

*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.*

14 March 2023

## **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 2022.

#### **Financial highlights for the period**

	H1 FY23 ending 31 December 2022	H1 FY22 ending 31 December 2021	change
Revenue	£7.26m	£5.47m	+33%
Gross Margin %	87%	81%	
% of revenues from recurring contracts	85%	90%	
Adjusted EBITDA <sup>1</sup> loss	(£0.57m)	(£0.58m)	+2%
Loss from operating activities	(£1.88m)	(£1.10m)	-71%
New ACV <sup>2</sup> contract sales in period	£1.47m	£1.76m	-16%
TACV <sup>3</sup>	£14.74m	£11.34m	+30%
ARR <sup>4</sup>	£11.92m	£8.96m	+33%
NRR <sup>5</sup>	106%	120%	
Customer retention <sup>6</sup>	95%	97%	
Cash	£1.88m	£5.53m	

#### **Operating highlights in the period**

- On-going accumulation of TACV driving continued strong increase in revenue
- Successfully balancing drive to near-term profitability whilst investing in continued strong growth
- Further increase in gross margin to 87% driven by customer demand for true cloud services
- Partner eco-system performing well with 87% of contracts in period signed through resellers
- 77 new logo customers signed in the period, a record. 39 upsell contracts were also signed.
- Launched Open Banking product, the first in series of new features adding to the existing value proposition of the Group's cloud platform
- Strong customer retention of 95% including positive net retention of 106%

#### **Current trading**

- The Board is confident of making further strong progress in the second half as PCI Pal continues to execute against its near-term plans. Trading in the first two months of H2 is in line with management's expectations and revenue momentum continues with strong visibility of the full year number.
- Given the trading momentum being demonstrated by the Group, the Board reiterates the outlook set out in its trading update on 2 February 2023 and that it remains firmly on track to deliver monthly cashflow breakeven in this financial year, in line with the Board's expectations.

<sup>1</sup> 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

<sup>2</sup> ACV is the annual recurring revenue generated from a contract.

<sup>3</sup> 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.

<sup>4</sup> ARR is the Annual Recurring Revenue of all the deployed contracts.

<sup>5</sup> 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.

<sup>6</sup> Customer retention is calculated using the formula 1 minus (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).

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

"We have delivered another strong period of growth at PCI Pal. It's been a period that has emphasised the strength of our business model given the backdrop of increased global economic challenges. As the market-leaders in cloud solutions in our space, with our patented cloud capabilities, we continue to see the benefits of the focus on our partner eco-system and our capability to deliver our services in a light-touch way, anywhere in the world.

"As previously announced, we enter H2 confident of delivering monthly cashflow breakeven in the current financial year. This financial progress is balanced with the investment required to continue to realise the opportunities in front of us; further growing our addressable market through the expansion of our product suite; which in turn will not only drive sales, but also support us to maintain high levels of customer retention."

## **Analyst Briefing: 9.30am today, Tuesday 14 March 2023**

An online briefing for Analysts will be hosted by James Barham, Chief Executive, and William Good, Chief Financial Officer, at 9.30am today Tuesday 14 March 2023 to review the results and prospects. Analysts wishing to attend should contact Walbrook PR on [pcipal@walbrookpr.com](mailto:pcipal@walbrookpr.com) or 020 7933 8780.

## **Investor Presentation: 3.00pm on Thursday 16 March 2023 (UK time)**

The Directors will hold an investor presentation to cover the results and prospects at 3.00pm on Thursday 16 March 2023 (UK time).

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](mailto:pcipal@walbrookpr.com) or in real time during the presentation via the "Ask a Question" function.

## **For further information, please contact:**

### **PCI-PAL PLC**

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.

For more information visit [www.pcipal.com](http://www.pcipal.com) or follow the team on LinkedIn: <https://www.linkedin.com/company/pci-pal/>

## Chief Executive Officer's Business Review

### Overview

I am pleased to report a strong first half of growth for PCI Pal. Revenue increased 33% to £7.3 million (2021: £5.5 million). PCI Pal's early adoption of true cloud solutions continues to benefit the financial health of the business, with gross margins growing further to 87% (2021: 81%). This increase in margins reflects the continued accumulation of license based income generated by the business across its globally available AWS-hosted secure payments platform.

