FONIX MOBILE PLC

HALF-YEARLY REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2020

Company information

Directors	Edward Spurrier	*Non-Executive Chairman*
	Robert Weisz	*Chief Executive Officer*
	Rupert Horner	*Chief Financial Officer*
	William Neale	*Founder and Non-Executive Director*
	Lucinda Sharman-Munday	*Non-Executive Director*

Secretary Rupert Horner

Company number 05836806

Registered office
23 Heddon Street
London W1B 4BQ

Business address
23 Heddon Street
London W1B 4BQ

Nominated adviser and broker
finnCap Ltd
One Bartholomew Close
London EC1A 7BL

Auditors
UHY Hacker Young
Quadrant House
4 Thomas More Square
London E1W 1YW

Solicitors
K&L Gates LLP
One New Change
London EC4M 9AF

Registrars
Neville Registrars Limited
Neville House
Steelpark Road
Halesowen B62 8HD

Contents

Company information	2
Contents	3
RNS announcement: Introduction and highlights	4
About Fonix Mobile plc	5
Chief Executive’s review	6
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial information	16

RNS announcement: Introduction and highlights

22 February 2021

Fonix Mobile plc
("Fonix" or the "Company")

Interim results

Strong growth in both revenue and profitability

Fonix, the UK focused mobile payments and messaging company, is pleased to announce its interim results for the six months to 31 December 2020, which show continued strong revenue and profit growth across all business segments.

Financial highlights

- Revenue of £24.6m up by 25% (H1 2019: £19.7m).
- Gross profit of £5.8m up by 22% (H1 2019: £4.8m).
- Adjusted EBITDA[1] of £4.6m up by 28% (H1 2019: £3.6m).
- Profit after tax of £2.7m (H1 2019: £2.8m).
- Adjusted basic and diluted earnings per share for the period[2] of 3.6p (H1 2019: 2.9p).
- Underlying operating cash inflow[3] for the period of £3.6m (H1 2019: £3.1m).
- Underlying cash and cash equivalents at the period end of £3.6m (30 June 2020: £2.3m)[4].
- Maiden interim dividend of 1.7p per share, amounting to £1.7m, to be paid in March 2021.

All financials are based on unaudited numbers.

Operational highlights

- Fonix's three business segments of payments, messaging and managed services have each grown during the period, in line with expectations.
- Fonix has continued to attract new customers during the period across the media, charity, gaming and digital services sectors and retains a robust pipeline of prospects, with over 20 customers added and no customers lost in the period.
- A highlight of the period was the successful BBC Children in Need campaign in November which raised £13.9m in donations using our platform. The event was also the first in the UK where a £40 single donation was permitted by the mobile network operators.

---

[1] Adjusted EBITDA excludes share based payment charges along with depreciation, amortisation, depreciation, AIM admission costs and tax.
[2] Adjusted profit per share excludes share based payment charges and AIM admission costs.
[3] Underlying operating cash inflow excludes the fluctuations arising from the timing of receipts and payments of pass through cash collected on behalf of and paid onto clients.
[4] Net cash and cash equivalents at the period end of £28.6m (30 June 2020: £28.6m).

Outlook

- Fonix expects continued growth through 2021 from both existing clients and a strong pipeline of new business opportunities.
- Despite the difficulties of the pandemic the business continues to operate remotely with no adverse effect on operational or technical planning.
- The technical delivery team continues to focus efforts in a dual stream of platform resilience and performance combined with innovation and feature development. This ensures the business maintains the operational requirements to deliver some of the most high profile interactive campaigns and services in the UK as well as continuous cycles of feature development to enable revenue growth.

Rob Weisz, CEO, commented: *"This has been an exciting period for Fonix with the IPO raising our profile, benefiting shareholders, partners and staff. We remain confident, through both our existing clients and pipeline of new clients, in the future success and growth of Fonix."*

For further information please contact

Fonix Mobile plc Tel: +44 20 8114 7000
Robert Weisz, CEO
Rupert Horner, CFO

finnCap Ltd (NOMAD and broker) Tel: +44 20 7220 0500
Jonny Franklin-Adams, Giles Rolls (Corporate Finance)
Alice Lane, Sunila de Silva (ECM)

About Fonix Mobile plc

Fonix is a UK focused mobile payments and messaging company, enabling businesses to charge users' mobile bills and send users SMSs via their mobile carrier.

