts will be deferred accordingly.

e) Intangible assets

Research and development

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

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

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

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

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

- Development costs 20% to 33%

f) Land, building, plant and equipment

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

Disposal of assets

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

Depreciation

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

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

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

g) Impairment testing of 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 IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

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

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

i) Equity-based and share-based payment transactions

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

j) Taxation

Current tax is the tax payable based on the profit for the year, accounted for at the rates enacted at 30 June 2017.

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 2017, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the year end.

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

k) Dividends

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

l) Financial assets and liabilities

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

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

For sale and finance leasebacks, profit from the sale is deferred and amortised over the lease term. For sale and operating leasebacks, the assets are sold at fair value and is recognised immediately in the consolidated statement of comprehensive income.

n) 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.

o) Equity

Equity comprises the following:

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

p) 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.

q) 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.

r) Significant judgements and estimates

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

Careful judgement by the directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the directors. No costs are considered to meet the criteria in the current year.

The calculation of the deferred tax asset involved the estimation of future taxable profits. In the year ended 30 June 2016, 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:

	2017 £000s	2016 £000s
Disclosure of the audit and non-audit fees		
Fees payable to the Group's auditors for:		
The audit of Company's accounts	12	9
The audit of the Company's subsidiaries pursuant to legislation	11	14
Fees payable to the Group's auditors for other services		
Audit related assurance services	2	-
Tax – compliance services	6	6
Tax – advisory services	22	20
Services relating to Corporate Finance activities	41	-
Depreciation and amortisation – charged in administrative expenses		
Buildings	-	53
Plant and equipment – owned	23	113
Plant and equipment – leased	-	41
Rents payable	72	39
Foreign exchange gain	-	12
Amounts of research and development written off	-	138

6. FINANCE INCOME

	2017 £000s	2016 £000s
Bank interest receivable	-	33

7. FINANCE EXPENDITURE

	2017 £000s	2016 £000s
Interest on bank borrowings	-	30
Other	-	-
	-	30

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. The 2017 figure is for the continuing operations only while the 2016 figure is for continuing and discontinued operations, as it is not possible to split the information.

	2017	2016
	£000s	£000s
Wages and salaries	1,316	5,460
Social security costs	157	413
Other pension costs	17	88
	1,490	5,961

	2017	2016
	Heads	Heads
Average number of employees during the year	19	329

Remuneration in respect of directors was as follows:

	2017	2016
	£000s	£000s
Emoluments	598	482
Bonus	11	-
Pension contributions to money purchase pension schemes	23	29
	632	511

During the year 3 (2016: 3) directors participated in money purchase pension schemes.

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

	2017	2016
	£000s	£000s
Emoluments	182	179
Bonus	-	-
Pension contributions to money purchase pension schemes	-	8

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

Key management compensation

	2017	2016
	£000s	£000s
Short term employee benefits	676	651
Post employment benefits	-	36
Total	676	687

9. SEGMENTAL INFORMATION

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

	PCI-PAL	Central	Continuing Activities	Discontinued Activities	Total
	£000s	£000s	£000s	£000s	£000s
2017					
Revenue	1,879	-	1,879	-	1,879
Segment result	(922)	(777)	(1,699)	6,097	4,398
Finance income	-	-	-	-	-
Finance costs	-	-	-	-	-
(Loss)/profit before tax	(922)	(777)	(1,699)	6,097	4,398
Segment assets	1,215	5,092	6,510	-	6,307
Segment liabilities	(753)	(130)	(883)	-	(883)
Other segment items:					
Capital Expenditure					
- Computer Equipment & Fixtures and fittings	108	-	108	-	108
Depreciation -Computer Equipment & Fixtures and fittings	22	-	22	-	22

9. SEGMENTAL INFORMATION (continued)

	PCI-PAL £000s	Central £000s	Continuing Activities £000s	Discontinued Activities £000s	Total £000s
2016					
Revenue	1,103	-	1,103	-	1,103
Segment result	(113)	(749)	(862)	949	87
Finance income	-	33	33	(30)	3
Finance costs	-	(30)	(30)	(2)	(32)
Profit/(loss) before tax	(113)	(746)	(859)	917	58
Segment assets	256	53	309	-	309
Segment liabilities	(142)	(59)	(201)	-	(201)
Other segment items:					
Capital Expenditure					
- Computer Equipment & Fixtures and fittings	18	-	18	-	18
Depreciation - Computer Equipment & Fixtures and fittings	7	-	7	-	7

