*This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR.*

8 March 2021

**PCI-PAL PLC**

("PCI Pal" or “the Group” or “the Company”)

**Interim Results for the Six Months ended 31 December 2020**

**& details of Investor Presentation**

PCI-PAL PLC (AIM: PCIP), the global cloud provider of secure payment solutions for business communications, is pleased to announce its unaudited interim results for the six months to 31 December 2020.

### Financial highlights for the period

- Revenue increased 56% year on year to £3.19 million (2019: £2.04 million)
- Gross margin improved to 73% (2019: 67%)
- Recurring revenues represent 86% of total revenue (2019: 85%)
- New contract annual recurring licence sales in the period (“ACV”) up 44% at £1.68 million (2019: £1.17 million)
- TACV[1] as of 31 December 2020 was £8.28 million (2019: £5.21 million) reflecting a 59% increase year on year
- Loss from operating activities in line with expectations at £2.15 million (2019: £2.28 million)
- Cash at period end of £4.23 million (30 June 2020: £4.30 million) with net cash being £2.11 million (30 June 2020: net cash £3.03 million)
- Deferred revenue of £6.36 million (2019: £4.00 million) at period end

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

### Operating highlights in the period

- Signed 93 new customer contracts, an 82% increase YoY (2019: 51)
- 74% of new contracts generated from channel partners (2019: 82%)
- 67 additional new customers live with services, a 123% increase YoY (2019: 30)
- Time to go live of new contracts from the date of signature to go live (“TTGL”) improved by 16% to 3.7 months for customers signed in the preceding 12 months (June 2020: 4.4 months)
- Net Promoter Score significantly ahead of global benchmarks at 163%
- New technology partnerships announced with Oracle and Calabrio
- New reseller partnership with major IT Services provider to US federal, state, and local government completed, resulting in first customer contract signed with a US state
- Signed and deployed a major new customer, a well-known international fashion retailer headquartered in North America. with more than 1,500 agents
- Announced formation of the PCI Pal Advisory Committee (“PAC”) and appointed first member, Neira Jones, a respected payments industry executive
- Won Data Security Solution Provider of the Year at the US-held Cybersecurity Breakthrough Awards

### Current trading

Highlights since 31 December 2020 include:

- Sales highlights:
  - New customer contract highlights in the US include a well-known global manufacturer of home fixtures and furnishings, as well as a contract to supply our Agent Assist solution through an integrated partner to a division of one of the largest insurance brokers in the world.
  - In EMEA, highlight sales include a number of new contracts with local authorities in England, including a large County Council, and a new reseller partnership with a major telecommunications company in Spain.
- Second largest customer in company’s history, contracted in the UK in H2 FY2020, now live with PCI Pal services across all contact centre locations.
- Successfully hosted our first virtual conference, “*Payments: The future of security and CX*” in February. Keynote presentations and breakout sessions were given by Verizon, NICE inContact, 8x8, Oracle, Capita Pay 360, Civica, Calabrio & Talkdesk.

- As at the end of February 2021, cash has improved to £4.62 million and net cash, less the outstanding Group's loan facility, was £2.69 million

**Commenting on the results for the period, James Barham, Chief Executive Officer said:**

"I am delighted with the continued progress and positive momentum being shown by the Group as we report on another strong period of growth and development. The business has taken another substantial step forward with the increased number of contracts signed, expansion of our partner ecosystem, and positive outcomes across all of our key performance metrics.

"Our early adoption of cloud-only services, available globally, as well as our channel partner sales model have seen us benefit from the IT transformation occurring in the business communications market today, with more and more companies moving from on-premise technology to cloud services.

"This continued execution against our plans gives me confidence in the outlook for the Company as we remain on track to achieve our market forecasts for this current financial year. We are well positioned to continue the momentum we are building as we look to capitalise on the undoubted market opportunity for our technology."

**Analyst Briefing: 9.30 am today, Monday 8 March 2021**

An online briefing for analysts will be hosted by James Barham, Chief Executive, and William Good, Chief Financial Officer, at 9.30 am today, Monday 8 March 2021, to review the results and prospects of the Company. Analysts wishing to attend should contact Walbrook PR on pcipal@walbrookpr.com or 020 7933 8780.

**Investor Presentation: 10.00 am on Thursday 11 March 2021**

The Directors will hold an investor presentation to cover the results and prospects at 10.00 am on Thursday 11 March 2021.

The presentation will be hosted through the digital platform Investor Meet Company. Investors can sign up to Investor Meet Company and add to meet PCI-PAL PLC via the following link https://www.investormeetcompany.com/pci-pal-plc/register-investor. For those investors who have already registered and added to meet the Company, they will automatically be invited.

Questions can be submitted pre-event to pcipal@walbrookpr.com or in real time during the presentation via the "Ask a Question" function.

