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.

27 February 2024

PCI-PAL PLC

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

Interim Results for the six months to 31 December 2023

Board Change, Analyst Briefing & 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 2023.

Financial highlights for the period

	H1 FY24 ending 31 December 2023	H1 FY23 ending 31 December 2022	Change
Revenue	£8.74m	£7.26m	+20%
Gross Margin %	89%	87%	+200 bp
% of revenues from recurring contracts	90%	85%	+500 bp
Adjusted EBITDA[1] profit / (loss)	£0.25m	(£0.57m)	+147%
Adjusted loss from operating activities[7]	(£0.42m)	(£1.14m)	+63%
Statutory loss from operating activities	(£1.26m)	(£1.88m)	+33%
ARR[4]	£14.69m	£11.92m	+23%
TACV[3]	£17.46m	£14.74m	+18%
New ACV[2] contract sales in period	£1.60m	£1.47m	+9%
NRR[5]	102%	106%	-300bp
Customer retention[6]	96%	95%	+100bp

Operating highlights in the period

- Positive Group Adjusted EBITDA underpinned by revenue growth of 20%.
- Positive cash generation from operations in period and excellent progress being made towards our near-term objective of delivering sustained profitability.
- Cash and cash equivalents at the period end was £0.8m and net cash was £0.55m. As at today’s date the Company’s debt facility is currently undrawn.
- TACV increased 18% year on year to £17.4 million (2022: £14.7 million), contributed to by continued new business sales momentum, with £1.6 million ACV added in the period.
- Strong growth of US operations with new business ACV in the region up 35% on same period in prior year.
- Exceptional service levels, including 100% global platform uptime for the period, contributing to strong customer retention with gross revenue retention at 96% for H1.
- Good progress made in product development, with new products and enhancements now coming to market with key partner roll out commencing in H2.
- Comprehensive victory in UK trial in patent lawsuit.

Current trading

H2 has started positively with new business sales momentum continuing. ACV year to date is now at £2.2m which is 25% ahead of the same period in the prior year. We remain focused on the near-term profitability objectives that we have set for the Company this year and look forward to the launch of our new products and enhancements during the second half. We are also very much focused on capitalising on the market opportunity before us and continue to progress the strategic initiatives that we believe will enhance shareholder value in the long term.

Board Change

PCI Pal today announces that William Good has informed the Board of his intention to retire as Chief Financial Officer and Executive Director of the Company to pursue his other existing business interests. The Board has initiated a process to appoint a successor and William will continue in his role until that successor is in place, to ensure a smooth handover of responsibilities.

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

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

[3] 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.

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

[5] 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.

[6] 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).

[7] Adjusted loss from operating activities is the loss on Statutory Operating Activities before exchange movements charged to the profit and loss, exceptional items and expenses relating to share option charges.

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

“Firstly, I would like to take this opportunity to thank William Good who has been a hugely valuable member of the team at PCI Pal since he joined the Company in 2017. We have worked very closely together, and he has provided excellent and trusted support as we undertook a new strategy to capture the market opportunity for our technology. William leaves PCI Pal in an excellent place, with the business growing from strength to strength.

“I am delighted with the continued progress we have made in H1, and I believe that we are well on our way to achieving the key financial objectives we set for the year. Revenue growth momentum continues as a result of the accumulation of new business and also exceptionally high customer retention rates. Our cloud native partner-first strategy continues to deliver excellent results. Together with the strength of our technology and high service levels we have an excellent platform for future growth.

“The continued progress of the business over the last two years is even more pleasing given the management distraction and cash we have used on the patent case. With the comprehensive victory in the UK trial, we believe the risk of the case to the business is now substantially reduced and given the strength of our trading position today we are looking positively further forward into the future. We have a strong business behind us, with leading metrics in our market, and a product roadmap that has the potential to enhance our global market opportunity long term.”