Founded in 2006, Fonix allows mobile carriers to provide additional services in the form of carrier billing, SMS billing, messaging and voice shortcodes. Fonix has over 120 clients including ITV, Bauer Media, BT, Global Radio and BBC Children in Need across a range of multi-billion pound sectors such as media, gaming, charity, ticketing and digital services. Fonix offers clients access to the customer base of the mobile carriers.

Fonix is headquartered in London and currently has a UK focused strategy, differentiating it from its competitors by allowing it to focus on high quality revenues in mature and highly regulated market sectors. It is a tier 1 aggregator with direct technical connections to all of the major UK MNOs, some of whose contracts have been in place for over 10 years. The long-term nature of these contracts has resulted in Fonix gaining access to over 95 per cent. of the UK mobile consumer audience and a strong reputation in the market.

Chief Executive's review

We are delighted to be reporting our first set of interim results since our admission to AIM in October 2020.

Operational highlights

Fonix has delivered a strong performance in this period, with continued growth across all our business segments. This growth has resulted in significant improvements on all our key financial metrics on a year on year basis. In particular, it is worth noting the gross profit growth of 22% to £5.8 million (H1 2019: £4.8 million) and the adjusted EBITDA growth of 28% to £4.6 million (H1 2019: £3.6 million).

Our core businesses

Fonix's main business is its mobile payments service that enables merchants to charge their customers' mobile phone bills for products or services. This accounted for 85% of gross profit in the period. The other two operating segments are mobile messaging, which allows our customers to communicate, notify and market to consumers, and managed services which represent fees charged and non-transactional revenue. These other two operating segments continue to be an important source of revenue in their own right, whilst also offering complementary ancillary services to payments customers. As described further in the financial review below, all three business segments saw growth in the period, with our core payments showing the strongest growth with an increased gross profit contribution of 23% on the corresponding period in the prior year.

We provide our services to a wide range of industry sectors with specific focus on media, gaming, charity and digital merchants. Our largest sector is media businesses in the UK, where we saw particularly strong growth during the period, partly as a result of the services provided being unaffected by COVID-19. We are also pleased with our continued success in running charity campaigns, where some of the initiatives that we have enabled contributed to increased donations.

Our clients

We have secured a further 21 new clients in the period and now have over 120 active clients, including ITV, Bauer and Global in our media division, Children in Need and Cancer Research in our charity division and Intouch Games in our gaming division. It is a key part of our business philosophy to work closely with our clients to continue to improve the range and quality of services that we provide. It is pleasing to note that this has contributed to no contracts being lost in the period. The majority of the growth experienced during the period came from existing customers. We saw longer sales cycles resulting from our sales team being unable to attend the usual face-to-face sales, conferencing and networking event, so whilst we have secured new contracts in the period, the monetary contribution from them in the current period has been modest and they should begin to make a more meaningful contribution towards the end of the current financial year.

Strategy for growth and market opportunity

We have continued to refine our growth strategy. Fonix's success is built on focus - a deep product knowledge of both the mobile operator payments and messaging landscape, coupled with thorough insight into our key client sectors. This focus ensures alignment across all partners in the value chain, with high throughput transactional performance and optimising payment conversion ingrained in our technology, operational and commercial culture.

Each of our target sectors are multi-billion pound markets in their own right. For example, the UK broadcast market delivered $6.3bn[5] in pay TV revenues in 2020 and the UK charity sector received over £5.4bn[6] in donations in the first half of 2020, with a noticeable move to alternative payment strategies due to COVID-19 preventing traditional fundraising.

It therefore makes sense for us to continue to focus on these sectors, particularly given our expertise within them:

- **Media.** This is Fonix's largest market consisting primarily of TV, radio, print and digital publishers. The growth strategy is to improve upon Fonix's position in the SMS billing market, increase market share by focusing on carrier billing into TV, print and radio paywalls and support clients moving into international markets. We have continued to see strong growth from our existing clients and we would expect this to continue, whilst we also continue to work to win significant new clients.

- **Charity.** We have won new charity clients in the period and our focus will be to continue to drive Fonix's market leading 'text to donate' and 'click to donate' products in the UK.

- **Gaming.** This is a large market which is underserved by carrier billing and where we see the opportunity to win new clients as well as work on an international roll out of existing clients.

- **Digital services.** This covers growing markets including dating, memberships, fitness/diets, content and ticketing. This is currently a relatively small part of the Fonix business but has the potential to grow significantly, as carrier billing is an obvious and convenient payment method, particularly when combined with the ability to use the mobile channel to communicate with customers. We won a number of new business contracts in this sector during the period.