Revenue can be split by location of customers as follows:

	2017 £000s	2016 £000s
Continuing activities		
PCI – PAL division		
United Kingdom and European Union	1,802	1,103
Middle East	77	-
Continuing Operations	1,879	1,103
Discontinued Operations	1,845	7,163

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

10. EARNINGS PER SHARE

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

	12 months ended 30 June 2017	12 months ended 30 June 2016
Profitafter taxation added to reserves	£4,398,000	£157,055
Basic weighted average number of ordinary shares in issue during the period	31,553,949	31,553,949
Diluted weighted average number of ordinary shares in issue during the period	31,809,366	31,553,949
Basic earnings per share	13.94 p	0.50 p
Diluted earnings per share	13.83 p	0.50 p
Loss after taxation added to reserves from Continuing Operations	(£1,699,000)	(£859,000)
Basic earnings per share from Continuing Operations	(5.38) p	(2.72) p
Diluted earnings per share from Continuing Operations	(5.34) p	(2.72) p
Discontinued Operations		
Basic earnings per share from Discontinued Operations	19.32 p	3.22p
Diluted earnings per share from Discontinued Operations	19.17 p	3.22p

11. TAXATION

	2017 £000s	2016 £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 20% (2016: 20%)	(33)	-
Adjustments in respect of prior periods	-	99
Total current tax (charged)/credited	(33)	99
Movement on recognition of tax losses	-	-
Total deferred tax charged	-	-
(Charge)/credit	(33)	99

11. TAXATION (continued)

Factors affecting current tax charge

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

	2017 £000s	2016 £000s
Profit on ordinary activities before tax	4,431	58
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016: 20%)	886	12
Disposal of Subsidiaries not liable to tax	(1,343)	3
Expenses not deductible for tax purposes	49	3
Depreciation (less than)/in excess of capital allowances for the year	(18)	28
Utilisation of tax losses	-	(50)
Unrelieved tax losses	341	-
Other	85	7
Tax on sale and leaseback of freehold property	(33)	-
Movement on deferred tax timing differences	-	-
Prior year adjustment	-	99
Total tax (charged)/credited for the year	(33)	99

The Group has unrecognised tax losses carried forward of £2.03 million (2016: £1.80 million). £1.51 million of the 2016 unrecognised tax losses related to the call centre businesses that were disposed of on the 30th September 2016.

12. INTANGIBLE ASSETS

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

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

12. INTANGIBLE ASSETS (continued)

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

12. INTANGIBLE ASSETS (continued)

2016	**Capitalised development costs £000s**	**Total £000s**
Cost		
Ancora brand	-	-
Ancora client relationships	-	-
CallScripter internal salaries	1,084	1,084
Cost at 1 July 2015	1,084	1,084
Ancora brand	-	-
Ancora client relationships	-	-
CallScripter internal salaries	1,084	1,084
Cost at 30 June 2016	1,084	1,084

2016	**Capitalised development costs £000s**	**Total £000s**
Amortisation (included within administrative expenses):		
Ancora brand	-	-
Ancora client relationships	-	-
CallScripter internal salaries	1,084	1,084
Amortisation at 1 July 2015	1,084	1,084
Ancora brand	-	-
Ancora client relationships	-	-
CallScripter internal salaries	1,084	1,084
Amortisation at 30 June 2016	1,084	1,084
Ancora brand	-	-
Ancora client relationships	-	-
CallScripter internal salaries	-	-
Net book amount at 30 June 2016	**-**	**-**

13. PLANT AND EQUIPMENT

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

2016	Plant £000s	Motor Vehicles £000s	Fixtures and Fittings £000s	Computer Equipment £000s	Total £000s
At 1 July 2015	25	59	423	511	1,018
Additions	-	-	20	162	182
Disposals	-	-	(33)	(62)	(95)
At 30 June 2016	25	59	410	611	1,105
Depreciation (included within administrative expenses):					
At 1 July 2015	10	47	370	367	794
Charge for the year	4	5	34	111	154
Disposals	-	-	(33)	(62)	(95)
At 30 June 2016	14	52	371	416	853
Net book amount at 30 June 2016	11	7	39	195	252

13. PLANT AND EQUIPMENT (continued)

Included within the net book amount of £99,000 (2016: £252,000) is £nil (2016: £98,000) relating to assets held under finance leases. The depreciation charged to the financial statements in the year in respect of such assets amounted to £nil (2016: £41,000).