Analyst Briefing: 9.30am today, Tuesday 27 February 2024

An online briefing for Analysts will be hosted by James Barham, Chief Executive, and William Good, Chief Financial Officer, at 9.30am today Tuesday 27 March 2024 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 29 February 2024 (UK time)

The Directors will hold an investor presentation to cover the results and prospects at 3.00pm on Thursday 29 February 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 or in real time during the presentation via the "Ask a Question" function.

For further information, please contact:

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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 or follow the team on Linkedin: https://www.linkedin.com/company/pci-pal/

Chief Executive Officer's Business Review

Overview

We continue to execute well against our core strategic pillars; to be the market leader in true cloud capabilities in our space; to leverage our cloud platform to access the breadth of the market opportunity in contact centres globally; and to do so leveraging a partner-first sales model primarily selling through resellers.

The business has taken another strong step forward in revenue growth in the period which has increased 20% to £8.7 million (2022: £7.3 million), with 90% of revenues coming from recurring contracts (2022: 85%). Run rate ARR has increased strongly as well, up 23% at the end of H1 to £14.7 million (2022: £11.9 million). Gross profit margins continue to strengthen increasing to 89% year on year (2022: 87%).

Further to the positive growth momentum, H1 was the Group's first reporting period of positive adjusted EBITDA since we re-launched as PCI Pal in late 2016. As a result, and despite increased expenditure from investments made in headcount in the prior year, we have seen a sizeable reduction in adjusted losses which were in line with management expectations for the period with adjusted losses before tax at £0.42 million (2022: £1.14 million).

New Business Sales

New business sales momentum continued in the period, reporting a 9% increase YoY to £1.6 million ACV. The Group's indicator of future recurring revenue, TACV, now stands at £17.4 million, an increase of 18% year on year (2022: £14.7 million). Since the end of H1, YTD ACV have increased further to £2.2 million, which is 25% ahead of the same period in FY23.

At the end of the last financial year, we reported a strong uplift in new business sold to new customers. This trend continued into FY24 with 87% of the new business in the period, by value, sold to new customers of the Group. This is an exciting trend given the continued high customer retention rates achieved by the business. The combination of net new business, combined with high retention rates, is creating a sizeable opportunity for the Group as its investment in new product enhancements begin to come to fruition opening long-term upsell opportunities across our partner eco-system and customer-base. The Group's NRR for the period was in line with management expectations at 102% (2022: 106%).

Newly signed customer highlights in H1 included:

- Several new Fortune 500 customers in the US, including deals with leading brands in the home improvements markets and a Fortune 50 pharmaceutical firm, further adding to the Company's strength in this sector.

- A new contract with a FTSE100 global provider of industrial and electronics products initially, delivering services into the company's large US consumer electronics business.

- A number of competitor displacements in both the UK and US; including a Fortune 500 industrial supply business; as well as an existing customer of the Group in the US who in the UK had a historic relationship with a competitor and has chosen to standardise with PCI Pal globally.

Partner Eco-system

With a partner-first sales model, we have been committed to building mutually beneficial commercial relationships with our resellers for many years now. We are proud of the strength of our partner eco-system today, which includes the majority of the Gartner Magic Quadrant for CCaaS vendors and many sizeable technology companies who sell our solutions as an add-on to their core offerings.

The majority of our partners benefit from tight-knit, cloud-to-cloud integrations, with PCI Pal services available to their customers on a global basis. Our partners today include the likes of Genesys, Zoom, Talkdesk, Worldpay, 8x8 and Vonage.

H1 was another strong period of trading for our channel business. In the period we increased the value of new business signed through our partner eco-system to 87% (£1.4 million) compared to 65% in the prior year. This is the highest to date and is testament to the further investment we have made in driving tighter product integrations, more sophisticated partner management, and on-going high levels of service uptime.

At PCI Pal, we are highly targeted in our efforts to acquire new partners in key technology sectors. During H1, I was particularly pleased to announce the addition of Zoom to the PCI Pal partner eco-system. Zoom has an extensive global business which was first born from their well-known video conferencing services, and which accelerated particularly during the pandemic. Since that time, Zoom has evolved into one of the largest business communications vendors in the world, providing an entire communications suite to its customers globally, including: video, phone (office), and contact centre. PCI Pal is an inaugural partner, to be sold on Zoom paper, from their own partner eco-system. We are in the late stages of product enablement with full launch expected in several phases across our Q3 FY24. We are already beginning to see pipeline generation from this new partner, and we expect that to accelerate as the current financial year progresses and on into FY25.

