22 February 2017

PCI-PAL PLC

('PCI-PAL', the 'Company' and, together with its subsidiaries, the 'Group')

Interim results for the six months ended 31 December 2016

PCI-PAL PLC (AIM: 'PCIP'), the provider of products and services that enable organisations to take customer payments securely, de-risking their business from the threat of data loss and cybercrime, announces its unaudited interim results for the six months ended 31 December 2016.

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 products.

Financial Highlights

	6 months ended 31 December 2016 (unaudited)	Restated 6 months ended 31 December 2015 (unaudited)	12 months ended 30 June 2016 (audited)
	£000	£000	£000
Continuing activities	975	561	1,103
Discontinued activities	1,845	3,495	7,163
Revenue	2,820	4,056	8,266
Profit/(loss) after taxation			
Continuing activities	(611)	(370)	(299)
Profit from Discontinued activities, net of tax	6,331	586	456
Profit/(loss) after taxation	5,720	216	157

Basic and diluted earnings per share (EPS)

From Continuing activities	(1.94) p	(1.17) p	(0.95) p
From Discontinued activities	20.06 p	1.86 p	1.45 p
Basic and diluted earnings per share (EPS)	18.12 p	0.69p	0.50 p

- Closing cash and cash equivalents as at 31 December 2016: £2.9m - following the proceeds from the Disposal, and the sale of the Ipswich office at Melford Court (31 December 2015: £0.8m; 30 June 2016: £0.9m).
- £3.35m of the £6.70m consideration receivable by the Group from the Disposal was satisfied by the issue of secured loan notes by the buyer to the Group, which are redeemable within the 42-month period from completion.
- Following the Disposal, £1.0m was returned to shareholders by way of an interim dividend paid on 9 December 2016.
- Development costs associated with the cloud platform expensed - circa £100k in the period.

Operational highlights for continuing operations:

- Transaction volumes through PCI-PAL services have increased 58% compared to July-December 2015, reflecting buoyant client activity.
- Contracts signed with total initial value of £1.8m (2015: £0.5m), of which £0.4m recognised in the period (2015: £0.1m).
- PCI-PAL revenue increased by £414k to £975k (+74%) (2015: £561k).
- Recurring revenues increased to £595k representing 61% of total turnover (2015: £353k, 63%).
- Continued strong customer commitment with complete client retention and excellent referrals from our existing blue chip client base.
- Significant investment in expanding our cloud platform to enhance support for global clients.
- In December 2016, the Group revealed its refreshed corporate branding and new website, reflecting the new focus and strategy, www.pcipal.com.
- Following the Disposal and the sale of the Melford Court Ipswich office, the team relocated to new offices nearby at The Masterlord Estate, Ipswich, and maintains the sales suite at 1 Cornhill, London.

Post period events for continuing operations:

- Since 31 December 2016, the Company has secured an international order for the supply of its services to the world's largest electrical heating business.
- Recruitment of several key professional voice and software engineers.

Commenting on the results and prospects, William Catchpole, Chief Executive Officer, said:

"We are delighted with the trading performance of the new streamlined business with significant increases year-on-year in signed contract numbers and recurring revenue.

“Most of these deals were won against our main competitors. As these new contracts come on-line they will deliver revenue and enhanced customer value over the longer term.

“We continue to invest in the security of our services and the development of our global cloud platform to support multi-national brands. We remain confident in our new strategy for the Group and in its delivery against ambitious growth plans over the next few years."

Interim Report - Copies of this interim report can be downloaded from the Company's website (https://www.pcipal.com/)

For further information, please contact:

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Notes to Editors:

PCI-PAL provides products and services enabling organisations to take customer payments securely, processing credit card data securely, and thereby de-risking their business from the threat of data loss and cybercrime. PCI-PAL solutions are currently used in more than 60 organisations, many of which are multi-national businesses in the retail, services, utilities and public sectors, utilising PCI-PAL technology to ensure they meet payment card industry rules and regulations governing customer data protection.

PCI-PAL floated under the name of CountyWeb.com PLC on the AIM market of the London Stock Exchange in September 2000. The PCI-PAL product suite was launched in 2011 and since the disposal of its contact centre operations in September 2016, the Group has been solely focused on its PCI-PAL business.

JOINT REPORT FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

In the reported period we completed the £6.70m disposal of the Ansaback call centre business and the CallScripter software business (the 'Disposal'), to focus all our efforts on our rapidly developing PCI-PAL secure payment business; PCI being the recognised market acronym for Payment Card Industry.