**For further information, please contact:**

| | |
|---|---|
| **PCI-PAL PLC**<br>James Barham - Chief Executive Officer<br>William Good - Chief Financial Officer | Via Walbrook PR |
| **finnCap** (Nominated Adviser and Broker)<br>Marc Milmo / Simon Hicks (Corporate Finance)<br>Richard Chambers (Corporate Broking) | +44 (0) 20 7227 0500 |
| **Walbrook PR**<br>Tom Cooper/Paul Vann | +44 (0) 20 7933 8780<br>+44 (0) 797 122 1972<br>tom.cooper@walbrookpr.com |

**About PCI Pal:**
PCI Pal is a leading provider of Software-as-a-Service ("SaaS") solutions that empower companies to take payments from their customers securely, adhere to strict industry governance, and remove their business from the significant risks posed by non-compliance and data loss. Our products secure payments and data in any business communications environment including voice, chat, social, email, and contact centre. We are integrated to, and resold by, some of the worlds' leading business communications vendors, as well as major payment service providers.

The entirety of our product-base is available from our global cloud platform hosted in Amazon Web Services ("AWS"), with regional instances across EMEA, North America, and ANZ. PCI Pal products can be used by any size organisation globally, and we are proud to work with some of the largest and most respected brands in the world.

For more information visit www.pcipal.com or follow the team on Linkedin:
https://www.linkedin.com/company/pci-pal/

**Chief Executive Officer's Business Review**

**Introduction**

I am pleased to report that we have made significant progress against all our key growth metrics in the first half of the year as we continue towards our goal to *become the preferred solution provider that organisations turn to globally for achieving payment security and PCI compliance in customer engagement environments*. We have been able to achieve this through our focus on the three strategic pillars that we incorporated into our stated objectives: serving products from a true cloud environment; available globally; with a sales model that leverages the strengths of large and often global channel partners.

We have increased our key growth metric and indicator of future revenues of TACV by 59% year on year to £8.28 million (2019: £5.21 million), and as a result, we have taken a further substantial step forward in reported revenue growth, increasing 56% year on year to £3.19 million (2019: £2.04 million).

It is testament to our channel strategy that we have achieved a further uplift in new customer contracts signed in the period, increasing by 63% year on year to 93 (2019: 57), with 75% of these new customers generated through channel partners. New business ACV signed in the first half increased 44% year on year to £1.68 million (2019: £1.17 million).

Delivering our growth strategy

Having made a commitment to build a channel sales business, we now have an enviable and growing ecosystem of partners including some of the best-known names in the business communications and payments markets. The contact centre market is by majority made up of small to medium size sites (those with less than 250 agent seats). In the US alone, there are over 37,000 contact centres (93% of all contact centres in the region) with less than 250 seats. Our ability to market, engage, and sell to this majority end of the market, via our channel ecosystem, is critical to realising the scale potential of this business. We are able to successfully sell to any size customer, leveraging our partners existing routes to market to address smaller customers in volume, as well as selling both through partners and direct to the larger enterprise end of the market.

We have continued to be successful in winning these larger, enterprise-level, contact centres in the period, across both the UK and North America. We are also beginning to see positive results of our direct account-based marketing strategy, which was started at the end of our FY20, with a pleasing increase in the number of strategic deals available to us. By their nature, the timing of these larger deals is more difficult to predict but it is pleasing to see success in winning a number of enterprise-size customers whether through partners or direct through competitive tender processes.

It has been critical for this fast-growing business to balance the immediate needs caused by the onset of the pandemic with continued longer term strategic planning. We are executing on our near term objectives, whilst maintaining strategic growth focus to ensure we realise the longer term opportunities ahead of us. In August, we announced the formation of the PCI Pal Advisory Committee ("PAC"). The objective of the PAC is to provide additional breadth of market and product perspectives to myself and the Board as we seek to capitalise on the various opportunities in front of us. Our first member is Neira Jones, an internationally well-known executive and subject matter expert in payments, fintech, and cybersecurity. Neira brings a wealth of experience and knowledge to our strategic planning resources having held senior positions at Barclaycard, as well as serving on the Board of Advisors for the Payment Card Industry Security Standard Council ("PCI SSC").

COVID-19

The business has been well positioned to deal with the implications of the onset of the pandemic throughout. Supporting our view that the contact centre market was likely to grow, Contact Babel has confirmed in its recent market reporting that both the US and UK contact centre markets have expanded by 2% and 4% respectively in 2020, the largest single increase in both regions for more than five years.

Our early investment in cloud technology, which has led to our position as the leader in cloud solutions in our market, has been a key component of our capability to deal with the operational changes that occurred during the pandemic, such as the requirement to enable our customers to operate entirely remotely. It also puts us in a position of strength as we seek to capitalise on the on-going IT transformation occurring in the unified communications and contact centre markets today, with companies moving from legacy on-premise, hardware communications solutions, to feature-rich cloud services. Further anecdotal evidence is showing that this change is accelerating as a result of the pandemic, as contact centres wrestle with moving their staff to a more flexible working-from-home basis, or in the future a blended home and office working.

The Group’s progress during the pandemic is testament to our people, who have all experienced some challenging times personally during this period. At the onset of the pandemic, the Company immediately increased communications with our teams, and, as well as offering flexible work schedules, worked closely with those more greatly affected by the impacts of the pandemic. As a small, fast growing business, we take pride in the closeness of our teams across the UK and US as we all drive towards the collective corporate goals of the business. As a business we ensure we are sensitive and sympathetic to our team’s personal needs as we build towards a new working normal.

