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.

1 March 2022

PCI-PAL PLC

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

Interim Results, Analyst Briefing & 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 2021.

Financial highlights for the period

- Revenue increased 72% year on year to £5.47 million (2020: £3.19 million)
- Gross margin improved to 81% (2020: 73%)
- Recurring revenues represent 90% of total revenue (2020: 86%)
- New ACV[1] contract sales in the period were £1.76 million (2020: £1.68 million)
- TACV[2] as of 31 December 2021 increased to £11.34 million (2020: £8.27 million)
- ARR[3] as of 31 December 2021 increased to £8.96 million (2020: £5.89 million)
- Loss from operating activities in line with expectations at £1.10 million (2020: £2.15 million)
- Cash at period end of £5.53 million (30 June 2021: £7.52 million). The Group is debt free.

Operating highlights in the period

- Partner eco-system performing well and growing with 81% of new customer contracts from channel partners
- New business ACV ahead of management expectations
- Excellent upsell success within existing customer base resulting in strong NRR[4] of 120%
- Customer retention strong throughout period, with churn[5] at just 3.5%
- New strategic initiatives progressing despite challenging global hiring market:
    - Canada team established in December 2021
    - New product team resources hired during H1
    -
- Strong operational performance with TTGL[6] better than management expectations, and strong NPS[7] scores for both delivery and service
- High employee retention at 96% despite challenging employment markets worldwide
- Added two new members to the PCI Pal Advisory Committee ("PAC"), both US-based with Customer Success, Cloud, and Product Management expertise
- Mounted robust defence and counterclaims to unfounded patent infringement allegations from competitor

Current trading

Strong trading momentum has continued into the second half with highlights since 31 December 2021 including:

- Strong start to H2 with new business sales in line with management expectations
- Revenue momentum continuing, with strong visibility of full year number
- Australian business launched with first hires now joined
- Won Best Compliance Product at the CX Awards 2022

[1] ACV is the annual recurring revenue generated from a contract.

[2] 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.

[3] ARR is the Annual Recurring Revenue of all the deployed contracts.

[4] NRR is the net retention rate of the contracts that are live on the AWS platform rate and is calculated using the opening total value of deployed contracts 12 months ago less the ACV of lost deployed contracts in the last 12 months plus the ACV of upsold contracts signed in the last 12 months all divided by the opening total value of deployed contracts at the start of the 12 month period.

[5] Churn is calculated using the ACV of lost deployed contracts on the AWS platform in the last 12 months divided by the opening total value of deployed contracts 12 months ago.

[6] TTGL is Time-To-Go-Live measurement used by the Group and defines the average time taken for a contract to be fully deployed from the date of signature of that contract.

[7] Net Promoter Score (NPS) is a customer loyalty and satisfaction measurement taken from asking customers how likely they are to recommend your product or service to others.

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

"We have delivered another strong period of growth whilst at the same time making substantial progress against our expansion plans for the year. I am particularly pleased that despite the headwinds of a challenging global hiring market, as well as the unfounded patent claims being made against us by a competitor, we have been able to continue to deliver on these expanded plans; growing revenue substantially; adding key new strategic resellers to our market-leading partner eco-system; and adding exciting new talent to our existing people resources.

"It is this execution against our current plans, as well as the long-term strategic opportunities in front of us through further expansion and product development, that give me great confidence in the outlook for the Company which remains on track to achieve market expectations for the current financial year."

Analyst Briefing: 9.30am on Tuesday 1 March 2022
An online briefing for Analysts will be hosted by James Barham, Chief Executive Officer, and William Good, Chief Financial Officer, at 9.30am on Tuesday 1 March 2022 to review the results and prospects. Analysts wishing to attend should contact Walbrook PR on pcipal@walbrookpr.com or 020 7933 8780.

Investor Presentation: 3.00pm on Thursday 3 March 2022
The Directors will hold an investor presentation to cover the results and prospects at 3.00pm (UK time) on Thursday 3 March 2022.

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 James Barham - Chief Executive Officer William Good - Chief Financial Officer	Via Walbrook PR
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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

Overview

We have made an excellent start to the financial year, with all key metrics either at or ahead of management expectations for the period. Revenue for the Group has increased substantially, up 72% year on year to £5.47 million, illustrating the continuing build-up of new customer contracts combined with high customer retention rates. Given we have increased our key growth metric and indicator of future revenues of TACV by 37% to £11.34 million (2020: £8.27 million), we expect revenue growth to continue in line with market expectations.