Adjusted EBITDA for the period was in line with the prior year loss of c.£0.6 million, which, given the substantial additional investments in new employees and technology developments over the last 12 months, highlights the further progress of the business. Furthermore, having ended H1 in a strong position, the Board has confidence of meeting management expectations for FY23, as well as hitting sustained monthly cashflow positivity in the second half of the current financial year.

PCI Pal's sales model is partner-first and, as a result, we have built a robust partner program supported by a commitment to channel across our entire organisation. This approach is at the core of everything we do. The strategy continues to pay off with a record number of new customer contracts signed in the period and 87% of these signed through resellers. ACV for the period was below the same period last year at £1.5 million (2021: £1.8 million), however, as commented at the time, the prior year included several large expansion upsells to our largest customers. The sales outlook for H2 remains strong. Supporting this strong outlook is the continued accumulation of TACV, a key indicator of future recurring revenues, which increased 30% to £14.7 million (2021: £11.3 million).

Sales highlights in H1 include good progress in our plans to increase our enterprise customer-base, particularly in the US where we have achieved strong pipeline momentum in the period. This was evidenced by two of the larger deals signed in H1; the first with one of the largest clothing retailers in the world; the second with a large US-headquartered energy company. The clothing retailer is now live across more than 2,500 contact centre agents in the US; and the energy company signed at the end of the second quarter is going through deployment across over 1,200 agents in the US and Canada.

Supporting our sustained strong revenue growth is the continued low churn rates of existing customers. Churn in the period was just 5% (2021: 3%). Additionally, NRR was 106% which was ahead of management expectations for the period. The prior year (2021: 120%) benefitted significantly from the large expansion upsells to existing customers, as mentioned above.

PCI Pal's continued progress has always been underpinned by an excellent scale up working culture. Highlighting this in the period we achieved employee retention of 93%. It is our people that support this business to successfully balance the execution of our strategic initiatives; driving further strong revenue growth and near term month to month profitability; and supporting the continued investment to expand our addressable market opportunity.

### Further Global Expansion

Having launched our operations in Australia and Canada last year, we can report good progress: providing on-the-ground support to our global partners; as well as enabling regional expertise in those local markets. We

have strong teams in place in both regions and we can see early benefits of this coming through in our sales pipelines, as well as positive engagement and feedback from partners' teams locally.

As reported at the last full year, at PCI Pal today we are taking a more holistic view of the global addressable market opportunity available to us, particularly as our products have relevance to any contact centre, anywhere in the world. With the strongholds we have established in the UK and US, and the new presence in Canada and Australia, we have a solid foundation from which to press on cost-efficiently into other corners of the globe leveraging our major partner relationships and current cloud technology stack.

## **Product**

PCI Pal was the first to launch a true cloud solution to the market in early 2017, and as a result has the most mature, and most utilised platform. PCI Pal's patented approach disrupted a market that was previously burdened by hardware-led, on-premise solutions, and as a result we have empowered our customers to secure consumer's 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 our platform is hosted today. AWS is also the most commonly used cloud hosting provider across all our partners, making it easier to integrate our solutions with theirs. Furthermore, our platform has been designed to be agnostic to any third party environments it operates with so as to not limit who we can work with. 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, UCaaS, CPaaS) and payments markets, including Genesys, 8x8, Vonage, Talkdesk, Worldpay, and Amazon Connect.

Having successfully established this core cloud technology platform, combined with a strong partner eco-system, we are beginning to increase the breadth of our product offering to best capitalise on our investments to date. As a result, PCI Pal's product vision is evolving to incorporate many of the digital payment methods available to merchants across e-commerce environments and bringing those capabilities to the contact centre.

PCI Pal's near term product roadmap includes further features incorporating modern-day digital payment methods, such as Buy Now Pay Later and e-Wallets, as well as enhancements to its user interfaces and data analytics capabilities. The majority of these enhancements and new features, over time, will not only drive further demand and retention in our core licenses today, but also help to drive incremental transactional revenue as PCI Pal benefits from more involvement in the individual payments being processed.