**PCI Pal Cloud**

We launched our cloud platform in October 2017 and were the first to bring secure payment services to the contact centre market through a true-cloud technology offering, available globally. Having set out a key strategic objective to be the leader in cloud-based secure payment services to the business communications market, we have expanded our platform to reach across multiple regions in EMEA, North America, and ANZ.

We have consistently added new reseller partners to our ecosystem who are often global cloud-based vendors themselves. We provide full on-boarding to these partners allowing us, where possible, to integrate with their own solution offerings thus providing these partners with easy-to-deploy PCI compliant payment solutions that they can sell alongside their own core product offerings.

At PCI Pal, we utilise AWS for the virtualised hosting of our cloud platform. We selected AWS for their market leading position in hosting, their features, resilience, and geographic coverage. Our true-cloud approach allows us to deliver services across the globe whilst maintaining data sovereignty and regional handling of payment traffic by leveraging the data regions we have created within our platform. This is both of appeal to smaller local customers who need their data to be handled within the territory in which they trade; but equally to larger multi-national organisations whose businesses may be geographically dispersed with more complex data handling requirements. Our customers can therefore use a single PCI Pal service, but choose to handle their customers’ data locally wherever their services are being used.

Today we have customers live across all our availability zones within AWS: UK, Ireland, Germany, US, Canada and Australia. Many of our partners benefit from this international coverage, particularly those with a similar technical footprint. The platform has been designed and built to be managed as a single entity underpinned by cloud native technology, allowing us to be ultra-efficient in maintaining the platform, nimble in our development cycles and more robust in our release processes. We have proven our ability to expand the platform to new geographic locations to meet commercial demand, the most recent of which being the Sydney instance, activated in under two weeks. We are expecting to continue to add new geographic locations as we continue to meet the demand for our services from across the world.

**North America**

Now in our third full financial year since launching in North America, we are seeing sales and revenue momentum building through the quantities of new contracts we have won as a result of the partnerships we have put in place as well as through direct marketing activities. We signed 35 new customer contracts in the period, an 84% increase on the prior year, with 74% of these coming from channel partners. Our key growth metric, and indicator of future revenues, TACV for the region increased by 106% year-on-year to £2.47 million (2019: £1.20 million).

New ACV signed in the region in the period was in line with management expectations for the period at £0.72 million. This is similar to the prior year comparable of £0.67 million, but this prior year number did include the Company’s second largest contract signed to date at £0.44 million ACV.

Although still smaller numbers due to our time in the region, the continued sales momentum is now beginning to flow through to recognised revenues which increased to £0.84 million (2019: £0.15 million). Revenues for the region represented 26% of total Group revenues for the period (2019: 7%).

Sales highlights in the region include several new channel partnerships, all of whom were on our target lists for the year. These include Oracle and Calabrio, a global leader in Workforce Optimisation (“WFO”) and call recording, both of whom are now fully on-boarded referral partners. We also signed a reseller partnership with one of the largest IT service providers to federal, state, and local government in the US, a partnership that immediately resulted in the Group’s first contract with a US state. This is particularly exciting for us given our strength in the equivalent government sector in the UK.

Additionally, we have been successful in expanding an existing regional relationship we have had with a major US headquartered, global Business Process Outsourcer (“BPO”) to a global relationship. We had a small number of customers with this partner in the UK and applied a similar strategy to that which enabled us to expand other UK-centric regional partnerships to other large US-owned partners. We now have a centralised relationship in place with the BPO as their secure payment solution provider of choice globally. This extended partnership has resulted in three new customer deals in the period in the US and Spain, all with well-known brands. This is a further illustration as to how our US sales activities can benefit our other regions.

From a direct sales perspective, the highlight sale was to a North American headquartered, popular fashion retailer with stores worldwide. With more than 1,500 agent seats, we were extremely pleased for this customer to be live with our services within 10 weeks of signing. Additionally, we have continued to sign other strong brands, and these include Fortune 500 companies. A number of these deals have been secured as "initial phase" deals and we are expecting to sell our services to other parts of these organisations over the coming years.

Overall, I am extremely pleased with how the US region is developing for us. The market is approximately six times larger than the UK market and we are building good sales and revenue momentum on the back of our increasing brand awareness. We are confident that the US region will play an increasingly important part in the continued growth of the Group over the coming years.

**EMEA**

Of our two core regions today, the EMEA business served by our UK-based team, is the more mature. Sales momentum has been strong in the region due to the growing opportunities we are seeing with our global partners, many of whom are US-headquartered, with UK and pan-European operations. These opportunities are adding to the existing sales activity we have developed with other longer standing regional partnerships within the region.

New ACV signed in the period increased by 96% year on year to £0.96 million (2019: £0.49 million) bringing our key future revenue indicator of TACV for the region to £5.80 million, a 45% increase year on year (2019: £4.01 million). We signed 58 new customer contracts in the period, a substantial 53% increase on the prior year, illustrating the scale potential of our channel business model.

We increased revenues in the region for the period by 24% to £2.35 million (2019: £1.90 million), of which 86% was recurring (2019: 86%). Revenues in EMEA are generated both from services on our first-generation, privately hosted platform and, since 2018, from our margin-rich, true-cloud AWS environment. We ceased selling new services on the first-generation platform in 2018.