14. LAND AND BUILDINGS

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

2016	**Land £000s**	**Buildings £000s**	**Total £000s**
Cost:			
At 1 July 2015	428	1,251	1,679
Additions	-	-	-
Disposals	-	-	-
At 30 June 2016	**428**	**1,251**	**1,679**
Depreciation (Included within administrative expenses):			
At 1 July 2015	-	25	25
Charge for the year	-	53	53
Disposals	-	-	-
At 30 June 2016	**-**	**78**	**78**
Net book amount at 30 June 2016	**428**	**1,173**	**1,601**

15. TRADE AND OTHER RECEIVABLES

	2017 £000s	2016 £000s
Trade receivables	488	1,266
Other receivables	38	-
Loan notes receivable within one year	945	-
Prepayments and accrued income	82	217
Trade and other receivables due within one year	1,553	1,483
Loan notes receivable in more than one year	2,202	-
Trade and other receivables	3,755	1,483

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. The Group holds £nil (2016: £12,934) of deposits as security against certain accounts.

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

	2017 £000s	2016 £000s
Opening provision	23	13
Discontinued Operation release	(15)	-
Charged to income	7	10
Closing provision at 30 June	15	23

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:

	2017 £000s	2016 £000s
0-30 days past due	25	33
30-60 days past due	42	2
Over 60 days past due	30	1
	97	36

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

15. Trade and receivables (continued)

Loan notes receivable

The loan notes receivable will be repaid to the Company as follows: Three annual payments of £957,000 starting on 31st October 2017 and a final payment of £479,000 on 31st March 2020.

The loan notes do not carry a rate of interest and so have been discounted at a rate of 4% per annum as required by the accounting standards. As at the 30th June 2017 the values recorded in the balance sheet of the company is as follows:

Loan notes receivable within one year	£945,000
Loan notes receivable after one year	£2,202,000

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

The obligations of the loan notes are secured by a charge over 94.87% of the shares of the Direct Response Contact Centre Group Ltd being the holding company that acquired the call centre division on the 30 September 2017.

16. CURRENT LIABILITIES

	2017 £000s	2016 £000s
Trade payables	441	289
Social security and other taxes	71	407
Deferred Income	135	-
Other payables	236	304
Trade and other payables	883	1,000
Bank loans (note 17)	-	36
Amounts due under finance leases (note 17)	-	26
Current portion of long-term borrowings	-	62
	883	1,062

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

17. NON-CURRENT LIABILITES

	2017 £000s	2016 £000s
Bank loans	-	1,080
Amounts due under finance leases	-	67
Long term borrowings	-	1,147

Borrowings

Bank loans are repayable as follows:

	2017 £000s	2016 £000s
Within one year	-	36
After one year and within two years	-	34
After two years and within five years	-	146
Over five years	-	900
	-	1,116

17. NON-CURRENT LIABILITES (continued)

Borrowings (continued)

On 15 January 2016 the Company obtained a loan of £1,145,529, secured over Melford Court, The Havens, Ransomes Europark, Ipswich IP3 9SJ repayable over 25 years with a 5 year fixed rate of 2.4% above the base rate from the NatWest Bank PLC. Melford Court was sold in September 2016 as part of the Group Disposal and the loan was repaid in full.

Interest on the bank loan falls due as follows:

	2017	2016
	£000s	£000s
Within one year	-	32
After one year and within two years	-	32
After two years and within five years	-	116
Over five years	-	256
	-	436

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

The minimum lease payments due under finance leases fall due as follows:

	2017	2016
	£000s	£000s
Within one year	-	29
After one year and within five years	-	71
	-	100

The above table includes interest included within the amounts due under finance leases which falls due as follows:

	2017	2016
	£000s	£000s
Within one year	-	2
After one year and within five years	-	3
	-	5

The lease agreements are for various fixed assets and include fixed lease payments with a purchase option at the end of the lease terms. The agreements are non-cancellable and do not contain any further restrictions. All the lease agreements were transferred to the discontinued operations.