One of the first of the new payment methods was launched in the period. The digitally-native Open Banking product, allows consumers to pay merchants using our services directly from their bank account rather than using a credit or debit card. PCI Pal's offering can facilitate payments from virtually all banks in the UK, where the product has been first launched. This enhancement adds both fraud risk mitigation and transaction processing cost reduction to the existing PCI Pal security value proposition. Open Banking is one of the fastest growing payment methods in the UK and is taking hold across the globe.

## **Update on the unfounded claims of patent infringement**

It is nearly 18 months since the Company became subject to unfounded claims of patent infringement in both the UK and US by one of its competitors, Semafo Ltd (now renamed Sycurio Ltd). The action was brought against PCI Pal shortly after Sycurio was acquired by the investment firm Livingbridge. It is our belief that the claims have been made in an attempt to disrupt our momentum and gain a commercial advantage given PCI Pal is the fastest growing provider in the space, with the most extensive partner eco-system, and the most mature public cloud offering.

The Directors continue to strongly refute the claims being made and as a result we have both defended our position on infringement, as well as made a number of counterclaims against Sycurio whose patents we believe to be invalid. We have worked closely with our legal advisors both in the UK and the US and remain confident in being successful across the breadth of our case. The court hearing in the UK is scheduled for mid-June 2023, with the US court dates yet to be set but expected late 2024.

Our counterclaims of invalidity are independent claims to those made by Sycurio, and therefore fully within our control. It is well known that patents are not properly tested until they are litigated. We have pursued invalidity in considerable depth, and as such intend to see through invalidating Sycurio's patents.

PCI Pal has its own patents for the way in which its Agent Assist services integrate with third party environments in the cloud and how card data is captured. In FY22, we reported that we had been granted a patent for these methods in the US following a 4-year application process. This grant was preceded by a review undertaken by the US Patent Office against a number of competitor patents, including the patents Sycurio has

asserted against PCI Pal. Since then, PCI Pal's patent has been granted in the EU, UK, Australia and New Zealand.

For completeness, and in keeping with the prudent and thorough way that we run this business, we have also made plans in the unlikely scenario that all proceedings go against us, with various options for product adjustments and enhancements that should ensure our ability to continue operating in a non-infringing manner. As is normal in patent cases of this nature, we have filed a number of these product variants with the courts already.

Given the confidence levels and proximity to the UK trial in June 2023, the Company is fully prepared for court, both defending its position on infringement as well as being successful in its own suit to invalidate Sycurio's patents.

## **Outlook**

Following the strong financial performance in H1 we are seeing the revenue momentum continue into H2. This revenue momentum is supported by the continued strength of our sales pipeline which combined gives the Board confidence that the Company will meet management expectations for the full year to end June 2023.

Additionally, our positive cash momentum is evidenced by the recent improvement in just the first two months of H2 and now stands at the end of February 2023 at £3.4 million (end December 2022: £1.9 million).

The new business sales outlook remains strong. This is underpinned by high levels of engagement and activity with our key partners, as well as the enablement of new partners further adding to the strength of our market-leading partner eco-system.

I look forward to updating you with further progress later in the year.

James Barham  
Chief Executive Officer  
14 March 2023

## **CFO's Financial Review**

The Group's financial performance for the six months to December 2022 has continued to be very good. The Company is delivering strong growth and continues to move towards sustained monthly cash breakeven, expected in H2FY23.

### Revenue and gross margin

The Group continues to focus on signing and delivering high-quality recurring revenues from its growing customer base. Group revenue grew by 33% in the period to £7.26 million (2021: £5.47 million). This high-quality revenue, paired with the operational efficiency of its true cloud platform hosted on AWS, has allowed the Group to continue to improve Gross Margin to 87% in the period (2021: 81%). Of the revenue recorded in the period, 85% (2021: 90%) has come from annually recurring licences or equivalent transactions. The decline in the comparative percentage is due to us taking on a short-term contract, in the last 12 month, with one of our major customers in the UK, the revenue for which we are not treating as recurring.