- **Technical service providers (TSPs).** Fonix remains positioned to be the 'go to' direct carrier billing and SMS billing partner for the reseller market in the UK, demonstrated through the success of the contracts it has with a number of TSPs. Fonix continues to identify global TSPs looking for UK connectivity and support their growth.

- **Telecoms.** Fonix continues to deliver its telecoms services through channel sales partners, direct sales through mobile network operator (MNO) relationships and extending to other telecoms partners and opportunities.

International

Whilst Fonix is currently predominantly UK focused, we have started our planned expansion into new jurisdictions and regions and expect to be operating in at least one mainland European market in 2021. We are adopting a targeted client led approach to expansion, with a focus on mature Carrier Billing markets with robust regulatory frameworks.

---

[5] https://www.digitaltveurope.com/2020/10/09/pay-tv-revenues-to-decline-in-spite-of-increasing-subscriber-numbers/

[6] https://www.cafonline.org/docs/default-source/about-us-publications/caf-uk-giving-2020-covid-19.pdf

Acquisitions

Whilst no acquisition targets have been identified to date, we will continue to keep acquisition opportunities under review and remain receptive to the right value accretive or strategic opportunities should they arise.

Technology and platform

Fonix's platform is a critical part of the business. It is a scalable and agile proprietary platform that has been built in-house by industry experts with Fonix retaining full ownership of all intellectual property. We have a team of 14 developers who work full time on improving and servicing the platform to ensure it is best in class. The platform is able to achieve high transaction processing speeds in excess of 2,000 transactions per second, providing significant capacity headroom above the current requirements. We continue to invest in our development roadmap and technology team, with particular focus on platform resilience and feature improvements to drive improved performance and optimisation for our clients. This continued development is important in our ability to retain existing clients and win new business.

Market dynamics

The global mobile payments market continues to evolve and grow with direct carrier billing demonstrating, for many brands, that it can form a key part of their payments strategy. Adoption from some of the largest brands in the world, including Apple, Google, Netflix and Spotify to name but a few, only adds support to the prospect that delivering convenience, reduced friction and ultimately choice to consumers can be a hugely powerful piece of the payments landscape. As carrier billing becomes more accepted as a payment mechanism, this will help Fonix grow in its target sectors.

Financial review

We are pleased to report strong growth in all key financial metrics:

- **Total payments volume.** TPV represents the cash payments processed by Fonix on behalf of clients. TPV grew 18% to £123m (H1 2019: £104 million). There is an element of seasonality to the business and Fonix saw the normal uplift in the Christmas period, with a record total payment volume (TPV) month in December.

- **Revenue**. Revenue increased in the period to £24.6m (H1 2019: £19.7m), representing the total amount charged to consumers on behalf of merchants, including mobile network operators' charges.

- **Gross profit.** As a business, the most important number is gross profit as this represents the amount we charge for processing the services we provide. Gross profit grew 22% in the period to £5.8m (H1 2019: £4.8m), with mobile payment payments growing 23%, mobile messaging 13% and managed services 16%. Gross profit margins have remained largely unchanged with small variations being attributable to changes in product and client mix. The gross profit to TPV margin has improved to 4.7% during the period (H1 2019: 4.6%), whilst the gross profit to revenue margin has reduced to 23% (H1 2019: 24.3%).

- **Costs.** Operating costs have been kept firmly under control. Removing AIM admission costs of £844k and share based payment expenses of £22k, our administrative costs were £1.49 (H1 2019: £1.44m), representing a 3% increase. Our largest expense is payroll which accounted for 75% of our total costs. This includes the technology department which has 14 employees. We capitalised £255k of development costs in the period (H1 2019: £193k) and had an amortisation charge of £178k (H1 2019: £153k). We do not anticipate any significant increases in costs in the near term but will continue to ensure we commit resources to development and sales.

- **Adjusted EBITDA.** Our ability to increase the volume of transactions and clients without having to increase our overhead costs significantly is an important characteristic of our business, providing significant operational gearing. We have therefore been able to increase our adjusted EBITDA by 27% to £4.6 million (H1 2019: £3.6 million), excluding the costs of our AIM admission and share based expenses.

- **Earnings per share.** Adjusted EPS for the period increased to 3.6p per share (H1 2019: 2.9p per share).