As part of the Disposal, the freehold Ipswich office was sold and leased back and then transferred to the new acquirer, generating further cash of £0.8m for the Group. The PCI-PAL business relocated to a new office in Ipswich which is also the new registered office.

Reflecting this change, we renamed the holding company PCI-PAL PLC on 3 October 2016.

Following the Disposal, James Barham joined the PLC Board as Commercial Director and Sadie Ahier was appointed Operational Director for the PCI-PAL (UK) Ltd operating company. Andy Francombe, having supported the Company through the Disposal and its initial transition to a secure payment solutions provider, is stepping down from the Board. The search for his successor is well under way. The existing PCI-PAL technical team were relocated from the freehold offices at Melford Court, Ipswich, to a modern 1,500 square feet office on the Masterlord Business Park less than quarter of a mile away. The Sales and Marketing suite at Cornhill, London was retained.

Strategy

The Board continues to execute on its growth strategy, at the core of which is a solid commercial, operational and financial platform. The initial steps were taken several years ago to create a stable platform which could support a large number of simultaneous transactions and had sufficient redundancy and back-up to give clients unparalleled transactional uptime.

The Group's growth strategy is as follows:

- Attraction and retention of new clients through the delivery of best-in-class, secure payment solutions;

- Retention and broadening of relationships with existing and new customers through high levels of support and service offerings and a proactive approach to upselling the PCI-PAL range of solutions;

- Recruitment and retention of a high calibre, highly skilled workforce; and

- Targeted investment in the technology platform and product suite.

As an example of the security challenges facing those in business, the most recently publicised data loss concerned the Royal & Sun Alliance Insurance PLC, following the loss of the personal information of nearly 60,000 customers. Such breaches create a significant opportunity for PCI-PAL.

The planned implementation of the General Data Protection Regulation (GDPR) in May 2018 and the higher potential financial penalties for non-compliance that the regulation entails will increase the focus businesses place on data security, making PCI-PAL products even more attractive to potential customers.

The Board is not proposing an interim dividend for the period, prioritising investment in the growth of the business.

Performance overview

PCI-PAL had an excellent six months, securing new contracts across a range of industry verticals including retail, services, leisure, public and the charity sector. Transaction volumes through PCI-PAL services for the period July-December 2016 were 58% higher compared to 2015, with a valuable stream of referrals from our existing client base providing quality leads in addition to our own sales initiatives. The continued evolution of the PCI-PAL product suite to provide a wide range of payment security solutions has allowed us to broaden and extend the value proposition to both existing clients and new business prospects.

Investment in expansion of the cloud platform continues to ensure that PCI-PAL's clients can be confident of best in class products and services.

Recurring revenues have grown 69% year-on-year, with an additional healthy pipeline of contracted business yet to go live. The increase in administration expenses reflects the additional personnel costs of building the team required to execute the growth strategy, in addition to the central PLC costs which include the Board and AIM costs.

Platform availability remains the cornerstone of our product suite. Uptime and availability is continually monitored and has remained exceptional.

Outlook

Cybersecurity and data protection remain high on boardroom agendas and, with the market fuelled by well publicised data breaches across multiple vertical industries, more and more companies are looking to find cost effective, outsourced technical solutions to protect customer data and de-risk their businesses from the threat of data loss. We anticipate this focus will continue for years to come, and we are well placed to capitalise on the growth opportunity, with a broad and scalable product set which meets clients' needs and a strong, growing base of reference clients.

Whilst the volume and value of new business are good indicators of market traction and performance, the continuation of licences sold in prior years is of critical importance to the Group's strategy. It is therefore very encouraging that all customers who have used the PCI-PAL platform remain users.

Following the disposal of non-core businesses, the Group remains in a strong financial position with a gross cash balance of £2.9m and £3.35m of deferred loan notes at the period end, which will enable us to invest in support of our growth plans.

PCI-PAL continues to perform well against its ambitious organic growth strategy. The recurring revenue base continues to grow and the contracted forward order book has also increased substantially.

The Board is confident in its strategy and believes that PCI-PAL continues to have exciting growth prospects over the next few years.