TACV at the half year has grown to £14.74 million (2021: £11.34 million), which provides the Group with a high visibility of revenue for the remainder of the financial year, and beyond. Run rate ARR of "live" contracts has increased by 33% at period end to £11.92 million (2021: £8.96 million).

### Currency

Since 31 December 2021 the US dollar exchange rate has changed from \$1.32 to \$1.24. This 6% exchange rate swing has accounted for approximately £0.13 million of the revenue growth or 2.3% of the reported growth. On the converse side, our US dollar expenses which mainly relate to staffing in the US have increased by a similar number and so the net difference to the Group's reported losses is not material.

### Churn and Net Retention

In line with its expectations for the year, the Directors are pleased to report that the Group has continued to up-sell more contracts to its existing customer base than it loses, and as a result Net Revenue Retention ("NRR") for its AWS platform, remains positive at 106% (30 June 2022: 120%). The year on year decrease in NRR was expected as H1FY22 included a number of large expansion sales to several enterprise-sized customers.

Contributing to the positive NRR, customer churn rates remain on target at 5% (30 June 2022: 3%). The churn accounts for £0.32m of lost ARR, of which the largest single customer churned accounted for £0.09m (28%). This customer ceased using services after they were acquired by another company who was using an in-house compliance capability.

Given the growing TACV and low churn levels, revenues are expected to grow in line with management expectations.

### Administrative expenses

Total administrative expenses were £8.19 million (2021: £5.54 million), an increase of 48%.

As planned following the fundraising in April 2021, the Group has continued to hire new headcount to support its international growth and product development plans with the number of employees increasing to 108 (2021: 86) at the period end. Reflecting this growth in head count, personnel costs charged to the Statement of Comprehensive Income (including commission, bonuses and travel and subsistence expenses) grew to £5.85 million (2021: £4.02 million), of which £0.70 million (2021: £0.47 million) were capitalised as Software Development costs. Personnel costs make up 79% (2021: 73%) of the adjusted administrative costs (excluding exchange movements, share option charges and exceptional items) of the business.

The expense of running our AWS global platform and associated software was £0.46 million in the period (2021: £0.45 million).

Included in the administrative expenses is a charge for foreign exchange movements of £0.18 million (2021: credit of £0.33 million) which has been caused by the strengthening of the US dollar from \$1.3215 (31 December 2021) to \$1.2309 (30 June 2022) to \$1.2406 (31 December 2022).

Depreciation/amortisation of £0.57 million (2021: £0.45 million) has also been charged as part of the

administrative expenses.

#### Exceptional costs

As explained in the CEO's review, we have been building both a strong defence against the unfounded patent infringement claims made against the Company in the UK and US by Sycurio Ltd, as well as strong counter-claims of invalidity against the patents in question. In H1 FY23, the Group incurred £0.43 million of legal fees relating to the patent claim, bringing the total expenditure to £1.23 million since the claim was made in September 2021. These expenses have been treated as an exceptional item in the Group's Statement of Comprehensive Income.

#### Adjusted operating loss

The regional operating results and underlying performance analysis used within the Group are shown in Notes 4 & 5 below. These adjusted figures are the Company's preferred performance measures as it more accurately reflects the underlying performance of the Group's operations.

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 Statement of Comprehensive Income, increased by 10% to a loss of £1.14 million (2021: £1.04 million). The performance was better than the Board's expectations and reflects the resilience of the business model having taken on 22 additional employees in the last 12 months.

Adjusted EBITDA losses have remained stable at a loss of £0.57 million (2021: £0.58 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 better than expectations.