We are consistently winning new business with large, recognised brands, with the majority of our EMEA new business coming from the UK where the entirety of our sales team is based today. Sales highlights included the signing of a major UK airline, won through our growing reseller relationship with one of the world's leading European headquartered BPOs. Since the period end this customer has gone live. Additionally, we have continued to add to our strength as the leading provider in our space to the public sector in the UK, adding several local authorities as well as one of the largest councils in England. We continue to grow our relationships with both Capita Pay 360 (the payments arm of Capita PLC) and Civica.

**Channel Partners**

At PCI Pal, our partner-first model means that we sell primarily through channel partners, which by majority includes resellers and referral partners. We are committed to our goal *to be the go to provider of secure payment services for technology companies globally*.

Our channel sales model has been one of our three pillars of strategic focus since we set out the current plan over four years ago. Our partners include some of the best known names in the high-growth business communications markets (CCaaS and UCaaS) such as 8x8, Genesys, Vonage, and Talkdesk; as well as partners from a variety of markets including payment gateways, BPOs, and systems integrators. In the period, 75% of all new contracts were generated from partners (2019: 84%), which contributed 64% of the recurring ACV value signed in the period (2019: 47%). This was an anticipated proportionate increase in value as quantities of contracts from partners increase with partner relationships maturing that have been secured in previous years.

We categorise our partners into four different groups:

- Integrated Partners - Such as CCaaS, UCaaS or carrier partners with tight telephony, and sometimes desktop, integrations. Repeatable integrations facilitate shorter customer implementation times.

- Solution Providers - Typically Value Added Resellers ("VARs") and Systems Integrators of the major traditional telephony platforms such as Genesys, Cisco, and Avaya. Solution Providers also include payment service providers such as Worldpay B2B, Capita Pay 360, and Civica; as well as BPOs.

- Referral Partners - Partners who introduce customers to us, to whom we then sell direct. These include Master Agents, consultants, as well as other organisations who may prefer to first introduce, prior to becoming a fully enabled reseller.

- Technology Partners – typically these are major technology vendors with whom we have sought technology accreditations that allow us to sell to both their own partner communities and also major enterprise customers, such as Oracle.

Whilst we have been focused on maximising the opportunities that we have with our partners, many of whom we have been working with for under two years, we have been successful in growing our partner eco-system securing new partnership agreements with a number of organisations, the majority of which were on our target lists at the start of the year.

We were pleased to secure our first reseller in the United States in the Federal, State, and local US government sector. Two of our longest standing partners in the UK are public sector leaders, Capita and Civica, and with more than 40 customers in the public sector in the UK alone, we are excited by this new US partnership, which immediately resulted in our first contract with a US state.

We increased our marketing collaboration with our partners at the onset of the pandemic as a response to reduced, in-person marketing opportunities at events and conferences, and we have maintained this momentum with our partners ever since. We are using multiple channels through our digital marketing strategy, including our new podcast series that we launched in December 2020 publishing several episodes to date including partner collaborations.

**Operations**

As we continue to focus operationally on people, process, and technology, I am extremely pleased with our continued progress in the business' operational capabilities related to customer implementations. We have made extensive improvements to our capabilities since we first introduced our key delivery metric of TTGL in January 2019. We will continue to evolve our capabilities operationally that will allow us to achieve the operational gearing that our subscription-based, SaaS model brings.

In spite of the difficulties caused by the pandemic we have further improved TTGL for customers signed in the last 12 months by 16% since the end of the full prior year to 3.7 months (30 June 2020: 4.4 months), with 67 new customers live with our services in the period. This is a substantial 123% increase year on year (2019: 30). These 67 customers account for £1.80 million in annual recurring revenue, which again is a substantial 350% increase on the prior year comparator (2019: £0.4 million). Being a cloud only solution means that our customers can access our services with deployments maintained entirely remotely. We have no need to visit any customer sites.

More pleasing to me is that we are handling this growth in a way that our customers and partners appreciate. Our Net Promoter Scores, which measure how satisfied our customers are with our deployment services, have increased since FY2020 year end and now stand at 163% above the global NPS benchmark.

The operational highlight of the period was the go live of our largest customer in the United States, which is now live across more than 4,000 agents who work across several contact centre locations in the region. This was a highly successful engagement for PCI Pal, with the customer's project team winning an award internally for the success of the overall project delivery.

**Outlook**

We are well positioned to continue the momentum we have built in the period having made another significant step forward in all key growth metrics in the first half. Whilst we remain mindful of the pandemic and impacts this is having on some businesses and sectors, the strength of our near-term sales pipelines, as well the continued accumulation of our key growth metric of TACV, give the Board confidence of achieving market expectations for the full year.

Up to the end of February we have signed a further 26 new customer contracts, as well as continued to expand our partner eco-system, which included a new reseller partnership with a large telecommunications company in Spain, as well as a global extension to a regional reseller agreement we have had in place with a large payment processor in the US.

Our capability to work with our customers and partners entirely remotely has seen a further 10 customers go live with our services up to the end of February. These customers include the largest contract signed in FY2020, as well as a well-known FTSE 250 company signed earlier this financial year.