Chris Fielding	**William Catchpole**
Chairman	**Chief Executive Officer**

22 February 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**6 months ended 31 December 2016 (unaudited) £000**	Restated 6 months ended 31 December 2015 (unaudited) £000	12 months ended 30 June 2016 (audited) £000
Revenue		**975**	561	1,103
Cost of sales		**(557)**	(288)	(534)
Gross profit		**418**	273	569
Administrative expenses		**(1,029)**	(661)	(871)
Operating loss		**(611)**	(388)	(302)
Finance income		**5**	18	33
Finance costs		**(5)**	-	(30)
Loss before taxation		**(611)**	(370)	(299)
Income tax credit/(charge)		**-**	-	-
Loss for year from Continuing activities		**(611)**	(370)	(299)
Profit for the period from Discontinued activities		**6,331**	586	456
Profit and total comprehensive income attributable to equity holders of the parent company		**5,720**	216	157
Basic and diluted earnings/(losses) per share				
From Continuing activities		**(1.94) p**	(1.17) p	(0.95) p
From Discontinued activities		**20.06 p**	1.86 p	1.45 p
Basic and diluted earnings per share		**18.12 p**	0.69 p	0.50 p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2016 (unaudited) £000**	31 December 2015 (unaudited) £000	30 June 2016 (audited) £000
Assets				
Non-current assets				
Land and buildings		**-**	1,627	1,601
Plant and equipment		**66**	298	252
Deferred tax assets		**-**	-	-
Non-current deferred consideration	4	**2,393**	-	-
Non-current assets		**2,459**	1,925	1,853
Current assets				
Trade and other receivables		**705**	1,832	1,483
Other debtors		**80**	-	-
Current deferred consideration	4	**957**	-	-
Cash and cash equivalents		**2,928**	846	895
Current assets		**4,670**	2,678	2,378
Total assets		**7,129**	4,603	4,231
Liabilities				
Current liabilities				
Trade and other payables		**(403)**	(1,224)	(1,000)
Current portion of long-term borrowings		**-**	(79)	(62)
Current liabilities		**(403)**	(1,303)	(1,062)
Non-current liabilities				
Long-term borrowings		**-**	(1,219)	(1,147)
Non-current liabilities		**-**	(1,219)	(1,147)
Total liabilities		**(403)**	(2,522)	(2,209)
Net assets		**6,726**	2,081	2,022
Equity				
Equity attributable to shareholders of the parent				
Share capital		**317**	317	317
Share premium		**89**	89	89
Other reserves		**-**	18	18
Profit and loss account		**6,320**	1,657	1,598
Total equity		**6,726**	2,081	2,022

CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 31 December 2016 (unaudited) £000	6 months ended 31 December 2015 (unaudited) £000	12 months ended 30 June 2016 (audited) £000
Cash flows from operating activities			
Profit/(loss) after taxation	**5,720**	216	157
Adjustments for:			
Depreciation	**7**	99	207
Interest income	**(5)**	(2)	(3)
Interest expense	**5**	16	29
Interest element of finance leases	**-**	1	4
Income taxes received		(99)	
Profit from Discontinued activities	**(6,331)**	(586)	(455)
Profit on sale of Ancora Solutions	**-**	(86)	
Decrease/(increase) in trade and other receivables	**(335)**	(46)	(77)
(Decrease)/increase in trade and other payables	**39**	23	39
Cash used in operating activities	**(900)**	(464)	(99)
Dividend paid	**(997)**	(47)	(47)
Income taxes received	**-**	99	99
Interest paid	**(5)**	(16)	(29)
Interest element of finance leases	**-**	(1)	(4)
Net cash used in Continuing operating activities	**(1,902)**	(429)	(80)
Net cash (used in)/generated from Discontinued activities	**(632)**	311	171
Net cash (used in)/generated from operating activities	**(2,534)**	(118)	91
Cash flows from investing activities			
Consideration for sale of Ansaback and CallScripter Divisions	**3,773**	-	-
Proceeds from disposal of property	**1,950**	-	-
Purchase of land, buildings, plant and equipment	**(59)**	(52)	(182)
Interest received	**5**	2	3
Net cash generated from/(used in) investing activities	**5,669**	(50)	(179)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	6 months ended 31 December 2016 (unaudited) £000	6 months ended 31 December 2015 (unaudited) £000	12 months ended 30 June 2016 (audited) £000
Cash flows from financing activities			
Repayment of mortgage on disposed property	**(1,102)**	(9)	(22)
Capital element of finance leases	**-**	(18)	(36)
Net cash used in financing activities	**(1,102)**	(27)	(58)
Net increase/(decrease) in cash and cash equivalents	**2,033**	(195)	(146)
Cash and cash equivalents at beginning of the period	**895**	1,041	1,041
Net increase/(decrease) in cash and cash equivalents	2,033	(195)	(146)
Cash and cash equivalents at the end of the period	**2,928**	846	895