The principal financial KPIs are as follows:

	Six months to 31 Dec 2022	Change %	Six month to 30 Jun 2022	Change %	six months to 31 Dec 2021
Revenue in the six month period	£7.26m	+12%	£6.47m	+18%	£5.47m
Gross Margin in the six month period	86.9%		86.1%		81.2%
Recurring Revenue <sup>1</sup> in the six month period	£6.17m	+10%	£5.62m	+14%	£4.95m
Recurring Revenue as % of Revenue in six month period	85%		87%		90%
Adjusted EBITDA <sup>2</sup> in six month period	(£0.57m)	+56%	(£1.30m)	-124%	(£0.58m)
Cash	£1.88m		£4.89m		£5.53m
Deferred Income	£11.53m		£10.62m		£8.75m

<sup>1</sup> 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

<sup>2</sup> 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

The principal operational KPIs are as follows:

	As at 31 Dec 2022	Change %	As at 30 Jun 2022	Change %	As at 31 Dec 2021
Contracted TACV <sup>1</sup> deployed and live	£11.92m	+8%	£11.05m	+23%	£8.96m

Contracted TACV in deployment	£1.94m	+73%	£1.12m	-41%	£1.89m
Contracted TACV – projects on hold	£0.88m	-26%	£1.19m	+143%	£0.49m
Total Contracted TACV	£14.74m	+10%	£13.36m	+18%	£11.34m
% of TACV derived from variable transactions deemed recurring	18%		22%		23%
ARR <sup>2</sup>	£11.92m	+8%	£11.05m	+23%	£8.96m
Signed ACV in six month period	£1.47m	-14%	£1.70m	-4%	£1.76m
Rolling value of ACV of contracts cancelled before deployment in last 12 months	£0.11m		£0.18m		£0.12m
AWS Platform Churn <sup>3</sup>	5.1%		3.1%		3.4%
AWS Platform Net Retention Rate <sup>4</sup>	106.3%		117.7%		120.4%
Headcount at end of period (excluding non-executive directors)	108		103		86
Ratio Personnel cost to normalised administrative expenses	79%		74%		73%

<sup>1</sup>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

<sup>2</sup> ARR is the Annual Recurring Revenue of all the deployed contracts including an assessment of variable transactions deemed recurring

<sup>3</sup>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

<sup>4</sup> 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 £1.88 million (30 June 2022: £4.89 million).

The Directors, on a monthly basis, receive standard reports relating to cash forecasts and future cash burn to ensure that the Group's expansion plans can continue to be financed comfortably. The Group is on track to hit monthly cashflow breakeven in this financial year.

Since the period end, the cash balances have grown following the payment of two large licence renewals (one of which was a multi-year advance payment). As at the 28<sup>th</sup> February 2023 the cash balances of the Group stood at £3.41 million.

### Capital expenditure

As required by IAS 38, we have capitalised a further £0.70 million (2021: £0.47 million) in software development expenditure as we continue to invest in our cloud platform and introduce new features and products.

The Group acquired £0.01 million of other intangible assets (2021: £0.09 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 £0.73 million (2021: £0.50 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 £4.65 million (30 June 2022: £2.96 million) reflecting the increased scale of the growing business and the timing of annual renewals.

#### Financial Outlook

The Board continues to balance its continued short-term revenue growth and profitability plans against its long-term investment in the business. The Group remains firmly on track to hit monthly cashflow breakeven in this financial year and is continuing its strategic objective of delivering continued international growth and launching new complimentary products to our partners and customers. The Directors are pleased with the progress being made against this objective.

William Good  
Chief Financial Officer  
14 March 2023

**Consolidated statement of comprehensive income**  
for the six months ended 31 December 2022

	<b>Six months ended 31 December 2022</b>	Six months ended 31 December 2021	Twelve months ended 30 June 2022
	<b>£'000</b>	£'000	£'000
	<b>(unaudited)</b>	(unaudited)	(audited)
<b>Revenue</b>	<b>7,259</b>	5,472	11,937
Cost of sales	<b>(950)</b>	(1,029)	(1,924)
<b>Gross profit</b>	<b>6,309</b>	4,443	10,013
Administrative expenses	<b>(8,194)</b>	(5,543)	(13,077)
<b>Loss from operating activities</b>	<b>(1,885)</b>	(1,100)	(3,064)
<b>Adjusted operating loss</b>	<b>(1,324)</b>	(707)	(2,021)
Expenses relating to share options	<b>(128)</b>	(108)	(246)
Exceptional Items	<b>(433)</b>	(285)	(797)
<b>Loss from operating activities</b>	<b>(1,885)</b>	(1,100)	(3,064)
Finance income	<b>2</b>	-	1
Finance expenditure	<b>(20)</b>	(22)	(44)
<b>Loss before taxation</b>	<b>(1,903)</b>	(1,122)	(3,107)
Taxation	<b>-</b>	-	164
<b>Total comprehensive loss for the period</b>	<b>(1,903)</b>	(1,122)	(2,943)
<b>Other comprehensive expense: items that will be classified subsequently to profit and loss</b>			
Foreign exchange translation differences	<b>113</b>	(422)	(1,086)
<b>Total comprehensive loss for the period</b>	<b>(1,790)</b>	(1,544)	(4,029)
<b>Loss per share expressed in pence</b>			
Basic and diluted	(2.91)	(1.72)	(4.50)