Operations

Underpinning the revenue performance and progress towards near term profitability are our core operations which continue to perform at exceptionally high levels. H1 for the business was another period of 100% uptime across the Company's global public cloud platform, highlighting the maturity of the environment which is the market leader in terms of coverage and customer numbers. The goal is 99.999% uptime, but to out-perform this is testament to the early-move we made to public cloud in 2016 and the maturity of the platform which handles calls and transactions from all verticals and includes numerous high-volume customers across many thousands of contact centre agents and customer interactions.

This performance, plus the excellent team and culture we have built at PCI Pal, is driving top quartile customer retention levels with GRR at 96% in the period (2022: 95%). It is not surprising therefore that our customer satisfaction scores (CSATs) remain high at 87%.

Customer satisfaction starts at the very beginning of the sales cycle, through deployment, and then into the lifetime of the contract. Our deployment efficiency has improved in the period with a substantial increase in the amount of ARR reaching revenue recognition in the period. In H1, £2.5 million in new deployments reached ARR which was a 150% increase on the prior year (2022: £1.0 million).

Product Update

We have made good progress with our product roadmap in the period, and as we ready ourselves for full launch of a number of new product enhancements in H2. We have already been successful in signing a number of initial customers to a variety of these new products and features.

In late FY23, we announced that we were launching an enhanced speech recognition capability and since then, in the period we have successfully sold and deployed several customers to the new solution across both our Agent Assist (live agent payments) and IVR (automated payments) solutions. This speech advancement is exciting for the business, harnessing the capabilities of AI within speech recognition engines today, available in over 100 languages, and achieving recognition success rates of more than 90%. This is exceptionally high when compared to historic speech recognition services and it is anticipated that it will further improve over time. We expect to see an increase in customers opting for speech recognition as the primary data collection method over keypad entry.

The Company's evolution from a pure-play security and compliance solution to a broadened CX and revenue enhancement payments business is well underway. In the period we moved the following roadmap items to minimum viable product stage ("MVP") and now, with some customers live, we look ahead to H2 where we intend to reach general availability ("GA") for these enhancements by making them available to all customers (existing and new) and, initially, key integrated partners as well:

- A new version of our user interface ("UI") that both agents and consumers use when taking payments with customers over the phone or across any number of digital channels such as web chat or social media interactions.
- Incorporated into that new UI are numerous digital payment capabilities (available in our existing solutions today but enhanced significantly here) which can be utilised by our customers across their customer engagement environments, including Digital Wallets (such as ApplePay and GooglePay).
- And with the launch of the new UI comes enhanced data analytics and reporting capabilities that are available to partners and customers.

We have continued to make progress against our AI objectives as well where we expect to launch a number of solutions in the next financial year that leverage our own AI toolset. These will drive more continuous improvements to agent and customer experience, intuitively grow our customers revenues and reduce their costs; and automate improvements to customer experience through journey tracking and analytics during the payment process.

Patent Case Update

The Company has been involved in patent litigation with its competitor, Sycurio Limited, for more than two and half years now in both the UK and US courts. The UK case came to trial in June 2023, with PCI Pal achieving a resounding ruling in its favour from the trial judge, as announced in October 2023. PCI Pal was not only successful in defending its own position on infringement but was also successful in its counterclaims to invalidate Sycurio's patent.

As expected, Sycurio requested permission to appeal the decision of the High Court from the Court of Appeal, and this was granted, as announced by PCI Pal on 26 January 2024. The appeal is to be heard in May 2024, and we look forward to that hearing when we fully expect to be successful and to receive a significant cost award, which as a minimum will include the current £1.1 million held on account from the initial trial being released to the Company. The appeal hearing is potentially the final stage of proceedings in the UK.