- **Cash generation.** Fonix receives cash collected from the mobile operators (who have in turn collected the cash from the end users on the mobile phone bill), before paying it on to our clients. The cash balance therefore fluctuates depending on the timing of "pass through" cash received and paid. We monitor the underlying cash which effectively unwinds these timing differences and shows the underlying cash from trading activities. The underlying cash is derived from total cash by adjusting for trade and other receivables, less trade and other payables excluding corporation tax liabilities. On this basis, we have continued to be strongly cash generative with free underlying cash generated from operations of £3.6m for the period (H1 2019: £3.1m).

- **Balance sheet.** We continue to have a strong balance sheet with no debt. This is important as we are a payment business and our clients need to maintain confidence in our ability to handle the cash payments on their behalf.

COVID-19

Whilst we continue to monitor the evolving situation with COVID-19 closely, we have now demonstrated a clear ability for the business to run remotely from a technical, operational and administrative standpoint. As noted above, we have seen some slowdown in our ability to bring new clients on board but fortunately this has not had a material impact on our financial performance.

Dividend

We are pleased to declare our maiden interim dividend of 1.7p per share, which is in line with our stated policy of paying out 75% of adjusted EPS, with one third paid as an interim dividend and two thirds paid as a final dividend. The interim dividend will be paid on 19 March 2021 to shareholders on the register on 5 March 2021, with an ex-dividend date of 4 March 2021.

Outlook

This has been an exciting period for Fonix with the IPO raising our profile, benefiting shareholders, partners and staff. We remain confident, through both our existing clients and pipeline of new clients, in the future success and growth of Fonix.

Robert Weisz
Chief Executive Officer
22 February 2021

Statement of comprehensive income

For the half-year ended 31 December 2020

	Note	Half year to 31 December 2020 £'000	Half year to 31 December 2019 £'000	Year to 30 June 2020 (Restated) £'000
Revenue	3	24,608	19,733	40,061
Cost of sales		(18,776)	(14,934)	(30,073)
Gross profit	2	**5,832**	**4,800**	**9,988**
Administrative costs		(2,353)	(1,438)	(2,810)
Other operating income		0	16	31
Operating profit		**3,479**	**3,378**	**7,209**
Financial expense		(2)	(2)	(4)
Financial income		13	21	49
Profit before tax expense		**3,490**	**3,397**	**7,254**
Income tax expense		(760)	(596)	(1,235)
Profit and total comprehensive income		**2,730**	**2,801**	**6,019**
Adjusted EBITDA				
Operating profit - as above		**3,479**	**3,378**	**7,209**
Add back:				
Amortisation		178	153	311
Right of use amortisation		60	61	122
Depreciation		8	5	13
EBITDA		**3,725**	**3,597**	**7,655**
Share-based payments expense	4	22	0	0
AIM admission costs		844	0	0
Adjusted EBITDA		**4,591**	**3,597**	**7,655**

Earnings per share		Half year to 31 December 2020	Half-year to 31 December 2019	Year to 30 June 2020 (Restated)
Weighted average number of shares in issue	5	100,000,000	97,417,025	98,712,690
Basic and diluted earnings per share	5	2.7p	2.9p	6.1p
Adjusted basic and diluted earnings per share	5	3.6p	2.9p	6.1p

The profit for the year has been generated from continuing operations.

The weighted average number of shares in issue has been recalculated to take into account the share reorganisation that was implemented in September and October 2020, whereby the ordinary shares in issue was increased from 4,476,466 ordinary shares of £0.00001 each to 100,000,000 ordinary shares of £0.001 each.

Statement of financial position

At 31 December 2020

	Note	Half year to 31 December 2020 £'000	Half year to 31 December 2019 £'000	Year to 30 June 2020 (Restated) £'000
Non-current assets				
Intangible asset		761	581	684
Right of use asset		324	102	41
Tangible assets		28	38	33
Total non-current assets		**1,113**	**721**	**758**
Current assets				
Trade and other receivables		30,729	35,719	21,148
Cash and cash equivalent		28,570	15,107	28,618
Total current assets		**59,299**	**50,826**	**49,766**
Total assets		**60,412**	**51,547**	**50,524**
Equity and liabilities				
Equity				
Share capital	7	100	0	0
Share premium account		679	779	779
Share option reserves		22	0	0
Retained earnings		2,740	1,971	1,654
Total equity		**3,541**	**2,750**	**2,433**
Liabilities				
Non-current liabilities				
Deferred tax liabilities		88	72	92
Lease liabilities		216	0	0
Total non-current liabilities		**304**	**72**	**92**
Current liabilities				
Trade and other payables		56,445	48,623	47,958
Lease liabilities		122	102	41
Total current liabilities		**56,567**	**48,725**	**47,999**
Total liabilities		**56,871**	**48,797**	**48,091**
Total equity and liabilities		**60,412**	**51,547**	**50,524**