18. DEFERRED TAXATION

Deferred taxation is calculated at a rate of 17% (2016: 20%)

	Tax losses £000s	Total £000s
Opening balance at 1 July 2015	-	-
(Charged)/credited through the statement of comprehensive income in the year	-	-
At 30 June 2016	-	-
Charged through the statement of comprehensive income in the year	-	-
At 30 June 2017	-	-

	2017 £000s	2016 £000s
Unprovided deferred tax assets		
Accelerated capital allowances	-	36
Trading losses	341	284
	341	320

The unprovided deferred tax assets are calculated at a rate of 17% (2016: 18%).

19. GROUP UNDERTAKINGS

At 30 June 2017, 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 (U.S.) Inc	United States of America	Ordinary	100%	Dormant

20. SHARE CAPITAL

Group	**2017 Number**	**2017 £000s**	**2016 Number**	**2016 £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	31,721,178	317	31,721,178	317

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

During the year, the share price fluctuated between 49 pence and 12.5 pence and closed at 41.5 pence on 30 June 2017.

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. During the year two tranches of options were issued.

Grant One on 25 May 2017.

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

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

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

The fair value of the options has been calculated at 14.1 pence and £4,000 has been charged to the statement of comprehensive income account for this financial year.

Grant Two on 30 June 2017

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

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

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

The fair value of the options has been calculated at 7.8 pence and no change has been charged to the statement of comprehensive income account for this financial year.

An analysis of the Group and Company options as at 30th June 2017 is as follows:

	Exercise Price	Options Outstanding	Options exercisable	Weighted average life in years	Fair Value of options at date of grant
Grant One	33 Pence	3,065,000	-	4.92	14.3 pence
Grant Two	41.5 Pence	150,000	-	5.00	7.8 pence

Share Option schemes (continued)

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

	2017 Weighted Average exercise price £	2017 Number of Options	2016 Weighted Average exercise price £	2016 Number of Options
Options outstanding at start of year		-	0.01	600,000
Options granted during the year	0.33	3,215,000		-
Options exercised during the year		-		-
Options lapsed during the year		-	0.01	(600,000)
Options outstanding at end of year	0.33	3,215,000		-
Options exercisable at the end of year		-		-

21. FINANCIAL INSTRUMENTS

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

Capital Management

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

At 30 June 2017, the Group had a closing cash balance of £1,958,116 (2016: £895,422) and an outstanding mortgage of £nil (2016: £1,109,256).

Financial risk management and objectives

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

Interest rate risk

The total loan balance at 30 June 2017 is £nil (2016: £1,109,256).

Following the disposal, the Group does not use loan or lease finance and so there is no interest rate risk.

Credit risk

The Group's principal financial assets are cash and trade receivables, with the principal credit risk

21. FINANCIAL INSTRUMENTS (continued)

arising from trade receivables. In order to manage credit risks the Group conducts third party credit reviews on all new clients, takes deposits where this is deemed necessary and collects payment by direct debit, limiting the exposure to a build-up of a large outstanding debt.

Liquidity risk

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

Trade payables and loans fall due as follows:

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

2016	Less than one year £000s	One to two Years £000s	Two to five years £000s	Over five years £000s	Total £000s
Trade payables	289	-	-	-	289
Other payables	304	-	-	-	304
Lease capital and interest	29	29	42	-	100
Loans	68	65	262	1,156	1,551
At 30 June 2016	690	94	304	1,156	2,244

Foreign currencies

During the year exchange gains of £93 (2015: £11,784) have arisen and at the year-end £655 (2016: £57,333) 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.

Financial assets by category

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

	Loans and Receivables £000s	Non financial assets £000s	Total £000s
2016			
Cash at bank	895	-	895
Trade receivables – current	1,266	-	1,266
Other receivables	1	-	1
Prepayments and accrued income	-	217	217
	2,162	217	2,379

21. FINANCIAL INSTRUMENTS (continued)

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

Financial liabilities by category

	Financial liabilities measured at amortised cost £000s	Non financial liabilities £000s	Total £000s
2017			
Trade payables	441	-	441
Accruals	236	-	236
Other payables	135	-	135
VAT and tax payable	-	71	71
Loans	-	-	-
Leases	-	-	-
	812	71	883

	Financial liabilities measured at Amortised Cost £000s	Non Financial Liabilities £000s	Total £000s
2016			
Trade payables	289	-	289
Accruals	291	-	291
Other payables	13	-	13
VAT and tax payable	-	407	407
Loans	36	-	36
Leases	-	27	27
	629	434	1,063

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

22. CAPITAL COMMITMENTS

The Group has no capital commitments at 30 June 2017 or 30 June 2016.