It is particularly pleasing to report that despite the unfounded patent infringement lawsuit and a challenging hiring market worldwide, not only have we maintained our sales momentum, but we have also been able to drive the recruitment needed to execute against our escalated expansion plans following the fund raise in April 2021. This progress has included the establishment of our Canadian business, broadening the scope of our North American efforts, and continued investment into our engineering and product development capabilities. Since the half year, we have now also launched in Australia.

The PCI Pal partner eco-system has further strengthened in H1 as we continue to sign new strategic partners, both global and regional in nature. We now have a close working relationship with over two thirds of the major organisations that make up the CCaaS Gartner magic quadrant for 2021. New contracts from our channel partners make up 81% of the total in the period (2020: 75%). Overall new business wins were marginally ahead of management expectations with new ACV of £1.76 million (2020: £1.68 million). Further growth is anticipated in H2 as our newly recruited additional sales resources and marketing investment come "online" in the US, Canada and Australia.

In the first full financial year with our new Customer Success function in place we report strong NRR, which increased to 120% (30 June 2021: 111%). Our customer retention efforts continue to be successful, resulting not just in expansion of contract values of direct and reseller customer accounts, but also in achieving customer churn of just 3.4%.

People

At PCI Pal we have a corporate objective to: "*create a culture that people want to be part of"*, and this is a critical consideration when we look at both retention of existing employees as well as attracting new talent to the Company. This year our ambition was to take this focus on our people to the next level: investing further; considering carefully our processes around learning and development; and improving the tools available to the business, managers and their teams to empower them to be successful. I'm pleased to report that we've made excellent progress against these plans in the first half.

Shortly after the start of the financial year in July 2021, we saw a change to the global jobs market for technology professionals. The "*War for Talent*" had begun, brought about by imbalance of supply and demand of quality candidates. Through further strengthening of our recruitment processes and hiring strategies we have remained on target with our new expansion plans, which are heavily reliant on additional people resource.

I am pleased to say that through building a strong culture, we have also performed well in retaining talent at PCI Pal, with employee retention of more than 89% for the period. One of our key values is "*enjoy the journey"*, and we believe this message is not just about the journey in the workplace and a person's career, but also about satisfaction, mental well-being, and progression in life. We believe that with these considerations in focus, we are building a positive environment and culture that will continue to support our fast-paced growth.
Our people are critical to this business continuing to be successful and achieving its goals, and we will continue to strive to lead our market in this regard with the focus we have on our culture and employer brand.

PCI Pal Advisory Committee ("PAC")

Given our strategic focus to be the leader in channel and cloud technology in our market, we have further expanded the PAC with two experienced executives, both-US based, covering the fields of customer success and international cloud products and services. The PAC works with myself and the Board to provide insight and experience into day-to-day opportunities and challenges; as well as providing thought leadership on key strategic topics that we are considering as we continue to unfold the long term strategic plan for the business.

Unfounded Patent Infringement Claims

In September 2021, one of our main competitors, Semafone Ltd filed lawsuits in both the UK and the US relating to alleged patent infringement by PCI Pal. We strongly refute the claims. Since our formation we have regularly taken detailed steps to ensure we do not infringe on any third-party intellectual property rights, which has included Semafone. As the first company to launch cloud solutions in the market, PCI Pal has its own IP for the innovative cloud technologies that it has brought to the secure payments space, making secure payment solutions easier to access, more cost efficient, and available globally.

Since the allegations were made, our legal teams have provided detailed submissions to the courts that clearly explain our position on non-infringement and the invalidity of the Semafone patents. We will defend ourselves from a position of strength given the continued growth trajectory of the business, a varied secure payments product set, as well as our continued investment into products and services upon which this case has no bearing. As announced in November 2021, the Company has filed its UK defence and counterclaim to the UK Court in response to the claims made against the Company and in the US, PCI Pal has made an application to the US Court for it to invalidate the Semafone US patents under section 101 of the US Patent Act. Both of these actions are ongoing.

We will continue to consider all the options available to us in order to find the outcome that we believe will best benefit the business and shareholders. Due to the continuing strong financial performance this year we continue to be well funded, which will allow us to see out the process to its fullest extent as we challenge these unfounded claims.