# Consolidated statement of financial position

as at 31 December 2022

	31 December 2022 £'000 (unaudited)	31 December 2021 £'000 (unaudited)	30 June 2022 £'000 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment	213	87	238
Intangible assets	2,847	2,516	2,661
Trade & other receivables	999	822	964
Non-current assets	4,059	3,425	3,863
<b>Current assets</b>			
Trade and other receivables	6,023	3,945	4,203
Cash and cash equivalents	1,876	5,528	4,888
Current assets	7,899	9,473	9,091
<b>Total assets</b>	<b>11,958</b>	<b>12,898</b>	<b>12,954</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(1,862)	(1,625)	(2,086)
Deferred Income	(9,249)	(7,165)	(9,286)
Other interest-bearing loans and borrowings	-	-	-
Current liabilities	(11,111)	(8,790)	(11,372)
<b>Non-current liabilities</b>			
Other payables	(46)	-	(67)
Deferred Income	(2,278)	(1,587)	(1,330)
Long term borrowings	-	-	-
Non-current liabilities	(2,324)	(1,587)	(1,397)
<b>Total liabilities</b>	<b>(13,435)</b>	<b>(10,377)</b>	<b>(12,769)</b>
<b>Net assets/(liabilities)</b>	<b>(1,477)</b>	<b>2,521</b>	<b>185</b>
<b>Shareholders' equity</b>			
Share capital	656	656	656
Share premium	14,281	14,270	14,281
Other reserve	778	512	650
Currency reserve	(507)	44	(620)
Profit and loss account	(16,685)	(12,961)	(14,782)
<b>Total shareholders' equity</b>	<b>(1,477)</b>	<b>2,521</b>	<b>185</b>

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 2022.

## Consolidated interim statement of changes in equity

as at 31 December 2022 (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 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
Balance as at 1 January 2022	656	14,270	512	(12,961)	44	2,521
Share based payment charge	-	-	138	-	-	138
New shares issued net of costs	-	11	-	-	-	11
Dividend paid	-	-	-	-	-	-
Transactions with owners	-	11	138	-	-	149
Foreign exchange translation differences	-	-	-	-	(664)	(664)
Loss for the period	-	-	-	(1,821)	-	(1,821)
Total comprehensive loss	-	-	-	(1,821)	(664)	(2,485)
Balance at 30 June 2022	656	14,281	650	(14,782)	(620)	185
Balance at 1 July 2022	656	14,281	650	(14,782)	(620)	185
Share based payment charge	-	-	128	-	-	128
New shares issued net of costs	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
Transactions with owners	-	-	128	-	-	128
Foreign exchange translation differences	-	-	-	-	113	113
Loss for the period	-	-	-	(1,903)	-	(1,903)
Total comprehensive loss	-	-	-	(1,903)	113	(1,790)
<b>Balance at 31 December 2022</b>	<b>656</b>	<b>14,281</b>	<b>778</b>	<b>(16,685)</b>	<b>(507)</b>	<b>(1,477)</b>