23. CONTINGENT ASSETS

The Group has no contingent assets at 30 June 2017 or 30 June 2016.

24. CONTINGENT LIABILITIES

The Group has no contingent liabilities at 30 June 2017 or 30 June 2016.

25. OPERATING LEASE COMMITMENTS

	2017 £000s	2016 £000s
Total future lease payments:		
Less than one year	98	72
After one and within two years	79	42
After two and within five years	38	61
	215	175

Operating lease commitments relate to the following buildings:

London	expires March 2019
Ipswich Gamma Terrace	expires December 2021, with optional break clause for September 2019

26. TRANSACTIONS WITH DIRECTORS

There were no transactions with directors in the year to June 2017 or June 2016 other than the dividends noted below.

27. DIVIDENDS

The directors have proposed a dividend of nil pence per share (2016: nil pence per share) post year end (subject to shareholder approval).

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

The following directors received dividend payments during the year to 30 June 2017 as follows:

	Dividend Paid 2017 £000s	Dividend Paid 2016 £000s
W A Catchpole	85	4
R S M Gordon	33	1
G Forsyth	35	1

28. DISPOSAL OF THE CALL CENTRE DIVISION

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

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

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

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

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

Operating profit until the date of disposal are summarised below:

	2017 £000s	2016 £000s
Revenue	1,845	7,163
Cost of sales	(1,414)	(5,849)
Gross profit	431	1,314
Administrative expenses	(98)	(402)
Trading profit	333	912
Profit on sale of property	361	-
Operating profit	694	912
Interest expense	(7)	(32)
Profit before taxation	687	880
Taxation	(33)	99
Profit for the year from discontinued operations	654	979
Profit on disposal	5,443	37
Total Profit for period from discontinued activities	6,097	1,016

28. DISPOSAL OF THE CALL CENTRE DIVISION (continued)

The calculation of the profit on disposal is shown below:

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

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

	2017	2016
	£000s	£000s
Net cash outflow from operating activities	(177)	1,080
Net cash generated from investing activities	2,239	(194)
Net cash used in financing activities	(1,102)	(58)
Net Cash used by disposed operation	(858)	828

29. SUBSEQUENT EVENTS

There are no subsequent events that need disclosing.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 £000s	2016 £000s
ASSETS			
Non Current Assets			
Investments in Subsidiaries	5	-	202
Loan Note Receivable	6	2,202	-
		2,202	202
Current assets			
Debtors	6	2,429	605
Cash at bank and in hand		1,912	32
		4,341	637
Creditors: amounts falling due within one year	7	(130)	(59)
Net current assets		4,211	578
Total assets less current liabilities		**6,413**	**780**
Creditors: amounts falling due after more than one year		-	-
Net Assets		**6,413**	**780**
Capital and reserves			
Called up share capital	8	317	317
Share premium account		89	89
Other reserves		4	-
Profit and loss account		6,003	374
Shareholders' Funds		**6,413**	**780**

The profit for the Company for the year was £6,630,269 (2016: Loss £70,050)

The financial statements were approved by the directors and were authorised for issue on 8 September 2017.

W A Catchpole **Director**

T W Good **Director**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Share capital £000s	Share premium £000s	Other reserves £000s	Profit and loss account £000s	Total equity £000s
Balance at 1 July 2015	**317**	**89**	**-**	**491**	**897**
Dividend paid	-	-	-	(47)	**(47)**
Transactions with owners	-	-	-	(47)	**(47)**
Profit and total recognised income and expense for the year	-	-	-	(70)	**(70)**
Balance at 30 June 2016	**317**	**89**	**-**	**374**	**780**
Dividend paid	-	-	-	(997)	**(997)**
Transactions with owners	-	-	-	(997)	**(997)**
Share Option amortisation charge	-	-	4	(4)	**-**
Loss and total recognised income and expense for the year	-	-	-	6,630	**6,630**
Balance at 30 June 2017	**317**	**89**	**4**	**6,003**	**6,413**