PCI Pal cloud & product development

PCI Pal was the first to launch a true cloud solution in its market, and as a result has the most mature and most utilised platform, with more than 400 customers, including numerous large global enterprises, now leveraging our secure payment services. We brought this disruptive approach to a market which was previously burdened by hardware led, on-premise solutions, and as a result we have empowered our customers to secure their own customers' data through the use of our highly flexible, light-touch, and easy-to-integrate cloud solutions.

Amazon Web Services is our chosen provider of virtualised cloud services where we host our platform today. Validating this technology strategy, AWS is the most commonly used cloud hosting provider across all our partners. This cloud strategy has been a key factor in our capability to partner with some of the world's leading technology companies in the business communications (CCaaS and UCaaS) and payments markets. Our partner eco-system continues to grow from strength to strength and includes many international technology providers including Genesys, Worldpay, 8x8, Vonage, and Talkdesk.

The PCI Pal cloud incorporates availability zones across AWS that cover Europe, North America, and Australia. With all zones having been established for a number of years, we are well positioned for the platform to support our escalated growth plans as we add people resource to the new regions of Canada and Australia where to date we have built up a customer-base selling entirely remotely. The PCI Pal platform is designed to enable us to expand our global reach at pace, while maintaining high uptime reliability of our services. As we continue to grow internationally, the platform will not only support that expansion but also provides a foundation from which we are evolving our product offerings in line with our ambitious long-term plans.

<u>Product</u>
Our core products today cover the entire spectrum of business communications; Agent Assist, our live contact centre agent secure payment tool; IVR, our fully automated service for auto-attendant environments where no agent is involved; and Digital, our solution that empowers businesses to handle secure payments through any number of digital channels such as chat, social, SMS, email and more.

Since the fundraising in April 2021 and following the planned hire of our new CTO in May of that year, we have in FY22 further expanded our engineering and product resources in order to support our new escalated ambitions for PCI Pal products. As we look to capitalise on our global platform and leading market position, we have added further experience and talented people to the engineering team, as we execute two key product initiatives. The first is to continue to refine our market leading core cloud offering today; and the second to make progress towards our wider, complementary product ambitions. We look forward to updating investors in H2 as our new product initiatives gather pace.

Continued sales and partner growth

<u>Sales & revenue growth</u>
In the first half, we have taken another sizeable step forward in revenue growth, achieving revenues in the period of £5.47 million which was ahead of expectations, and an excellent 72% increase year on year. With 71% of Group revenue generated by our more mature EMEA business (£3.89 million), we are pleased to report our first period of EBITDA profitability for the region, meaning we are on track to reach our mid-term goals for our first months' of Group profitability in FY23.

Contributing to the revenue performance is our operational capability to rapidly get our customers live and to the point of revenue recognition. We continue to perform well, and as a result ARR has increased considerably to £8.96 million (2020: £5.89 million), with our key deployment metric of TTGL ahead of management expectations for the period at 22 weeks. It is particularly encouraging to me that these new customers are going live with high satisfaction levels; with our NPS for implementations in the period 138% of global benchmarks for businesses in similar industries.

Our TACV growth has been strong, supported by new business ACV contract sales which were marginally ahead of management expectations for the half year at £1.76 million (2020: £1.68 million). This is a pleasing result given the sales teams have yet to benefit from the additional sales heads that have joined us late in the period (and in the start of H2). Partners accounted for 81% of new contracts compared to 75% in 2020. TACV has grown by 37% to be £11.34 million as at 31 December 2021 (2020: £8.27 million).

Sales highlights for H1 include the continued volume of new contracts from the key small to mid-size sector of the market, as well as a number of strategically important enterprise customers which included one of the largest pharmaceutical companies in the world. With the first phase of this customer's deployment now live, the account brings with it significant on-going potential for account growth. In addition, we successfully expanded some of our existing enterprise-level customers which has contributed directly to our strong NRR metric in the period of 120%.

North America

Our North American operation is growing rapidly thanks to our strong partner relationships and a growing recognition of our solutions in the region. We are particularly pleased with the step forward we have made in TACV which has grown 45% to £3.46 million (2020: £2.39 million). As a result, revenue in the first half grew 89% to £1.58 million (2020: £0.84 million).

New ACV sales bookings for the first half were as expected at £0.77 million (2020: £0.70 million), and this growth was against a strong comparable that included the build-up of delayed sales last year as a result of the onset of the pandemic. During H1 we expanded our sales and marketing presence and so we are expecting further growth in new contracts as the new members of the sales team begin to contribute to sales delivery. 78% of new contracts in North America have been won through channel partners, and this accounted for 71% of the total new ACV value achieved in the period.