We were the first company to launch a true cloud, next generation, solution in our market. Since its launch in 2017, we have seen a strong and growing take up of our services from key technology vendors who we have partnered with. Worldwide, more and more companies are looking to update their business communications needs and are by majority investing in the latest cloud-based solutions available from these key partners of ours, who then resell our complementary solutions as part of their offerings. We are therefore well positioned to continue to grow the business we have built today. We will look to capitalise on the opportunities that we have in front of us globally that will continue to drive stepped, long term increases in our key growth metric of TACV.

James Barham
Chief Executive Officer
8 March 2021

**CFO's Financial Review**

Revenue and gross margin

Group revenue grew by 56% to £3.19 million (2019: £2.04 million) and gross margin improved to 73% (2019: 67%). This improvement continues to reflect the higher margin revenue generated by the PCI Pal platform hosted on AWS which has only a limited reliance on third party suppliers to receive or deliver calls. Going forward, we expect the gross margin to continue to improve as more sales, delivered on the AWS platform, reach revenue recognition.

The Group's revenue reflects its SaaS business model. It delivers its services mostly through channel partners into contact centres who are charged primarily on a recurring licence basis. The terms of the sales contracts generally allow for automatic renewal of the licences for a further 12 month period at the end of their initial term. Renewal and retention rates continue to be extremely high again exceeding 95%+.

With the strong sales performance of the first half of the year the Group finished the period with a TACV of £8.28 million (2019: £5.21 million) providing the Group with high visibility of revenue for the remainder of the financial year.

Administrative expenses

Total administrative expenses were £4.47 million (2019: £3.65 million), an increase of 22%.

The Group has continued to take on new headcount to support our growth with the number of employees increasing from 58 as at the 30 June 2020 to 65 at the period end.

Personnel costs charged to the Comprehensive Income Statement (including commission, bonuses and travel and subsistence expenses) were £2.95 million (2019: £2.66 million), of which £0.39 million (2019: £0.46 million) was capitalised as Software Development costs. Personnel costs make up 73% (2019: 77%) of the administrative costs of the business.

The expense of running our AWS platform and associated software was £0.38 million in the period (2019: £0.22 million). This expense includes the platforms used for developing, staging and testing of our solutions, as well as the cost of running the six production instances active today.

Included in the administrative expenses is a charge for exchange movements of £0.37 million which has been caused by the strengthening of the US dollar from $1.2540 as at 30 June 2020 to $1.3497 as at 31 December 2020 (2019: £0.16 million) and a depreciation/amortisation charge of £0.35 million (2019: £0.25 million)

Adjusted operating loss

The regional operating results and underlying performance analysis used within the Group are shown in Notes 4 & 5 below. Adjusted operating losses, excluding the changes resulting of the Group's share option scheme and any exchange gains and losses charged to the Income Statement, improved 18 % to a loss of £1.71 million (2019: £2.09 million).

Adjusted EBITDA losses improved by 26% to a loss of £1.36 million (2019: £1.84 million). Of particular note is that the EMEA operation, the Group's largest division, reported a much reduced Adjusted EBITDA loss of £0.17 million (2019 £0.46 million) as it continues to move towards profitability.

Key financial performance indicators

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

| | As at 31 Dec 2020 | As at 30 Jun 2020 | As at 31 Dec 2019 |
|---|---|---|---|
| | | | |
| 1. Revenue in six month period | £3.19 million | £2.36 million | £2.04 million |
| 2. Gross Margin % over six month period | 72.8% | 70.7% | 67.4% |
| | | | |
| 3. Signed ACV in six month period | £1.68 million | £1.45 million | £1.17 million |
| | | | |

| | | | |
|---|---|---|---|
| 4. Contracted TACV[1] deployed and live | £5.89 million | £4.04 million | £3.46 million |
| 5. Contracted TACV in deployment | £2.12 million | £2.19 million | £1.37 million |
| 6. Contracted TACV – projects on hold | £0.27 million | £0.52 million | £0.38 million |
| 7. Total Contracted TACV | £8.28 million | £6.75 million | £5.21 million |
| | | | |
| 8. 12 month TTGL [3] | 16 weeks | 19 weeks | 16 weeks |
| | | | |
| 9. Cash facilities available [2] | £4.23 million | £5.55 million | £2.73 million |
| 10. Deferred Income | £6.36 million | £4.53 million | £4.00 million |
| | | | |
| 11. Ratio Personnel cost to administrative expenses | 73% | 77% | 77% |
| 12. FTE Headcount (excluding non-executive directors) | 65 | 58 | 55 |

[1] TACV is the total annual recurring revenue of all signed contracts, whether invoiced and included in deferred revenue or still to be deployed and/or not yet invoiced
[2] Cash balance plus undrawn debt facilities
[3] Total delivery time for all AWS contracts signed in the last 12 months from the date of signature through to the date of go live. The week count includes periods where the contracts were on hold.

Capital expenditure

As required by IAS 38, we have capitalised a further £0.39 million (2019: £0.46 million) in software development expenditure as we continue to invest in our cloud platform and introduce new features and products. Over the coming years we are expecting the rate of capitalisation to diminish as the rate of enhancements to the core platform functionality declines.

The Group acquired £0.08 million of intangible assets (2019 £0.07 million) and bought a negligible amount of new computer equipment in the period, mainly equipment for new starters. Being a cloud-based business, the Group has little demand for hardware.