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 2017

	2017	2016
	£000s	£000s
Cash flows from operating activities		
Profit/(loss) after taxation	6,630	(70)
Adjustments for:		
Depreciation	-	-
Interest income	(5)	(33)
Profit on sale of call centre division	(6,337)	-
(increase)/decrease in trade and other receivables	(1,788)	104
Increase in trade and other payables	71	37
Cash (used)/generated from/in continuing operations	**(1,429)**	**38**
Dividend paid	(997)	(47)
Net cash used in operating activities	**(2,426)**	**(9)**
Cash flows from investing activities		
Cash received for sale of call centre operation	3,392	-
Dividend received	909	-
Interest received	5	33
Net generated from investing activities	**4,306**	**33**
Cash flows from financing activities		
Repayment of borrowings	-	-
Net cash used in financing activities	**-**	**-**
Net increase in cash	**1,880**	**24**
Cash and cash equivalents at beginning of year	**32**	**8**
Net increase in cash	**1,880**	**24**
Cash and cash equivalents at end of year	**1,912**	**32**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. ACCOUNTING POLICIES

Basis of preparation

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

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

Deferred taxation

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

Investments

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

Land and buildings

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

Related Party Transactions

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

Financial assets and liabilities

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

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

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

Cash and cash equivalents

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

Equity

Equity comprises the following:

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

Contribution to defined contribution pension schemes

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

Foreign currencies

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

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

2. PROFIT 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 profit for the Company for the year was £6,630,269 (2016: Loss £70,050).

3. PERSONNEL REMUNERATION

The Company has two employees William Catchpole and William Good and also pays the service fees of the two non-executive directors. Their salaries and benefits are disclosed in the Directors Report above. In 2016, the director’s fees and salaries were accounted for in the IPPlus UK subsidiary and so nothing was charged to the PLC entity.

4. INTEREST INCOME

The Company received interest from bank deposits and balances with Group Companies of £4,750 (2016: £33,440).

5. FIXED ASSETS

INVESTMENTS

	Subsidiary undertakings £000s	Total £000s
Cost at 1 July 2016	202	202
Additions	-	-
Cost at 30 June 2016	202	202
Disposals	(202)	(202)
Cost at 30 June 2017	-	-

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

6. TRADE AND OTHER RECEIVABLES

	2017 £000s	2016 £000s
Amounts due within one year		
Loan notes receivable	945	-
Amount owed by Group undertaking	1,451	584
VAT recoverable	14	16
Prepayments	19	5
	2,429	605
Amounts due after one year		
Loan notes receivable	2,202	-
	4,631	605

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

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £000s	2016 £000s
Trade creditors	55	49
Accruals	75	10
	130	59

8. SHARE CAPITAL

	2017 Number	2017 £000s	2016 Number	2016 £000s
Allotted called up and fully paid:				
Ordinary shares of 1p each	31,721,178	317	31,721,178	317

9. DIVIDENDS

The directors have proposed no final dividend of in respect of the year ended 30 June 2017 (2016: nil pence per share).

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

The following directors received dividend payments as follows:

	Dividend 2017 £000s	Dividend 2016 £000s
W A Catchpole	85	4
R S M Gordon	33	1
G Forsyth	35	1

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 2017, the Company had a closing cash balance of £1,912,036 (2016: £31,987).

10. FINANCIAL INSTRUMENTS (continued)

Financial risk management and objectives

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

Credit risk

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

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

Liquidity risk

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

Trade payables and loans fall due as follows:

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

2016	Less than one year £000s	One to two years £000s	Two to five years £000s	Over five years £000s	Total £000s
Trade payables	49	-	-	-	49
Other payables	9	-	-	-	9
At 30 June 2016	58	-	-	-	58

10. FINANCIAL INSTRUMENTS (continued)

Financial assets by category

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

	Loans and Receivables £000s	Non financial assets £000s	Total £000s
2016			
Cash at bank	32	-	32
Inter Company receivables	584	-	584
Other receivables	16	-	16
Prepayments and accrued income	-	5	5
	632	5	637

Financial liabilities by category

	Financial liabilities measured at cost £000s	Non financial liabilities £000s	Total £000s
2017			
Trade payables	55	-	55
Accruals	75	-	75
	130	-	130

	£000s	£000s	£000s
2016			
Trade payables	49	-	49
Accruals	10	-	10
	59	-	59

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


CREDIT CARD
BANK NAME
1234 5678 1234 5678
Name Surname
01/09
01/12
CREDIT CARD
BANK NAME
1234 5678 1234 5678
Name Surname
CREDIT CARD
BANK NAME
1234 5678 1234 5678
Name Surname