The US case is now scheduled for trial in February 2025. PCI Pal's position is very similar to the UK case as PCI Pal has strong defenses of non-infringement and invalidity. Furthermore, we note that even in the worst-case scenario, the Board does not believe there would be a material adverse impact on the long-term market opportunity and strategic aspirations of the Group.

Outlook

FY24 is expected to be a milestone year for the business following an exciting period of investment and growth that has seen PCI Pal establish itself as the leading cloud provider in the secure payments for business communications space. The business is in an excellent position with an extensive partner eco-system, high customer retention rates and operations at cashflow breakeven.

The unfounded patent case brought against us by a competitor has been an unfortunate distraction for the business during these periods of high paced growth. It is testament to our people and our technology that, notwithstanding this distraction and the cash costs associated with defending our position in the courts, we have been able to broadly continue on the path we laid out to investors over five years ago, with market leading metrics year on year.

We are advancing well in our journey towards full Group profitability, and I am pleased with the momentum we have shown coming into H2.

The outlook for PCI Pal is an exciting one. Long term, we intend to leverage the market position we have built, driving more scale through deeper relationships and broader product offerings across our partner eco-system and growing customer-base. We intend to take advantage of the opportunity that our mature global public cloud environment presents to us, allowing us to access the breadth of our market across the world.

James Barham
Chief Executive Officer
27 February 2024

CFO's Financial Review

The Group has made solid financial progress in the six months to 31 December 2023 in the face of the ongoing pressures of the patent case and the continuing tighter economic environment. The Company is delivering strong growth and continues its journey towards sustained profitability and cash generation.

Revenue and gross margin

The Group continues to deliver high-quality recurring revenues from its growing customer base. Group revenue grew by 20% in the period to £8.74 million (2022: £7.26 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 89% in the period (2022: 87%). Of the revenue recorded in the period, 90% (2022: 85%) has come from annually recurring licences or equivalent transactions.

TACV at the half year has grown to £17.46 million (2022: £14.74 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 23% at period end to £14.69 million (2022: £11.92 million). TACV and ARR are calculated using current exchange rates at the end of each period.

Customer 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 and as a result Net Revenue Retention ("NRR") for its AWS platform, remains positive at 102% (30 June 2023: 106%).

Contributing to the positive NRR, customer retention rates remain on target at 96% (30 June 2023: 95%), this means in the twelve months to 31 December 2023 £0.35 million (2022: £0.29 million) of annual licences were cancelled by deployed customers.

The Board also monitors contracts that are cancelled before they reach full deployment. In the last twelve months to 31 December 2023 £0.34 million (2022: £0.11 million) of contracts were agreed to be cancelled so reducing the Company TACV metric.

Administrative expenses

Total administrative expenses were £9.05 million (2022: £8.19 million), an increase of 11%.

The Group has continued to hire new headcount to support its international growth and product development plans with the number of employees increasing to 121 (2022: 108) 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 £6.27 million (2022: £5.85 million), of which £0.87 million (2022: £0.70 million) were capitalised as Software Development costs. Personnel costs make up 76% (2022: 79%) 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 £0.53 million in the period (2022: £0.46 million).

Included in the administrative expenses is a charge for foreign exchange movements of £0.07 million (2022: credit of £0.18 million) which has been caused by the movement of the US dollar from $1.2627 (30 June 2023) to $1.2691 (31 December 2023).

Depreciation/amortisation of £0.66 million (2022: £0.57 million) has also been charged as part of the administrative expenses.

Exceptional costs

The Group has continued to incur legal fees relating to the unfounded patent case, in H1 FY24, the Group incurred £0.64 million (2022: £0.43 million) of legal fees and costs relating to the claim, bringing the total expenditure to £3.41 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.

As at 31 December 2023 the Group had paid, in aggregate, £2.97 million of the £3.41 million exceptional costs incurred since the claim was first made, and of the £2.97 million, £1.00 million was paid in H1 FY24.

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, decreased by 63% to a loss of £0.42 million (2022: loss of £1.14 million).