The North American operation continues to be a significant growth opportunity, with the vast majority of our global partners having headquarters in the US.

Partner eco-system

We are a partner-first business and during the period we have continued to strengthen those key partnerships with the likes of Genesys, 8x8 (with whom we signed a recent multi-year extension to our previous rolling reseller agreement), Sitel, and Talkdesk. Driven by the value we represent to these partners, we have started to see these relationships deepen, achieving priority ranking in their marketplace offerings and invitations to join their partner advisory boards. This positions us strongly, particularly where partners have a marketplace offering, taking PCI Pal to the next level of engagement where we are the preferred solution offered by their own sales teams.

We signed a number of new partners in the period, further expanding our core eco-system. New partnerships included CCaaS and CPaaS providers as well as a number of new international BPO partners won as a result of our specific targeting of that sector in the last 18 months.

The highlight partnership signed was with Amazon, where we now have an approved integration to their contact centre platform, Amazon Connect. We have agreements in place that allow Amazon customers to procure PCI Pal's services via their own existing AWS Marketplace agreements. As the first global vendor to achieve this, we are very excited about the long-term potential this relationship will bring as we continue our on-boarding process navigating their extensive global eco-system.

Geographic expansion

As planned, we successfully launched our Canadian operation with our first hires starting at the back end of Q2. With headquarters in Toronto, our initial sales and marketing focused team will benefit from the Group's partnerships with global providers who have presence in the region; as well as from direct sales opportunities as a result of a largely untapped payment security market in Canada. PCI Pal is the only company in our space with dedicated in-country resources, something we find critical to being able to truly support global partners' teams anywhere in the world.

I am also pleased to report that since the start of H2 we have now launched our Australian business with our first hires now with us. Those hires come with extensive knowledge of both the wider business communications market in Australia and New Zealand, as well as more specific knowledge of our secure payments space, and again will work closely with our existing Partner eco-system in ANZ.

Current Trading & Outlook

Having traded ahead of management expectations for the first half of the year, we have also made a positive start to H2 with strong revenue growth continuing. Due to the nature of our revenue model, visibility for the full year is strong and we are therefore confident of achieving the recently upgraded market forecasts.

New sales bookings in the two months to the end of February 2022 have been in line with management expectations, and have included highlight wins such as a Fortune 500 US retailer, a FTSE100 oil and gas company, and a further new contract with a major central government agency in the UK. All three contracts were won through reseller partners.

With the continued progress being made by the Company I am looking forward with great confidence as we continue to increase our geographic reach, partner eco-system and customer numbers. We continue to see excellent opportunities for our class-leading cloud solutions with organisations across the world.

James Barham
Chief Executive Officer
1 March 2022

CFO's Financial Review

The Group's financial performance for the six months to December 2021 has been very good, with all key financial metrics either meeting or exceeding target.

Revenue and gross margin

Group revenue grew by 72% to £5.47 million (2020: £3.19 million) and gross margin improved to 81% (2020: 73%). These improvements continue to reflect the high quality recurring revenues from the Group's growing customer base paired with the operational efficiency of its full cloud PCI Pal platform, hosted on AWS. With a low churn rate and strong new sales, we expect this growth to continue.

The Group's revenue reflects its SaaS business model. It sells its services mostly through channel partners to customers who use PCI Pal solutions in their contact centres. These customers are typically charged 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. Of the revenue recorded in the period, 90% (2020: 86%) has come from annually recurring licences or transactions.

With a sales performance ahead of management expectations in the period, TACV at the half year has grown to £11.34 million (2020: £8.28 million), which provides the Group with a high visibility of revenue for the remainder of the financial year. More importantly, customers have continued to go live with our services in line with our TTGL expectations and as a result our ARR of "live" contracts has increased by 52% and stood at the period end at £8.96 million (2020: £5.89 million).

Churn and Net Retention

As the Group continues to grow it has invested further in the Customer Success function. The Directors are pleased to report that its positive Net Revenue Retention ("NRR"), for its AWS platform, has increased to 120% (30 June 2021: 111%), which has included a number of expansion sales to several enterprise-sized customers. Additionally, customer churn on the platform has further improved to 3.5% (30 June 2021: 6.7%).

Administrative expenses

Total administrative expenses were £5.54 million (2020: £4.47 million), an increase of 24%.