Professional Services Fees

During the financial year the Group generated £0.79 million (2019 £0.65 million) of set-up and professional services contracts, in conjunction with the new ACV contracts reported above. Nearly all of these contracts are invoiced on signature and form an important part of the Group's cash generation. The contract amounts will be deferred and released to the Income Statement over the length of the related contract, in accordance with IFRS 15.

Trade receivables

Trade receivables grew to £2.00 million (30 June 2020: £1.26 million). The level of receivables reflects both debtors generated from new business sales outstanding at the end of the period as well as debtors relating to invoices raised on a monthly basis. As at the period end £1.08 million (30 June 2020: £0.62 million) of the outstanding debtors related to newly signed contracts.

As a result of the pandemic, we have seen some new challenges in collecting debts due to us. This is primarily due to our customer accounts teams moving to a working from home basis and a higher focus by them on cash retention. However, I am pleased to say that we have seen minimal bad debts and, overall, 98% of our debtors are less than 120 days old. Therefore, our cash flow has not been unduly affected.

Cashflow and liquidity

Cash as at the period end was £4.23 million (30 June 2020: £4.30 million).

Net cash as at the period end less Group debt facilities, was £2.11 million (30 June 2020: £3.03 million)

In September 2020, the Group drew down the final £1.25 million from its loan facilities. During the period it repaid £0.40 million of the facility under its monthly obligations. It also received £0.03 million from the exercise of some options by an employee.

Excluding these additional sources of net cash, the Group cash outflow was £0.95 million against the comparable 2019 figure of £1.51 million. The net cash outflow is far lower than the reported adjusted operating loss of £2.15 million reflecting the advance billing nature of the Group's SaaS business model, which included a payment of $1.13 million for years 2 and 3 of multi-year prepayment arrangement with largest customer in US which was signed in FY20 and delivered early in this financial period.

As at the end of February 2021, cash has improved to £4.62 million and net cash less the Group debt facilities was £2.69 million.

William Good
Chief Financial Officer
8 March 2021

## Consolidated statement of comprehensive income

for the six months ended 31 December 2020

| | **Six months ended 31 December 2020 £'000 (unaudited)** | Six months ended 31 December 2019 £'000 (unaudited) | Twelve months ended 30 June 2020 £'000 (audited) |
|---|---|---|---|
| **Revenue** | **3,190** | 2,041 | 4,396 |
| Cost of sales | **(869)** | (664) | (1,353) |
| **Gross profit** | **2,321** | 1,377 | 3,043 |
| Administrative expenses | **(4,467)** | (3,653) | (7,254) |
| **Loss from operating activities** | **(2,146)** | (2,276) | (4,211) |
| | | | |
| **Adjusted loss from operating activities** | **(2,075)** | (2,252) | (4,103) |
| Expenses relating to share options | **(71)** | (24) | (108) |
| **Loss from operating activities** | **(2,146)** | (2,276) | (4,211) |
| | | | |
| Bank charges and interest payable | **(108)** | (49) | (140) |
| Interest receivable | **0** | 1 | 1 |
| **Loss before taxation** | **(2,254)** | (2,324) | (4,350) |
| Taxation | **153** | 221 | 221 |
| **Total comprehensive loss for the period** | **(2,101)** | (2,103) | (4,129) |
| | | | |
| **Other comprehensive expense: items that will be classified subsequently to profit and loss** | | | |
| Foreign exchange translation differences | **434** | 156 | (49) |
| **Total comprehensive loss for the period** | **(1,667)** | (1,947) | (4,178) |
| | | | |
| **Loss per share expressed in pence** | | | |
| Basic and diluted | **(3.54)** | (4.94) | (8.84) |

## Consolidated statement of financial position

as at 31 December 2020

| | **31 December 2020 £'000 (unaudited)** | 31 December 2019 £'000 (unaudited) | 30 June 2020 £'000 (audited) |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Plant & equipment | **82** | 102 | 103 |
| Intangible assets | **2,296** | 1,605 | 2,139 |
| Trade & other receivables | **560** | 216 | 368 |
| Non-current assets | **2,938** | 1,923 | 2,610 |
| | | | |
| **Current assets** | | | |
| Trade and other receivables | **2,944** | 2,754 | 2,343 |
| Cash and cash equivalents | **4,228** | 1,478 | 4,301 |
| Current assets | **7,172** | 4,232 | 6,644 |
| | | | |
| **Total assets** | **10,110** | 6,155 | 9,254 |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | **(1,278)** | (1,159) | (1,520) |
| Deferred Income | **(4,549)** | (3,285) | (3,674) |
| Other interest-bearing loans and borrowings | **(1,156)** | (545) | (545) |
| Current liabilities | **(6,983)** | (4,989) | (5,739) |
| | | | |
| **Non-current liabilities** | | | |
| Other Payables | **-** | - | (16) |
| Deferred Income | **(1,814)** | (719) | (859) |
| Long term borrowings | **(964)** | (955) | (728) |
| Non-current liabilities | **(2,778)** | (1,674) | (1,603) |
| **Total liabilities** | **(9,761)** | (6,663) | (7,342) |
| **Net assets/(liabilities)** | **349** | (508) | 1,912 |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | **595** | 427 | 594 |
| Share premium | **9,050** | 4,618 | 9,018 |
| Other reserve | **360** | 205 | 289 |
| Currency reserve | **247** | 18 | (187) |
| Profit & loss account | **(9,903)** | (5,776) | (7,802) |
| **Total shareholders' equity** | **349** | (508) | 1,912 |

Deferred income has been disclosed separately in these interim statements. This treatment differs from that in the audited accounts for the year ending 30 June 2020.