Adjusted EBITDA has now moved into profit as the Group continues to deliver on its growth strategy and in the period Adjusted EBITDA was £0.25 million (2022: loss of £0.57 million).

Key financial performance indicators

The Directors use several Key Financial Performance Indicators (KPIs) to monitor the progress and performance of the Group, 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 2023	Change %	Six month to 30 Jun 2023	Change %	six months to 31 Dec 2022
Revenue in the six month period	£8.74m	+14%	£7.69m	+6%	£7.26m
Gross Margin in the six month period	89.2%		88.3%		86.9%
Recurring Revenue[1] in the six month period	£7.82m	+16%	£6.76m	+10%	£6.17m
Recurring Revenue as % of Revenue in six month period	90%		88%		85%
Adjusted EBITDA[2] in six month period	£0.25m	+147%	(£0.55m)	+4%	(£0.57m)
Cash	£0.80m		£1.17m		£1.88m
Net Cash	£0.55m		£1.17m		£1.88m
Deferred Income	£12.94		£11.82m		£11.53m

[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

The principal operational KPIs are as follows:

	As at 31 Dec 2023	Change %	As at 30 Jun 2023	Change %	As at 31 Dec 2022
Contracted TACV[1] deployed and live	£14.69m	+17%	£12.58m	+6%	£11.92m
Contracted TACV in deployment	£2.06m	-33%	£3.08m	+59%	£1.94m
Contracted TACV – projects on hold	£0.71m	-8%	£0.77m	-13%	£0.88m
Total Contracted TACV	£17.46m	+6%	£16.43m	+11%	£14.74m
% of TACV derived from variable transactions deemed recurring	13%		14%		18%
ARR[2]	£14.69m	+17%	£12.58m	+6%	£11.92m
Signed ACV in six month period	£1.60m	-41%	£2.69m	+83%	£1.47m
Rolling value of ACV of contracts cancelled before deployment in last 12 months	£0.34m		£0.14m		£0.11m
AWS Platform Gross Retention Rate[3]	96.2%		95.4%		94.9%
AWS Platform Net Retention Rate[4]	102%		103%		106%
Headcount at end of period (excluding non-executive directors)	121		114		108
Ratio Personnel cost to normalised administrative expenses	76%		78%		79%

[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 including an assessment of variable transactions deemed recurring

[3]AWS platform Gross Retention Rate is calculated using the ACV of retained, deployed contracts from twelve months ago 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

Net Cash as at the period end was £0.55 million (30 June 2023: £1.17 million), therefore, £0.62 million of cash was used in the period. However, as reported above, this includes the £1.00 million of invoices settled by the Group relating to the patent case in the period. Adjusting for this payment, means that the Group operations generated £0.38 million of cash flow in the period.

The Group received in November £0.53 million in cash from its R & D tax credit claim covering the FY21 and FY22 innovative research and development undertaken by the UK company. This payment had been delayed by HMRC into the new financial year, as reported in the FY23 annual report, as they had opened an enquiry into the claims being made. HMRC closed their enquiry without making any adjustment to the claims made.

In FY23 the Group put in place a £3m facility. The availability of this facility to the Company can fluctuate on a month to month basis as it is subject to the level of assets and liabilities at the time of drawing.

The Directors receive monthly standard reports relating to cash forecasts and generation to ensure that the Group's expansion plans can continue to be financed accordingly. The Group is on track to continue to grow its positive monthly cashflow from its operations and this cash flow is being used to defend the Group from the patent infringement claims being made against it.

Capital expenditure

As required by IAS 38, we have capitalised a further £0.87 million (2022: £0.70 million) in software development expenditure as we continue to invest in our cloud platform and introduce new features and products. These costs primarily relate to salary, bonus, and national insurance costs of employees.

Professional Services Fees

During the period the Group generated £0.84 million (2022: £0.73 million) of set-up and professional services sales value, in conjunction with the new ACV contracts reported above. Nearly all 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 time, in accordance with IFRS 15.