The Group has continued to take on new headcount to support its international growth and product development plans with the number of employees increasing from 71 as at 30 June 2021 to 86 at the period end.

Personnel costs charged to the Statement of Comprehensive Income (including commission, bonuses and travel and subsistence expenses) were £4.02 million (2020: £2.95 million), of which £0.47 million (2020: £0.39 million) were capitalised as Software Development costs. Personnel costs make up 73% (2020: 73%) of the normalised administrative costs of the business.

The expense of running our AWS platform and associated software was £0.45 million in the period (2020: £0.38 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 credit for foreign exchange movements of £0.33 million (2020: charge of £0.37 million) which has been caused by the weakening of the US dollar from $1.3969 as at 30 June 2021 to $1.3215 as at 31 December 2021. Depreciation/amortisation of £0.45 million (2020: £0.35 million) has also been charged.

Exceptional costs

In September 2021, Semafone Limited, a competitor of the Group, filed a lawsuit in both the UK and US relating to alleged patent infringements by PCI Pal. The Directors strongly refute the allegations being made and have instructed UK and US lawyers to prepare the defence of the claim. To the end of December 2021, the Group had incurred £0.28 million of legal fees relating to the patent claim and these expenses have been treated as an exceptional item in the Group's Statement of Comprehensive Income.

Expansion plans

In April 2021 the Group raised £5.2 million net of expenses from our shareholders to help fund its further international expansion, especially into Canada, Australia, and to allow further development of its products and solutions.

The Group has now opened up subsidiaries in Canada and Australia and the first key hires have been made with employees having started in December and February respectively. The expansion plans are on track. Notwithstanding the challenging recruitment market, we have been able to keep strategic hiring in line with our plans, but we have experienced a financial benefit as a result of delays to some other hires where positions were slower to fill. As a result, this has helped produce the smaller adjusted operating loss for the period than originally expected..

Looking forward to the second half of the financial year, we have now caught up with the majority of the delayed hires and so therefore would not expect these one-off operational savings to be repeated in H2. As a result, our Administrative Expenses will return to the expected level meaning our adjusted operating loss for the second half of the year will be higher than the first half.

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 charges resulting from the Group's share option scheme, exceptional costs and any exchange gains and losses charged to the Income Statement, improved 39% to a loss of £1.04 million (2020: £1.71 million).

Adjusted EBITDA losses improved by 57% to a loss of £0.58 million (2020: £1.36 million). Of particular note is that the EMEA operation, the Group's largest division, reported its first Adjusted EBITDA profit of £0.69 million (2020: loss of £0.17 million).

Key financial performance indicators

The Directors use several Key Financial Performance Indicators (KPIs) to monitor the progress and performance of the Group, its subsidiaries and targets. All the core KPIs continue to show performance ahead of expectations.

The principal financial KPIs are as follows:

	As at 31 Dec 2021	Change %	As at 30 Jun 2021	Change %	As at 31 Dec 2020
Revenue in the six month period	£5.47m	+31%	£4.17m	+31%	£3.19m
Gross Margin in the six month period	81.2%		77.6%		72.8%
Recurring Revenue[1] in the six month period	£4.95m	+33%	£3.73m	+57%	£2.75m
Recurring Revenue as % of Revenue in six month period	90%		89%		86%
Adjusted EBITDA[2] in six month period	(£0.58m)	+52%	(£1.20m)	+12%	(£1.36m)
Cash facilities available[3]	£5.53m		£7.52m		£4.23m
Deferred Income	£8.75m		£8.09m		£6.36m

[1] Recurring Revenue is the revenue generated from the recurring elements of the contracts held by the Group and recognised in the Statement of Comprehensive Income

[2] Adjusted EBITDA is the loss on Operating Activities before depreciation and amortisation, exchange movements charged to the profit and loss, exceptional items and expenses relating to share option charges

[3] Cash balance plus undrawn debt facilities

The principal operational KPIs are as follows:

	As at 31 Dec 2021	Change %	As at 30 Jun 2021	Change %	As at 31 Dec 2020
Contracted TACV[1] deployed and live	£8.96m	+17%	£7.69m	+31%	£5.89m
Contracted TACV in deployment	£1.89m	+69%	£1.12m	-47%	£2.11m
Contracted TACV – projects on hold	£0.49m	-30%	£0.70m	+159%	£0.27m
Total Contracted TACV	£11.34m	+19%	£9.51m	+15%	£8.27m
ARR[2]	£8.96m	+17%	£7.69m	+31%	£5.89m
Signed ACV in six month period	£1.76m	+23%	£1.43m	-15%	£1.68m
ACV of contracts cancelled before deployment in last 12 months	£0.12m		£0.20m		Not Calculated
AWS Platform Churn[3]	3.4%		6.7%		Not Calculated
AWS Platform Net Retention Rate[4]	120.4%		111.1%		Not Calculated
Headcount at end of period (excluding non-executive directors)	86		71		65
Ratio Personnel cost to normalised administrative expenses	73%		71%		73%

[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] ARR is the Annual Recurring Revenue of all the deployed contracts

[3]AWS platform churn is calculated using the ACV of lost deployed contracts in the last twelve months divided by the opening total value of deployed contracts at the start of the twelve month period

[4] AWS platform net retention rate is calculated using the opening total value of deployed contracts at the start of the period less the ACV of lost deployed contracts in the period plus the ACV of upsold contracts signed in the period all divided by the opening total value of deployed contracts at the start of the period

Cashflow and liquidity

Cash as at the period end was £5.53 million (30 June 2021: £7.52 million) and finished the period ahead of the Directors' expectations.

The Directors, on a monthly basis, receive standard reports relating to cash forecasts and future cash burn to ensure that the Group's ambitious expansion plans can continue to be financed comfortably. The Group is currently debt free, having repaid its last borrowing in June 2021. The Directors would consider establishing a new debt facility, if required.

Capital expenditure

As required by IAS 38, we have capitalised a further £0.47 million (2020: £0.39 million) in software development expenditure as we continue to invest in our cloud platform and introduce new features and products.

The Group acquired £0.09 million of other intangible assets (2020: £0.08 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 period the Group generated £0.63 million (2020: £0.79 million) of set-up and professional services sales value, in conjunction with the new ACV contracts reported above. Nearly all of these contracts are invoiced on signature and form part of the Group's cash generation. The contract amounts will be deferred and released as recognised revenue to the Income Statement over the length of the related contract, in accordance with IFRS 15.

Trade receivables

Trade receivables grew to £3.00 million (30 June 2021: £2.15 million) reflecting the increased scale of the growing business.

William Good
Chief Financial Officer
1 March 2022

Consolidated statement of comprehensive income
for the six months ended 31 December 2021

	Six months ended 31 December 2021 £'000 (unaudited)	Six months ended 31 December 2020 £'000 (unaudited)	Twelve months ended 30 June 2021 £'000 (audited)
Revenue	**5,472**	3,190	7,362
Cost of sales	**(1,029)**	(869)	(1,805)
Gross profit	**4,443**	2,321	5,557
Administrative expenses	**(5,543)**	(4,467)	(9,518)
Loss from operating activities	**(1,100)**	(2,146)	(3,961)
Adjusted loss from operating activities	**(707)**	(2,075)	(3,846)
Expenses relating to share options	**(108**	(71)	(115)
Exceptional Items	**(285)**	-	-
Loss from operating activities	**(1,100)**	(2,146)	(3,961)
Bank charges and interest payable	**(22)**	(108)	(230)
Interest receivable	**-**	-	-
Loss before taxation	**(1,122)**	(2,254)	(4,191)
Taxation	**-**	153	154
Total comprehensive loss for the period	**(1,122)**	(2,101)	(4,037)
Other comprehensive expense: items that will be classified subsequently to profit and loss			
Foreign exchange translation differences	**(422)**	434	653
Total comprehensive loss for the period	**(1,544)**	(1,667)	(3,384)

Loss per share expressed in pence			
Basic and diluted	**(1.72)**	(3.54)	(6.64)