Statement of changes in equity

For the half-year ended 31 December 2020

	Note	Share capital £'000	Share premium £'000	Share option reserves £'000	Distributable reserves £'000	Total equity £'000
As at 1 July 2020		0	779		1,654	2,433
Total comprehensive income					2,730	2,730
Transactions with shareholders:						
Dividend	6				(1,643)	(1,643)
Share-based payments				22		22
Capital issued	7	100	(100)			0
As at 31 December 2020		**100**	**679**	**22**	**2,741**	**3,542**
As at 1 July 2019		0	505		1,687	2,192
Total comprehensive income					2,801	2,801
Transactions with shareholders:						
Dividend	6				(2,517)	(2,517)
Capital issued	7		274			274
As at 31 December 2019		**0**	**779**	**0**	**1,971**	**2,750**
As at 1 July 2019		**0**	**505**		**1,687**	**2,192**
Total comprehensive income		0	0		6,019	6,019
Transactions with shareholders:						
Dividend	6	0	0		(6,052)	(6,052)
Capital issued	7	0	274		0	274
As at 30 June 2020		**0**	**779**	**0**	**1,654**	**2,433**

Statement of cash flows

For the half-year ended 31 December 2020

	Note	Half year to 31 December 2020 £'000	Half year to 31 December 2019 £'000	Year to 30 June 2020 (Restated) £'000
Cash flows from operating activities				
Profit after tax		2,730	2,801	6,019
Taxation charge		760	596	1,235
Amortisation		178	153	311
Depreciation		8	5	13
Right of use amortisation		60	61	122
Share based payment expense		22	0	0
Profit on disposal of tangible assets		0	(16)	(16)
Interest receivable		(13)	(21)	(49)
Interest payable		2	2	4
(Increase) / decrease in trade and other receivables		(9,876)	(11,795)	2,775
Increase in trade and other payables		8,141	15,917	15,359
Cash generated from / (used in) operations		2,012	7,703	25,773
Corporation tax paid		(446)	(475)	(1,200)
Net cash generated from/(used in) operating activities		**1,566**	**7,228**	**24,573**
Cash flows from investing activities				
Interest received		13	21	49
Purchase of intangible assets		(255)	(193)	(454)
Proceeds from sale of tangible assets		0	23	23
Purchase of tangible assets		(3)	(36)	(39)
Net cash used in investing activities		**(245)**	**(185)**	**(421)**
Cash flows from financing activities				
Payment of principal lease liabilities		0	(61)	(122)
Interest paid on lease liabilities		0	(2)	(4)
Issue of shares	7	274	0	0
Dividends	6	(1,643)	(2,517)	(6,052)
Net cash used in financing activities		**(1,369)**	**(2,580)**	**(6,178)**
Net (decrease) / increase in cash and cash equivalents		(48)	4,463	17,974
Cash at bank at beginning of period		28,618	10,644	10,644
Cash at bank at end of year		**28,570**	**15,107**	**28,618**

Cash and cash equivalents at the end of each period comprises balances held at the bank.

Statement of cash flows - continued
For the half-year ended 31 December 2020

The Company's mobile payments segment involves collecting cash on behalf of clients which is then paid to clients net of the Company's share of revenues or fees associated with collecting the cash. The Company's cash balance therefore fluctuates depending on the timing of "pass through" cash received and paid. The underlying cash in the analysis below has effectively unwound these timing differences and shows the underlying cash from the Company's trading activities. The underlying cash is derived from total cash by adjusting for trade and other receivables less trade and other payables excluding corporation tax liabilities.