Trade receivables

On 31 December 2023 trade receivables were £3.69 million (30 June 2023: £4.65 million). Trade receivables primarily consist of invoices for new contract commitments or annual payments due under the terms of our customer contracts. Of the total £0.59 million was older than 60 days from the date of invoice and £0.06 million was older than 90 days from the date of invoice.

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 cash expenditure in defending the patent case over the last two and half years has undoubtedly influenced the Board's approach to some of the Group's investment plans. Despite this, as well as the tightening economic conditions seen recently, the Group has still manged to deliver compound revenue growth of more than 40% since June 2018 when the Group launched its leading full cloud solution in the UK and US.

The Group remains focused on continuing to deliver its strategic objectives of expanding international growth, launching new complementary products to our partners and customers, and moving the Group into sustainable profit and cash generation.

William Good
Chief Financial Officer
27 February 2024

Consolidated statement of comprehensive income

for the six months ended 31 December 2023

	Six months ended 31 December 2023 £'000 (unaudited)	Six months ended 31 December 2022 £'000 (unaudited)	Twelve months ended 30 June 2023 £'000 (audited)
Revenue	**8,736**	7,259	14,945
Cost of sales	**(940)**	(950)	(1,849)
Gross profit	**7,796**	6,309	13,096
Administrative expenses	**(9,055)**	(8,194)	(17,948)
Loss from operating activities	**(1,259)**	(1,885)	(4,852)
Adjusted operating loss	**(485)**	(1,324)	(2,598)
Expenses relating to share options	**(139)**	(128)	(272)
Exceptional Items	**(635)**	(433)	(1,982)
Loss from operating activities	**(1,259)**	(1,885)	(4,852)
Finance income	**10**	2	3
Finance expenditure	**(59)**	(20)	(42)
Loss before taxation	**(1,308)**	(1,903)	(4,891)
Taxation	**535**	-	(1)
Total comprehensive loss for the period	**(773)**	(1,903)	(4,892)
Other comprehensive expense: items that will be classified subsequently to profit and loss			
Foreign exchange translation differences	**72**	113	326
Total comprehensive loss for the period	**(701)**	(1,790)	(4,566)

Loss per share expressed in pence			
Basic and diluted	(1.18)	(2.91)	(7.47)

Consolidated statement of financial position

as at 31 December 2023

	31 December 2023 £'000 (unaudited)	31 December 2022 £'000 (unaudited)	30 June 2023 £'000 (audited)
Assets			
Non-current assets			
Plant and equipment	**148**	213	185
Intangible assets	**3,491**	2,847	3,216
Trade & other receivables	**1,269**	999	1,567
Non-current assets	**4,908**	4,059	4,968
Current assets			
Trade and other receivables	**5,159**	6,023	5,376
Cash and cash equivalents	**795**	1,876	1,169
Current assets	**5,954**	7,899	6,545
Total assets	**10,862**	11,958	11,513
Liabilities			
Current liabilities			
Trade and other payables	**(2,335)**	(1,862)	(3,777)
Deferred Income	**(11,076)**	(9,249)	(8,045)
Other interest-bearing loans and borrowings	**(250)**	-	-
Current liabilities	**(13,661)**	(11,111)	(11,822)
Non-current liabilities			
Other payables	**-**	(46)	(23)
Deferred Income	**(1,866)**	(2,278)	(3,777)
Long term borrowings	**-**	-	-
Non-current liabilities	**(1,866)**	(2,324)	(3,800)
Total liabilities	**(15,527)**	(13,435)	(15,622)
Net assets/(liabilities)	**(4,665)**	(1,477)	(4,109)
Shareholders' equity			
Share capital	**656**	656	656
Share premium	**14,287**	14,281	14,281
Other reserve	**1,061**	778	922
Currency reserve	**(222)**	(507)	(294)
Profit and loss account	**(20,447)**	(16,685)	(19,674)
Total shareholders' equity	**(4,665)**	(1,477)	(4,109)

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 2023.