## Consolidated statement of cash flows

for the six months ended 31 December 2022

	Six months ended 31 December 2022  £'000 (unaudited)	Six months ended 31 December 2021  £'000 (unaudited)	Twelve months ended 30 June 2022  £'000 (audited)
<b>Cash flows from operating activities</b>			
Loss after taxation	(1,903)	(1,122)	(2,943)
Adjustments for:			
Depreciation of equipment and fixtures	53	36	85
Amortisation of intangible assets	43	42	85
Amortisation of capitalised development	473	374	803
Loss on disposal of equipment and fixtures	-	-	3
Interest income	(2)	-	(1)
Interest expense	3	6	11
Exchange differences	148	(436)	(1,124)
Income taxes	-	-	(164)
Share based payments	128	109	246
Increase in trade & other receivables	(1,855)	(1,038)	(1,438)
Increase in trade & other payables	687	633	2,918
<b>Cash used in operating activities</b>	<b>(2,225)</b>	<b>(1,396)</b>	<b>(1,519)</b>
Dividend paid	-	-	-
Income taxes received	-	-	164
Interest paid	(3)	(6)	(11)
<b>Net cash used in operating activities</b>	<b>(2,228)</b>	<b>(1,402)</b>	<b>(1,366)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(29)	(47)	(124)
Purchase of intangible assets	(5)	(87)	(48)
Development expenditure capitalised	(732)	(467)	(1,098)
Interest received	2	-	1
<b>Net cash used in investing activities</b>	<b>(764)</b>	<b>(601)</b>	<b>(1,269)</b>
<b>Cash flows from financing activities</b>			
Principal element of lease payments	(20)	(15)	(34)
Issue of shares	-	28	39
<b>Net cash generated in financing activities</b>	<b>(20)</b>	<b>13</b>	<b>5</b>
<b>Net (decrease)/increase in cash</b>	<b>(3,012)</b>	<b>(1,990)</b>	<b>(2,630)</b>
Cash and cash equivalents at the start of the period	4,888	7,518	7,518
Net (decrease)/increase in cash	(3,012)	(1,990)	(2,630)
<b>Cash and cash equivalents at the end of the period</b>	<b>1,876</b>	<b>5,528</b>	<b>4,888</b>

## Notes to the interim financial statements for the six months ended 31 December 2022

### 1. Nature of activities and general information

PCI-PAL PLC is the Group's ultimate parent company. It is a public limited company incorporated and 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 quoted and publicly traded on the AIM division of the London Stock Exchange. The Group's consolidated interim financial statements (the "interim financial statements") for the period ended 31 December 2022 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 the UK adopted international accounting standards and 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 2022.

The unaudited interim financial information for the period ended 31 December 2022 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 2022 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 22 EMEA £000s	Six months to Dec 22 North America £000s	Six months to Dec 22 ANZ £000s	Six months to Dec 22 Central costs £000s	Six months to Dec 22 Total £000s
<b>Revenue</b>					
Revenue from recurring contract Fees	4,115	1,970	87	-	<b>6,172</b>
Non recurring transaction fees	355	-	-	-	<b>355</b>
Set up and Professional Services Fees <sup>(1)</sup>	433	281	14	-	<b>728</b>
Other Sales	4	-	-	-	<b>4</b>
<b>Total</b>	<b>4,907</b>	<b>2,251</b>	<b>101</b>	<b>-</b>	<b>7,259</b>
<b>Gross Profit</b>	<b>4,007</b>	<b>2,202</b>	<b>100</b>	<b>-</b>	<b>6,309</b>
Margin %	81.7%	97.8%	99.2%	-	86.9%
Administrative Expenses	(3,710)	(3,369)	(246)	(869)	(8,194)
<b>Profit/(Loss) from Operating Activities</b>	<b>297</b>	<b>(1,167)</b>	<b>(146)</b>	<b>(869)</b>	<b>(1,885)</b>
Bank charges and Interest payable	(14)	(6)	-	-	(20)
Finance Income	-	-	-	2	2
<b>Profit/ (Loss) before Taxation</b>	<b>283</b>	<b>(1,173)</b>	<b>(146)</b>	<b>(867)</b>	<b>(1,903)</b>