Reconciliation of free underlying cash flows

	Half year to 31 December 2020 £000s	Half year to 31 December 2019 £000s	Year to 30 June 2020 (Restated) £000s
Net cash generated from operating activities	1,566	7,228	24,573
Interest receivable	13	21	49
AIM admission costs	844	0	0
Purchase of fixed assets	(258)	(229)	(493)
Sale of fixed assets	0	23	23
Lease liability payments	0	(65)	(126)
Working capital adjustment	1,412	(3,848)	(17,860)
Free underlying cash generated from operations	**3,577**	**3,130**	**6,166**
AIM admission costs paid	(844)	0	0
Issue of shares	274	0	0
Dividends	(1,643)	(2,515)	(6,052)
Underlying cash movement	1,364	615	114

Statement of cash flows - continued
For the half-year ended 31 December 2020

Analysis of underlying cash balances

	Half year to 31 December 2020 £000s	Half year to 31 December 2019 £000s	Year to 30 June 2020 (Restated) £000s
Cash at bank at end of period	28,570	15,107	28,618
Consisting of:			
Underlying cash	3,618	2,755	2,254
Other cash	24,952	12,352	26,364
Total	28,570	15,107	28,618
Underlying cash at beginning of period	2,254	2,140	2,140
Underlying cash movement (as above)	1,364	615	114
Underlying cash at end of period	3,618	2,755	2,254

Cash and cash equivalents at the end of each period comprises balances held at the bank.

Underlying cash is derived from total cash by adjusting for trade and other receivables less trade and other payables (excluding corporation tax liabilities).

Notes to the financial information

For the half-year ended 31 December 2020

1. Basis of preparation and change in accounting policies

The financial information relating to the half year ended 31 December 2020 is unaudited and does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006.

The comparative figures for the year ended 30 June 2020 have been extracted from the financial statements prepared for the Company's admission onto the Alternative Investment Market of the London Stock Exchange ("AIM") and were included in the Company's admission document.

The annual report and accounts for the year ended 30 June 2020, which received an unqualified audit opinion and did not include a statement under section 498 (2) or (3) of the Companies Act 2006, have been filed with the Registrar of Companies. The statutory financial statements for the year ended 30 June 2020 were prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland (United Kingdom Generally Accepted Accounting Practice - "UK GAAP").

On admission to AIM, the Company adopted International Financial Reporting Standards and interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union. The financial information in these interim accounts have been prepared and presented on that basis.

The comparative figures for the year ended 30 June 2020 included in these interim accounts are therefore not consistent with the annual report and accounts as filed at Companies House. A reconciliation of the differences between the figures used in these interim accounts and those that are filed at Companies House are shown in note 8 below.

The financial information for the half year ended 31 December 2020 has been prepared in accordance with the accounting policies the Company applied in the preparation of the audited accounts for the year ended 30 June 2020 which were audited and included in the Company's admission document and are expected to be applied in the annual financial statements for the year ending 30 June 2021. These accounting policies are based on the EU-adopted International Financial Reporting Standards ("IFRS").

Whilst the financial information included in these interim accounts has been prepared in accordance with IFRS, they do not contain sufficient information to comply with IFRS. In addition, this report is not prepared in accordance with IAS 34.

The Company's financial risk management objectives and policies are consistent with those disclosed in the admission document.

This interim report was approved by the board of directors on 21 February 2021 and is available on the Company's website, fonix.com.

Going concern

At the time of approving these interim accounts, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company is not externally funded and accordingly is not affected by borrowing covenants. In addition, the cost of capital represents the dividend distributions - which are discretionary.

At 31 December 2020 the Company had cash and cash equivalents of £28.6m and net current assets of £2.7m. The business model of the Company is cash generative with increased sales impacting positively on the working capital cycle and profits from trading activities being rapidly reflected in cash at bank.

The directors maintain a commensurate level of net assets in the Company by moderating or increasing dividend distributions as necessary.

The directors have prepared detailed cash flow forecasts for the next 18 months that indicate the existing activities of the Company do not require additional funding during that period. The forecasts are challenged by various downside scenarios to stress test the estimated future cash and net current asset position. The directors are pleased to note that the stress tests did not have a significant impact on the funding requirement. In addition, current trading is ahead of the forecasts.

There has been negligible impact of COVID-19 on the trading position of the Company and this is expected to continue in the future. Employees are seamlessly working from home where required and no staff have been furloughed.

Accordingly, the directors continue to adopt the going concern basis of accounting in preparing the interim accounts.

2. Segmental reporting

Management currently identifies one operating segment in the Company under IFRS 8, being the facilitating of mobile payments and messaging. However the Directors monitor results and performance based upon the gross profit generated from the service lines as follows:

	Half year to 31 December 2020 £'000	Half year to 31 December 2019 £'000	Year to 30 June 2020 (Restated) £'000
Mobile payments	4,944	4,023	8,297
Mobile messaging	508	449	1,027
Managed services	380	328	664
Gross profit	**5,832**	**4,800**	**9,988**

3. Revenue

The Company disaggregates revenue between the different streams as this is intended to show its nature and amount.