Consolidated interim statement of changes in equity
as at 31 December 2023 (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 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)
Balance at 31 December 2022	656	14,281	778	(16,685)	(507)	(1,477)
Balance as at 1 January 2023	656	14,281	778	(16,685)	(507)	(1,477)
Share based payment charge	-	-	144	-	-	144
New shares issued net of costs	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
Transactions with owners	-	-	144	-	-	144
Foreign exchange translation differences	-	-	-	-	213	213
Loss for the period	-	-	-	(2,989)	-	(2,989)
Total comprehensive loss	-	-	-	(2,989)	213	(2,776)
Balance at 30 June 2023	656	14,281	922	(19,674)	(294)	(4,109)
Balance at 1 July 2023	656	14,281	922	(19,674)	(294)	(4,109)
Share based payment charge	-	-	139	-	-	139
New shares issued net of costs	-	6	-	-	-	6
Dividend paid	-	-	-	-	-	-
Transactions with owners	-	6	139	-	-	145
Foreign exchange translation differences	-	-	-	-	72	72
Loss for the period	-	-	-	(773)	-	(773)
Total comprehensive loss	-	-	-	(773)	72	(701)
Balance at 31 December 2023	**656**	**14,287**	**1,061**	**(20,447)**	**(222)**	**(4,665)**

Consolidated statement of cash flows

for the six months ended 31 December 2023

	Six months ended 31 December 2023 £'000 (unaudited)	Six months ended 31 December 2022 £'000 (unaudited)	Twelve months ended 30 June 2023 £'000 (audited)
Cash flows from operating activities			
Loss after taxation	**(773)**	(1,903)	(4,892)
Adjustments for:			
Depreciation of equipment and fixtures	**57**	53	110
Amortisation of intangible assets	**609**	516	1,046
Loss on disposal of equipment and fixtures	**-**	-	-
Interest income	**(10)**	(2)	(3)
Interest expense	**47**	3	5
Exchange differences	**72**	148	326
Income taxes	**(535)**	-	1
Share based payments	**139**	128	272
Increase in trade & other receivables	**515**	(1,855)	(1,776)
Decrease in trade & other payables	**(323)**	687	2,895
Cash used in operating activities	**(202)**	(2,225)	(2,016)
Dividend paid	**-**	-	-
Income taxes received	**535**	-	(1)
Interest paid	**(47)**	(3)	(5)
Net cash used in operating activities	**286**	(2,228)	(2,022)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(20)**	(29)	(57)
Purchase of intangible assets	**(10)**	(5)	-
Development expenditure capitalised	**(874)**	(732)	(1,601)
Interest received	**10**	2	3
Net cash used in investing activities	**(894)**	(764)	(1,655)
Cash flows from financing activities			
Proceeds from borrowings	**1,000**	-	-
Repayment of borrowings	**(750)**	-	-
Principal element of lease payments	**(22)**	(20)	(42)
Issue of shares	**6**	-	-
Net cash generated in financing activities	**234**	(20)	(42)
Net (decrease)/increase in cash	**(374)**	(3,012)	(3,719)
Cash and cash equivalents at the start of the period	**1,169**	4,888	4,888
Net (decrease)/increase in cash	**(374)**	(3,012)	(3,719)
Cash and cash equivalents at the end of the period	**795**	1,876	1,169

Notes to the interim financial statements for the six months ended 31 December 2023

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 2023 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 on a going concern basis in conformity with the UK adopted international accounting standards "IFRS's" 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 2023.

The unaudited interim financial information for the period ended 31 December 2023 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 2023 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

The directors do not propose 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 23 EMEA £000s	Six months to Dec 23 North America £000s	Six months to Dec 23 ANZ £000s	Six months to Dec 23 Central costs £000s	**Six months to Dec 23 Total £000s**
Revenue					
Revenue from recurring contract Fees	4,815	2,830	174	-	**7,819**
Non recurring transaction fees	259	-	-	-	**259**
Set up and Professional Services Fees (1)	369	275	14	-	**658**
Other Sales	-	-	-	-	**-**
Total	**5,443**	**3,105**	**188**	**-**	**8,736**
Gross Profit	**4,544**	**3,065**	**187**	**-**	**7,796**
Margin %	83.5%	98.7%	99.5%	-	89.2%
Administrative Expenses	(4,801)	(2,732)	(301)	(586)	(8,420)
Inter-company Royalty	817	(770)	(47)	-	-
Exceptional Items	(12)	(133)	-	(490)	(635)
Profit/(Loss) from Operating Activities	**548**	**(570)**	**(161)**	**(1,076)**	**(1,259)**
Bank charges and Interest payable	(9)	(4)	-	(46)	(59)
Finance Income	10	-	-	-	10
Profit/ (Loss) before Taxation	**549**	**(574)**	**(161)**	**(1,122)**	**(1,308)**