## Consolidated interim statement of changes in equity

as at 31 December 2020 (unaudited)

| | Share capital £'000 | Share premium £'000 | Other reserve £'000 | Retained earnings £'000 | Currency reserve £'000 | Total shareholders' equity £'000 |
|---|---|---|---|---|---|---|
| Balance at 1 July 2019 | 427 | 4,618 | 181 | (3,673) | (138) | 1,415 |
| Share based payment charge | - | - | 24 | - | - | 24 |
| Dividend paid | - | - | - | - | - | - |
| Transactions with owners | - | - | 24 | - | - | 24 |
| Retranslation of foreign assets | - | - | - | - | 156 | 156 |
| Loss for the period | - | - | - | (2,103) | - | (2,103) |
| Total comprehensive loss | - | - | - | (2,103) | 156 | (1,947) |
| Balance as at 31 December 2019 | 427 | 4,618 | 205 | (5,776) | 18 | (508) |
| Balance as at 1 January 2020 | 427 | 4,618 | 205 | (5,776) | 18 | (508) |
| Share based payment charge | - | - | 84 | - | - | 84 |
| New shares issued net of costs | 167 | 4,400 | - | - | - | 4,567 |
| Dividend paid | - | - | - | - | - | - |
| Transactions with owners | 167 | 4,400 | 84 | - | - | 4,651 |
| Retranslation of foreign assets | - | - | - | - | (205) | (205) |
| Loss for the period | - | - | - | (2,026) | - | (2,026) |
| Total comprehensive loss | - | - | - | (2,026) | (205) | (2,231) |
| Balance at 30 June 2020 | 594 | 9,018 | 289 | (7,802) | (187) | 1,912 |
| Balance at 1 July 2020 | 594 | 9,018 | 289 | (7,802) | (187) | 1,912 |
| Share based payment charge | - | - | 71 | - | - | 71 |
| New shares issued net of costs | 1 | 32 | - | - | - | 33 |
| Dividend paid | - | - | - | - | - | - |
| Transactions with owners | 1 | 32 | 71 | - | - | 104 |
| Retranslation of foreign assets | - | - | - | - | 434 | 434 |
| Loss for the period | - | - | - | (2,101) | - | (2,101) |
| Total comprehensive loss | - | - | - | (2,101) | 434 | (1,667) |
| **Balance at 31 December 2020** | **595** | **9,050** | **360** | **(9,903)** | **247** | **349** |

## Consolidated statement of cash flows
for the six months ended 31 December 2020

| | **Six months ended 31 December 2020** | Six months ended 31 December 2019 | Twelve months ended 30 June 2020 |
|---|---|---|---|
| | **£'000** | £'000 | £'000 |
| | **(unaudited)** | (unaudited) | (audited) |
| **Cash flows from operating activities** | | | |
| Loss after taxation | **(2,101)** | (2,103) | (4,129) |
| Adjustments for: | | | |
| Depreciation of equipment and fixtures | **35** | 44 | 82 |
| Amortisation of intangible assets | **40** | 14 | 29 |
| Amortisation of capitalised development | **271** | 191 | 433 |
| Interest income | **-** | (1) | (1) |
| Interest expense | **98** | 41 | 126 |
| Exchange differences | **433** | 156 | (49) |
| Income taxes | **(153)** | (221) | (221) |
| Share based payments | **71** | 24 | 108 |
| Increase in trade & other receivables | **(793)** | (951) | (713) |
| Increase in trade &other payables | **1,589** | 1,682 | 2,575 |
| **Cash used in operating activities** | **(510)** | (1,124) | (1,760) |
| Dividend paid | **-** | - | - |
| Income taxes received | **153** | 221 | 221 |
| Interest paid | **(98)** | (41) | (126) |
| **Net cash used in operating activities** | **(455)** | (944) | (1,665) |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | **(13)** | (23) | (33) |
| Purchase of intangible assets | **(75)** | (66) | (296) |
| Development expenditure capitalised | **(394)** | (465) | (1,004) |
| Interest received | **-** | 1 | 1 |
| **Net cash used in investing activities** | **(482)** | (553) | (1,332) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | **1,250** | 1,500 | 1,500 |
| Repayment of borrowings | **(403)** | - | (227) |
| Repayment of lease liabilities | **(16)** | (17) | (35) |
| Issue of shares – net of cost of issue | **33** | - | 4,568 |
| **Net cash generated in financing activities** | **864** | 1,483 | 5,806 |
| **Net (decrease)/increase in cash** | **(73)** | (14) | 2,809 |
| Cash and cash equivalents at the start of the period | **4,301** | 1,492 | 1,492 |
| Net (decrease)/increase in cash | **(73)** | (14) | 2,809 |
| **Cash and cash equivalents at the end of the period** | **4,228** | 1,478 | 4,301 |

## Notes to the interim financial statements for the six months ended 31 December 2020

### 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 is Unit 7, Gamma Terrace, Ransomes Europark, Ipswich, Suffolk 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 2020 comprise the Company and its subsidiaries (the "Group").