The total revenue of the Company has been derived from its principal activity wholly undertaken in the United Kingdom. Revenue is recognised at the point in time of each transaction when the economic benefit is received.

The total revenue of the Company by service line is as follows:

	Half year to 31 December 2020 £'000	Half-year to 31 December 2019 £'000	Year to 30 June 2020 (Restated) £'000
Mobile payments	19,651	14,834	29,747
Mobile messaging	4,171	4,168	8,867
Managed services	786	731	1,447
Total income	**24,608**	**19,733**	**40,061**

In each of three periods, the number of customers that represented more than 10% of revenue were as follows: Half year to 31 December 2020: 2, half year to 31 December 2019: 3 and year to 30 June 2020: 3.

4. Share options and share-based payment charge

The Company granted share options to Ed Spurrier and certain employees on admission to AIM. In total, options have been granted over 1,310,000 ordinary shares in the Company, representing 1.3% of the existing share capital of the Company, with a strike price of £0.90 per share, which corresponds to the price at which shares were sold at the placing which coincided with the admission.

The share based payment charge has been calculated using the Black-Scholes model and represents the charge for the period from admission to 31st December 2020.

5. Earnings per share

The basic earnings per share calculation is the same as for the fully diluted earnings per share position, as there are no potentially dilutive instruments.

	Half year to 31 December 2020 £'000	Half year to 31 December 2019 £'000	Year to 30 June 2020 (Restated) £'000
Basic calculation			
Earnings used in calculation of earnings per share	2,730	2,801	6,019
	Number	Number	Number
Weighted average number of shares in issue	100,000,000	97,417,025	98,712,690
Basic and diluted earnings per share	**2.7p**	**2.9p**	**6.1p**
Adjusted basic and diluted earnings per share	**3.6p**	**2.9p**	**6.1p**

The adjusted basic and diluted earnings per share have been calculated on the basis of excluding the costs involved in the AIM admission and the share based payments expense.

6. Dividends

	Half year to 31 December 2020	Half year to 31 December 2019	Year to 30 June 2020 (Restated)
	£'000	£'000	£'000
Interim paid	1,643	2,517	6,052
Dividend per share	1.6p	2.6p	6.1p

The interim dividend of £1,642,867 paid in the period ended 31 December 2020 was paid to shareholders on the register in August 2020 before the Company was admitted to AIM. A further interim dividend for the current year, being the maiden dividend since admission, of £1,700,000 (representing a payment of 1.7 pence per share).

7. Share capital

	31 December 2020 Number	31 December 2019 Number	30 June 2020 Number
Ordinary shares of £0.001 each	100,000,000		
A Ordinary shares at 0.00001p each		4,028,133	4,028,133
B Ordinary shares at 0.00001p each		448,333	448,333
		4,476,466	**4,476,466**

	31 December 2020 £	31 December 2019 £	30 June 2020 £
Allotted, called up and fully paid			
Ordinary shares of £0.001 each	100,000		
A Ordinary shares at 0.00001p each		40	40
B Ordinary shares at 0.00001p each		5	5
	100,000	**45**	**45**

During the year ended 30 June 2020 301,300 B shares were issued for a total consideration of £273,831.

As at the year ended 30 June 2020 £273,826 was unpaid in respect of this share issue - which is included in trade and other receivables. These monies were received in October 2020.

Share rights
The A Ordinary shares have attached to them full voting, dividend and capital distribution rights - including on a winding up. They do not confer any right of redemption.

The B Ordinary shares have attached to them full dividend and capital distribution rights - including on a winding up. They do not confer any voting rights or rights of redemption.

Share premium
The share premium reserve reflects the excess over nominal value arising on the issue of B Ordinary shares.

Retained earnings reserve
The retained earnings reserve represents the accumulated profits of the Company that are available for distribution to members.

IPO reorganisation
As at 30 June 2020 the issued share capital of the Company comprised 4,028,133 A ordinary shares of £0.00001 each (“A Shares”) and 448,333 B ordinary shares of £0.0001 each (“B Shares”).
In connection with admission, the Company undertook a number of steps to reorganise its share capital as follows:

1. On 23 September 2020, £99,955.24 of the available £505,329.00 of the Company’s share premium account was capitalised through the issue of bonus A Shares and B

Shares, issued to existing shareholders pro rata to their holdings of A Shares and/or B Shares. The capitalisation resulted in an issued share capital of 8,998,466,648 A Shares and 1,001,533,352 B Shares.