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £000	Share Premium £000	Other Reserves £000	Profit And Loss Account £000	**Total Equity £000**
Balance at 1 July 2015	317	89	18	1,487	**1,911**
Dividend paid	-	-	-	(47)	**(47)**
Transactions with owners	-	-	-	(47)	**(47)**
Loss and total recognised income and expense for the period	-	-	-	216	**216**
Balance at 31 December 2015	317	89	18	1,656	**2,080**
Loss and total recognised income and expense for the period	-	-	-	(58)	**(58)**
Balance at 30 June 2016	317	89	18	1,598	**2,022**
Dividend paid	-	-	-	(998)	**(998)**
Transactions with owners	-	-	-	(998)	**(998)**
Merger reserve written off			(18)		**(18)**
Profit and total recognised income and expense for the period	-	-	-	5,720	**5,720**
Balance at 31 December 2016	317	89	-	6,320	**6,726**

Notes to the Interim Financial Statements

1. Nature of activities and general information

PCI-PAL PLC is the Group's ultimate parent company and is a public limited company domiciled in England and Wales (registration number 3869545). The company's registered office, which is also its principal place of business, is Unit 7, Gamma Terrace, Masterlord Estate, Ipswich, IP3 9FF. The Company's ordinary shares are traded on the AIM Market of the London Stock Exchange. The Group's consolidated interim financial statements (the "interim financial statements") for the period ended 31 December 2016 comprise the Company and its subsidiaries (the "Group").

The Company operates principally as a holding company. The main subsidiary is engaged in the provision of products and services that enable customers to securely take card payments, safely store customer data, card data, and to de-risk their business activities from the threat of data loss and cyber crime. PCI PAL is a cloud based solution.

The interim financial statements are presented in pounds sterling (£000), which is also the functional currency of the parent company.

2. Basis of preparation of financial information

These interim financial statements are for the six months ended 31 December 2016. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2016.

The financial information for the year ended 30 June 2016 set out in these interim financial statements does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 30 June 2016 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

These interim financial statements are based on the recognition and measurement principles of applicable International Financial Reporting Standards in issue as adopted by the European Union and have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those utilised in the financial statements for the year ended 30 June 2016 and have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

These interim financial statements have been restated to reflect the disposal of the Ansaback and CallScripter businesses. The Income Statement has been adjusted to extract the Discontinued element of the Ansaback and CallScripter disposals and the profit from Discontinued activities is included as a single line. The other statements and notes have also been adjusted to reflect this policy.

The principal risks and uncertainties associated with the Group's continuing business are described in the circular to shareholders dated 12 September 2016 issued in connection with the Disposal.

3. Earnings per share

The calculation of the earnings per share is based on the profit after taxation attributable to equity holders of the parent company divided by the weighted average number of ordinary shares in issue during the relevant period. No diluted profit per share is shown because all options are non-dilutive.

	6 months ended 31 December 2016 (unaudited) £000	6 months ended 31 December 2015 (unaudited) £000	12 months ended 30 June 2016 (audited) £000
Profit/(loss) after taxation			
From Continuing activities	**(611)**	(370)	(299)
From Discontinued activities	**6,331**	586	456
Profit/(loss) after taxation	**5,720**	216	157
Weighted average number of ordinary shares in issue during the period (000)	**31,554**	31,554	31,554
Basic and diluted earnings/(loss) per share			
From Continuing activities	**(1.94) p**	(1.17) p	(0.95) p
From Discontinued activities	**20.06 p**	1.86 p	1.45 p
Basic and diluted earnings/(loss) per share	**18.12 p**	0.69 p	0.50 p

4. Deferred Consideration

Part of the consideration receivable by The Group on the sale of the Ansaback and CallScripter Divisions on 30 September 2016 was satisfied by the issue of secured loan notes by the buyer, The Yonder Digital Group Limited (formerly Direct Response Contact Centres Group Limited), which are receivable as follows:

	6 months ended 31 December 2016 (unaudited) £000	6 months ended 31 December 2015 (unaudited) £000	12 months ended 30 June 2016 (audited) £000
Receivable within one year	**957**	-	-
Receivable after one year and within four years	**2,393**	-	-
	3,350	-	-