Consolidated statement of financial position
as at 31 December 2021

	31 December 2021 £'000 (unaudited)	31 December 2020 £'000 (unaudited)	30 June 2021 £'000 (audited)
Assets			
Non-current assets			
Plant & equipment	**87**	82	74
Intangible assets	**2,516**	2,296	2,366
Trade & other receivables	**822**	560	801
Non-current assets	**3,425**	2,938	3,241
Current assets			
Trade and other receivables	**3,945**	2,944	2,928
Cash and cash equivalents	**5,528**	4,228	7,518
Current assets	**9,473**	7,172	10,446
Total assets	**12,898**	10,110	13,687
Liabilities			
Current liabilities			
Trade and other payables	**(1,625)**	(1,278)	(1,664)
Deferred Income	**(7,165)**	(4,549)	(6,153)
Other interest-bearing loans and borrowings	**-**	(1,156)	-
Current liabilities	**(8,790)**	(6,983)	(7,817)
Non-current liabilities			
Deferred Income	**(1,587)**	(1,814)	(1,941)
Long term borrowings	**-**	(964)	-
Non-current liabilities	**(1,587)**	(2,778)	(1,941)
Total liabilities	**(10,377)**	(9,761)	(9,758)
Net assets/(liabilities)	**2,521**	349	3,929
Shareholders' equity			
Share capital	**656**	595	655
Share premium	**14,270**	9,050	14,243
Other reserve	**512**	360	404
Currency reserve	**44**	247	466
Profit and loss account	**(12,961)**	(9,903)	(11,839)
Total shareholders' equity	**2,521**	349	3,929

Deferred income has been disclosed separately in these interim unaudited statements. This disclosure treatment differs from that in the audited accounts for the year ending 30 June 2021.

Consolidated interim statement of changes in equity
as at 31 December 2020 (unaudited)

	Share capital	Share premium	Other reserve	Profit and loss account	Currency reserve	Total shareholders' equity
	£'000	£'000	£'000	£'000	£'000	£'000
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
Foreign exchange translation differences	-	-	-	-	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
Balance as at 1 January 2021	595	9,050	360	(9,903)	247	349
Share based payment charge	-	-	44	-	-	44
New shares issued net of costs	60	5,193	-	-	-	5,253
Dividend paid	-	-	-	-	-	-
Transactions with owners	60	5,193	44	-	-	5,297
Foreign exchange translation differences	-	-	-	-	219	219
Loss for the period	-	-	-	(1,936)	-	(1,936)
Total comprehensive loss	-	-	-	(1,936)	219	(1,717)
Balance at 30 June 2021	655	14,243	404	(11,839)	466	3,929
Balance at 1 July 2021	655	14,243	404	(11,839)	466	3,929
Share based payment charge	-	-	108	-	-	108
New shares issued net of costs	1	27	-	-	-	28
Dividend paid	-	-	-	-	-	-
Transactions with owners	1	27	108	-	-	136
Foreign exchange translation differences	-	-	-	-	(422)	(422)
Loss for the period	-	-	-	(1,122)	-	(1,122)
Total comprehensive loss	-	-	-	(1,122)	(422)	(1,544)
Balance at 31 December 2021	**656**	**14,270**	**512**	**(12,961)**	**44**	**2,521**

Consolidated statement of cash flows

for the six months ended 31 December 2021

	Six months ended 31 December 2021	Six months ended 31 December 2020	Twelve months ended 30 June 2021
	£'000	£'000	£'000
	(unaudited)	(unaudited)	(audited)
Cash flows from operating activities			
Loss after taxation	**(1,122)**	(2,101)	(4,037)
Adjustments for:			
Depreciation of equipment and fixtures	**36**	35	69
Amortisation of intangible assets	**42**	40	76
Amortisation of capitalised development	**374**	271	595
Interest income	**-**	-	-
Interest expense	**6**	98	206
Exchange differences	**(436)**	433	676
Income taxes	**-**	(153)	(154)
Share based payments	**109**	71	115
Increase in trade & other receivables	**(1,038)**	(793)	(1,017)
Increase in trade &other payables	**633**	1,589	3,721
Cash (used in) / generated in operating activities	**(1,396)**	(510)	250
Dividend paid	**-**	-	-
Income taxes received	**-**	153	154
Interest paid	**(6)**	(98)	(206)
Net cash (used in) / generated in operating activities	**(1,402)**	(455)	198
Cash flows from investing activities			
Purchase of property, plant and equipment	**(47)**	(13)	(40)
Purchase of intangible assets	**(87)**	(75)	-
Development expenditure capitalised	**(467)**	(394)	(920)
Interest received	**-**	-	-
Net cash used in investing activities	**(601)**	(482)	(960)
Cash flows from financing activities			
Proceeds from borrowings	**-**	1,250	1,250
Repayment of borrowings	**-**	(403)	(2,523)
Repayment of lease liabilities	**(15)**	(16)	(33)
Issue of shares	**28**	33	5,608
Expenses related to issue of shares		-	(323)
Net cash generated in financing activities	**13**	864	3,979
Net (decrease)/increase in cash	**(1,990)**	(73)	3,217
Cash and cash equivalents at the start of the period	**7,518**	4,301	4,301
Net (decrease)/increase in cash	**(1,990)**	(73)	3,217
Cash and cash equivalents at the end of the period	**5,528**	4,228	7,518

Notes to the interim financial statements for the six months ended 31 December 2021

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 2021 comprise the Company and its subsidiaries (the "Group").