2. On 23 September 2020, the 8,998,466,648 A Shares and 1,001,533,352 B Shares in issue were consolidated into 89,984,666 A ordinary shares of £0.001 each and 10,015,334 B ordinary shares of £0.001 each in the capital of the Company.

3. Immediately prior to admission taking place, the A Shares and B Shares were re-designated as Ordinary Shares on the basis of one Ordinary Share per A Share or B Share then in issue.

4. Following the pre-IPO reorganisation, the issued share capital of the Company as at 12th October 2020 comprised 100,000,000 ordinary shares of £0.001 each.

8. Adoption of and conversion to IFRS

Impact on statement of comprehensive income

The impact of the adjustments on the statement of comprehensive income is as follows:

	FRS 102 year to 30 June 2020 £'000	Revenue recognition adjustment £'000	IFRS year to 30 June 2020 £'000
Revenue	113,341	(73,280)	40,061
Cost of sales	(103,353)	73,280	(30,073)
Gross profit	**9,988**		**9,988**
Administrative costs	(2,783)	(27)	(2,810)
Other operating income	0	31	31
Operating profit	**7,205**	**4**	**7,209**
Financial expense	0	(4)	(4)
Financial income	49		49
Profit before tax expense	**7,254**		**7,254**
Income tax expense	(1,235)		(1,235)
Profit and total comprehensive income	**6,019**		**6,019**

Impact on statement of financial position

The impact of adopting IFRS 16 on the statement of financial position was to reflect the right of use asset and corresponding liability as follows:

Statement of net assets	FRS 102 30 June 2020 £'000	IFRS 16 revision £'000	IFRS at 30 June 2020 £'000
Non-current assets			
Intangible asset	684		684
Right to use asset	0	41	41
Tangible assets	33		33
Total non-current assets	**717**	**41**	**758**
Current assets			
Trade and other receivables	21,148		21,148
Cash and cash equivalent	28,618		28,618
Total current assets	**49,766**		**49,766**
Total assets	**50,483**	**41**	**50,524**
Equity and liabilities			
Equity			
Share capital	0		0
Share premium account	779		779
Retained earnings	1,654		1,654
Total equity	**2,433**		**2,433**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	92		92
Lease liabilities	0		0
Total non-current liabilities	**92**		**92**
Current liabilities			
Trade and other payables	47,958		47,958
Lease liabilities	0	41	41
Total current liabilities	**47,958**	**41**	**47,999**
Total liabilities	**48,050**	**41**	**48,091**
Total equity and liabilities	**50,483**	**41**	**50,524**

Impact on statement of cash flows

The IFRS 16 impact on the statement of cash flows is the reallocation and re-categorisation of expenditure that does not impact on cash generated for any period. There is no impact on the statement of cash flows for any period resulting from the revenue recognition adjustment.

The impact on the statement of cash flows is as follows:

	FRS 102 year to 30 June 2020 £'000	IFRS 16 revision £'000	IFRS year to 30 June 2020 £'000
Cash flows from operating activities			
Profit after tax	**6,019**		**6,019**
Taxation charge	1,235		1,235
Amortisation	311		311
Depreciation	13		13
Right of use amortisation	0	122	122
Profit on disposal of tangible assets	(16)		(16)
Interest receivable	(49)		(49)
Interest payable	0	4	4
(Increase) / decrease in trade and other receivables	2,775		2,775
Increase in trade and other payables	15,359		15,359
Cash generated from / (used in) operations	25,647	126	25,773
Corporation tax paid	(1,200)		(1,200)
Net cash generated from/(used in) operating activities	**24,447**	**126**	**24,573**
Cash flows from investing activities			
Interest received	49		49
Purchase of intangible assets	(454)		(454)
Proceeds from sale of tangible assets	23		23
Purchase of tangible assets	(39)		(39)
Net cash used in investing activities	**(421)**		**(421)**
Cash flows from financing activities			
Payment of principal lease liabilities	0	(122)	(122)
Interest paid on lease liabilities	0	(4)	(4)
Issue of shares	0		0
Dividends	(6,052)		(6,052)
Net cash used in financing activities	**(6,052)**	**(126)**	**(6,178)**
Net (decrease) / increase in cash and cash equivalents	17,974		17,974
Cash at bank at beginning of year	10,644		10,644
Cash at bank at end of year	**28,618**		**28,618**