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

	Six months to Dec 21 EMEA £000s	Six months to Dec 21 North America £000s	Six months to Dec 21 ANZ £000s	Six months to Dec 21 Central costs £000s	Six months to Dec 21 Total £000s
<b>Revenue</b>					
Revenue from recurring contract Fees	3,564	1,350	38	-	<b>4,952</b>
Non recurring transaction fees	-	-	-	-	-
Set up and Professional Services Fees <sup>(1)</sup>	310	178	15	-	<b>503</b>
Other Sales	17	-	-	-	<b>17</b>
<b>Total</b>	<b>3,891</b>	<b>1,528</b>	<b>53</b>	<b>-</b>	<b>5,472</b>
<b>Gross Profit</b>	<b>2,950</b>	<b>1,441</b>	<b>52</b>	<b>-</b>	<b>4,443</b>
Margin %	75.8%	94.3%	98.7%		81.2%
Administrative Expenses	(2,757)	(1,913)	(104)	(769)	<b>(5,543)</b>
<b>Profit/(Loss) from Operating Activities</b>	<b>193</b>	<b>(472)</b>	<b>(52)</b>	<b>(769)</b>	<b>(1,100)</b>
Bank charges and Interest payable	(18)	(4)	-	-	<b>(22)</b>
Finance Income	-	-	-	-	-
<b>Profit/ (Loss) before Taxation</b>	<b>175</b>	<b>(476)</b>	<b>(52)</b>	<b>(769)</b>	<b>(1,122)</b>

(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 22 EMEA £000s	Six months to Dec 22 North America £000s	Six months to Dec 22 ANZ £000s	Six months to Dec 22 Central £000s	Six months to Dec 22 Total £000s
Profit/(Loss) before Taxation	283	(1,173)	(146)	(867)	<b>(1,903)</b>
Adjust for:					
Expenses relating to share options	-	-	-	128	<b>128</b>
Exceptional Items	-	187	-	246	<b>433</b>
Exchange Loss/(Gain)	48	120	8	6	<b>182</b>
Bank charges and Interest Payable	14	6	-	-	<b>20</b>
Finance Income	-	-	-	(2)	<b>(2)</b>
<b>Adjusted Profit/(Loss) from Operating Activities</b>	<b>345</b>	<b>(860)</b>	<b>(138)</b>	<b>(489)</b>	<b>(1,142)</b>
Depreciation & Amortisation	567	-	1	-	<b>568</b>
<b>Adjusted EBITDA</b>	<b>912</b>	<b>(860)</b>	<b>(137)</b>	<b>(489)</b>	<b>(574)</b>

	Six months to Dec 21 EMEA £000s	Six months to Dec 21 North America £000s	Six months to Dec 21 ANZ £000s	Six months to Dec 21 Central £000s	Six months to Dec 21 Total £000s
Profit/(Loss) before Taxation	175	(476)	(52)	(769)	(1,122)
Adjust for:					
Expenses relating to share options	-	-	-	108	108
Exceptional Items	34	46	-	205	285
Exchange Loss/(Gain)	45	(378)	3	-	(330)
Bank charges and Interest Payable	18	4	-	-	22
Finance Income	-	-	-	-	-
<b>Adjusted Profit/(Loss) from Operating Activities</b>	<b>272</b>	<b>(804)</b>	<b>(49)</b>	<b>(456)</b>	<b>(1,037)</b>
Depreciation & Amortisation	417	35	-	-	452
<b>Adjusted EBITDA</b>	<b>689</b>	<b>(769)</b>	<b>(49)</b>	<b>(456)</b>	<b>(585)</b>

## 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 2022 £000	Six months ended 31 December 2021 £000	Twelve months ended 30 June 2022 £000
Earnings for the purposes of basic and diluted earnings per share			
Loss after taxation	(1,903)	(1,122)	(2,943)
<b>Denominator</b>	<b>‘000</b>	<b>‘000</b>	<b>‘000</b>
Weighted average number of shares in issue in the period	65,453	65,328	65,369
Dilutive effect of potential shares and share options	8,143	6,150	6,879
Number of shares used in calculating diluted earnings per share	73,596	71,478	72,248
Basic and diluted earnings per share expressed in pence	(2.91)	(1.72)	(4.50)

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

## 7. Subsequent events to 31 December 2022

There are no subsequent events to report.