The Company operates principally as a holding company. The main subsidiaries provide organisations globally with secure cloud payment and data protection solutions for any business communications environment.

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 accounting standards in conformity with the requirements of the Companies Act 2006, 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 2021.

The unaudited interim financial information for the period ended 31 December 2021 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 2021 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

4. Analysis of results

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

	Six months to Dec 21 EMEA £000s	Six months to Dec 21 North America £000s	Six months to Dec 21 Central costs £000s	**Six months to Dec 21 Total £000s**	Six months to Dec 20 EMEA £000s	Six months to Dec 20 North America £000s	Six months to Dec 20 Central costs £000s	**Six months to Dec 20 Total £000s**
Revenue								
Recurring Fees	3,564	1,388	-	**4,952**	2,025	728	-	**2,753**
Set up and Professional Services Fees (1)	310	193	-	**503**	307	109	-	**416**
Other Sales	17	-	-	**17**	21	-	-	**21**
Total	**3,891**	**1,581**	**-**	**5,472**	**2,353**	**837**	**-**	**3,190**
Gross Profit	**2.950**	**1,493**	**-**	**4,443**	**1,575**	**746**	**-**	**2,321**
Margin %	75.8%	94.4%		**81.2%**	66.9%	89.1%		**72.8%**
Administrative Expenses	(2,757)	(2,017)	(769)	**(5,543)**	(2,068)	(1,847)	(552)	**(4,467)**
Profit/(Loss) from Operating Activities	**193**	**(524)**	**(769)**	**(1,100)**	**(493)**	**(1,101)**	**(552)**	**(2,146)**
Bank charges and Interest payable	(18)	(4)	-	**(22)**	(13)	(3)	(92)	**(108)**
Finance Income	-	-	-	**-**	-	-	-	**-**
Profit/ (Loss) before Taxation	**175**	**(528)**	**(769)**	**(1,122)**	**(506)**	**(1,104)**	**(644)**	**(2,254)**

(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:

	Six months to Dec 21 EMEA £000s	Six months to Dec 21 North America £000s	Six months to Dec 21 Central £000s	**Six months to Dec 21 Total £000s**	Six months to Dec 20 EMEA £000s	Six months to Dec 20 North America £000s	Six months to Dec 20 Central £000s	**Six months to Dec 20 Total £000s**
Profit/(Loss) before Taxation	175	(528)	(769)	**(1,122)**	(506)	(1,104)	(644)	**(2,254)**
Adjust for:								
Expenses relating to share options	-	-	108	**108**	-	-	71	**71**
Exceptional Items	34	46	205	**285**	-	-	-	**-**
Exchange Loss/(Gain)	45	(375)	-	**(330)**	(7)	373	-	**366**
Bank charges and Interest Payable	18	4	-	**22**	13	3	92	**108**
Finance Income	-	-	-	**-**	-	-	-	**-**
Adjusted Profit/(Loss) from Operating Activities	**272**	**(853)**	**(456)**	**(1,037)**	**(500)**	**(728)**	**(481)**	**(1,709)**
Depreciation & Amortisation	417	35	-	**452**	326	20	-	**346**
Adjusted EBITDA	**689**	**(818)**	**(456)**	**(585)**	**(174)**	**(708)**	**(481)**	**(1,363)**

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 2021 £000	Six months ended 31 December 2020 £000	Twelve months ended 30 June 2021 £000
Earnings for the purposes of basic and diluted earnings per share			
Loss after taxation	**(1,122)**	(2,101)	(4,038)
Denominator	**'000**	'000	'000
Weighted average number of shares in issue in the period	**65,328**	59,321	60,829
Dilutive effect of potential shares and share options	**6,150**	5,384	5,590
Number of shares used in calculating diluted earnings per share	**71,478**	64,705	66,419
Basic and diluted earnings per share expressed in pence	**(1.72)**	(3.54)	(6.64)

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

7. Subsequent events to 31 December 2021

There are no subsequent events to disclose.