(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 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**
Revenue					
Revenue from recurring contract Fees	4,115	1,970	87	-	**6,172**
Non recurring transaction fees	355	-	-	-	**355**
Set up and Professional Services Fees [1]	433	281	14	-	**728**
Other Sales	4	-	-	-	**4**
Total	**4,907**	**2,251**	**101**	**-**	**7,259**
Gross Profit	**4,007**	**2,202**	**100**	**-**	**6,309**
Margin %	81.7%	97.8%	99.2%	-	86.9%
Administrative Expenses	(4,351)	(2,642)	(251)	(517)	(7,762)
Inter-company Royalty	562	(562)	-	-	-
Exceptional Items	-	(187)	-	(246)	(432)
Profit/(Loss) from Operating Activities	**218**	**(1,189)**	**(151)**	**(763)**	**(1,885)**
Bank charges and Interest payable	(14)	(6)	-	-	(20)
Finance Income	-	-	-	2	2
Profit/ (Loss) before Taxation	**204**	**(1,195)**	**(151)**	**(761)**	**(1,903)**

[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 23 EMEA £000s	Six months to Dec 23 North America £000s	Six months to Dec 23 ANZ £000s	Six months to Dec 23 Central £000s	**Six months to Dec 23 Total £000s**
Profit/(Loss) before Taxation	549	(574)	(161)	(1,076)	**(1,308)**
Adjust for:					
Expenses relating to share options	76	26	13	24	**139**
Exceptional Items	12	133	-	490	**635**
Exchange Loss/(Gain)	25	54	(12)	-	**67**
Bank charges and Interest Payable	9	4	-	46	**59**
Finance Income	(10)	-	-	-	**(10)**
Adjusted Profit/(Loss) from Operating Activities	**661**	**(357)**	**(160)**	**(562)**	**(418)**
Depreciation & Amortisation	664	-	1	-	**665**
Adjusted EBITDA	**1,325**	**(357)**	**(159)**	**(562)**	**247**

	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	204	(1,195)	(151)	(761)	**(1,903)**
Adjust for:					
Expenses relating to share options	79	22	5	22	**128**
Exceptional Items	-	187	-	246	**433**
Exchange Loss/(Gain)	48	120	8	6	**182**
Bank charges and Interest Payable	14	6	-	-	**20**
Finance Income	-	-	-	(2)	**(2)**
Adjusted Profit/(Loss) from Operating Activities	**345**	**(860)**	**(138)**	**(489)**	**(1,142)**
Depreciation & Amortisation	567	-	1	-	**568**
Adjusted EBITDA	**912**	**(860)**	**(137)**	**(489)**	**(574)**

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 2023 £000	**Six months ended 31 December 2022** £000	Twelve months ended 30 June 2023 £000
Earnings for the purposes of basic and diluted earnings per share			
Loss after taxation	**(773)**	**(1,903)**	(4,892)
Denominator	**'000**	**'000**	'000
Weighted average number of shares in issue in the period	**65,463**	**65,453**	65,453
Dilutive effect of potential shares and share options	**8,627**	**8,143**	8,342
Number of shares used in calculating diluted earnings per share	**74,090**	**73,596**	73,795
Basic and diluted earnings per share expressed in pence	**(1.18)**	**(2.91)**	(7.47)

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

7. Subsequent events to 31 December 2023

On 22 January 2024 the Company issued 60,000 new shares in settlement of an exercise of share options.