The Company operates principally as a holding company. The main subsidiaries are engaged in the provision of services that enable customers to securely take card payments over the phone to de-risk their business activities from the threat of data loss and cybercrime. 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

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and on a historical basis, using the accounting policies which are consistent with those set out in the Group's annual report and accounts for the year ended 30 June 2020.

The unaudited interim financial information for the period ended 31 December 2020 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 30 June 2020 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and contain an unqualified audit report and did not contain statements under Section 498 to 502 of the Companies Act 2006.

### 3. Dividends

Given the strategic growth plans of the Group it is not proposed to declare a dividend for the period (2020: nil pence)

### 4. Analysis of results

The first half performance of the Group can be further analysed as follows:

| | H1 FY 2021 EMEA | H1 FY 2021 North America | H1 FY 2021 Central | **H1 FY 2021 Total** | H1 FY 2020 EMEA | H1 FY 2020 North America | H1 FY 2020 Central | **H1 FY 2020 Total** |
|---|---|---|---|---|---|---|---|---|
| | £000s | £000s | £000s | **£000s** | £000s | £000s | £000s | **£000s** |
| Revenue | | | | | | | | |
| Recurring Fees | 2,025 | 728 | - | **2,753** | 1,633 | 100 | - | **1,733** |
| Set up and Professional Services Fees (1) | 307 | 109 | - | **416** | 242 | 46 | - | **288** |
| Other Sales | 21 | - | - | **21** | 20 | - | - | **20** |
| **Total** | **2,353** | **837** | **-** | **3,190** | **1,895** | **146** | **-** | **2,041** |
| **Gross Profit** | **1,575** | **746** | **-** | **2,321** | **1,241** | **135** | **-** | **1,376** |
| Margin % | 66.9% | 89.1% | | **72.8%** | 65.5% | 92.4% | | **67.4%** |
| Administrative Expenses | (2,068) | (1,847) | (552) | **(4,467)** | (1,959) | (1,327) | (366) | **(3,652)** |
| **Loss from Operating Activities** | **(493)** | **(1,101)** | **(552)** | **(2,146)** | **(718)** | **(1,192)** | **(366)** | **(2,276)** |
| Bank charges and Interest payable | (13) | (3) | (92) | **(108)** | (8) | (4) | (37) | **(49)** |
| Finance Income | - | - | - | **-** | - | - | 1 | **1** |
| **Loss before Taxation** | **(506)** | **(1,104)** | **(644)** | **(2,254)** | **(726)** | **(1,196)** | **(402)** | **(2,324)** |

(1) Set up and Professional Services Fees represents the amortisation of set up fees and other professional services income deferred under IFRS 15

## 5. Underlying financial performance analysis

The Group uses the following internal metric to calculate Adjusted EBITDA:

| | H1 FY 2021 EMEA £000s | H1 FY 2021 North America £000s | H1 FY 2021 Central £000s | **H1 FY 2021 Total £000s** | H1 FY 2020 EMEA £000s | H1 FY 2020 North America £000s | H1 FY 2020 Central £000s | **H1 FY 2020 Total £000s** |
|---|---|---|---|---|---|---|---|---|
| Loss before Taxation | (506) | (1,104) | (644) | **(2,254)** | (726) | (1,196) | (402) | **(2,324)** |
| Adjust for: | | | | | | | | |
| Expenses relating to share options | - | - | 71 | **71** | - | - | 24 | **24** |
| Exchange Loss/(Gain) | (7) | 373 | - | **366** | 14 | 152 | - | **166** |
| Bank charges and Interest Payable | 13 | 3 | 92 | **108** | 8 | 4 | 37 | **49** |
| Finance Income | - | - | - | **-** | - | - | (1) | **(1)** |
| **Adjusted Loss from Operating Activities** | **(500)** | **(728)** | **(481)** | **(1,709)** | **(704)** | **(1,040)** | **(342)** | **(2,086)** |
| Depreciation & Amortisation | 326 | 20 | - | **346** | 245 | 4 | - | **249** |
| **Adjusted EBITDA** | **(174)** | **(708)** | **(481)** | **(1,363)** | **(459)** | **(1,036)** | **(342)** | **(1,837)** |

## 6. Earnings per share

The basic and diluted earnings per share are calculated on the following profit and number of shares. Earnings for the calculation of earnings per share is the net profit attributable to equity holders of the parent.

| | **Six months ended 31 December 2020 £000** | Six months ended 31 December 2019 £000 | Twelve months ended 30 June 2020 £000 |
|---|---|---|---|
| Earnings for the purposes of basic and diluted earnings per share | | | |
| Loss after taxation | **(2,101)** | (2,103) | (4,129) |
| **Denominator** | **'000** | '000 | '000 |
| Weighted average number of shares in issue in the period | **59,321** | 42,554 | 46,721 |
| Dilutive effect of potential shares and share options | **5,384** | 5,016 | 4,966 |
| Number of shares used in calculating diluted earnings per share | **64,705** | 47,570 | 51,687 |
| Basic and diluted earnings per share expressed in pence | **(3.54)** | (4.94) | (8.84) |

## 7. Subsequent events to 31 December 2020

There are no subsequent events to disclose.